

**MLC FOUNDATION (INC)
SPECIAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2019**

MLC FOUNDATION (INC)

SPECIAL PURPOSE FINANCIAL REPORT

FOR THE YEAR ENDED 31 December 2019

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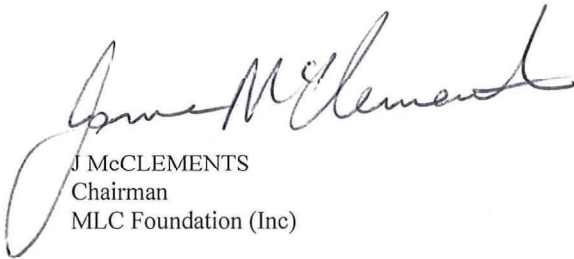
MLC FOUNDATION (INC)

DECLARATION BY THE BOARD

In the opinion of the Board of MLC Foundation (Inc) ("the Foundation"):

- a) As stated in Note 1 to the financial statements, in the Board's opinion, the Foundation is not a reporting entity because there are no users dependent on general purpose financial statements. This is a special purpose financial report that has been prepared in order to meet the requirements of the *Associations Incorporation Act 2015* and the *Australian Charities and Not-for-profit Commission 2012*;
- b) The financial statements and notes that are set out in pages 7 to 16 are in accordance with the constitution, the *Associations Incorporation Act 2015*, and the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act); including:
 - (i) Giving a true and fair view of the Foundation's financial position as at 31 December 2019 and of its performance, for the financial year ended on that date; and
 - (ii) Complying with Australia Accounting Standards to the extent described in Note 1 and the *Australian Charities and Not-for-Profits Commission Regulation 2013*; and the *Associations Incorporation Regulations 2016*; and
- c) There are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of the Board in accordance with the resolution of the Board.


J McCLEMENTS
Chairman
MLC Foundation (Inc)


R A HASELGROVE
Director of Corporate Services
MLC Foundation (Inc)

18th June 2020
Claremont, Western Australia

18th June 2020
Claremont, Western Australia

AUDITOR'S INDEPENDENCE DECLARATION

We declare that, to the best of our knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit of the financial report of MLC Foundation (Inc) for the year ended 31 December 2019.

Perth, Western Australia
18 June 2020


D I Buckley
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

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INDEPENDENT AUDITOR'S REPORT

To the Board of MLC Foundation (Inc)

Opinion

We have audited the financial report of MLC Foundation (Inc) ("the Foundation"), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the Board.

In our opinion, the accompanying financial report of the Foundation has been prepared in accordance with Part 5 of the *Associations Incorporation Act 2015* and Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* including:

- a) giving a true and fair view of the Foundation's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards to the extent described in Note 1, the *Associations Incorporation Regulation 2016* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Foundation in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the financial reporting responsibilities under the *Associations Incorporation Act 2015* and the *Australian Charities and Not-for-profits Commission Act 2012*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of management and the Board for the financial report

Management is responsible for the preparation of the special purpose financial report that gives a true and fair view in accordance with the relevant Australian Accounting Standards in accordance with the *Associations Incorporation Act 2015*, the *Associations Incorporation Regulation 2016*, the *Australian Charities and Not-for Profits Commission Regulations 2013* and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

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In preparing the special purpose financial report, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

The Board is responsible for overseeing the Foundation's financial reporting process.

Auditor's responsibilities for the audit of the financial report

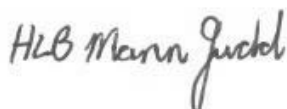
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
18 June 2020



D I Buckley
Partner

MLC FOUNDATION (INC)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | <i>Note</i> | <i>2019</i> \$ | <i>2018</i> \$ |
|---|-------------|-------------------|-------------------|
| Revenue from ordinary activities | 2 | 1,037,673 | 1,209,362 |
| Other expenses | | (321,784) | (387,672) |
| | | <hr/> | <hr/> |
| Surplus prior to transactions with Methodist Ladies' College | | 715,889 | 821,690 |
| Donations to MLC support groups | | (10,000) | (100,075) |
| Donations to Methodist Ladies' College | | (1,137,590) | (255,294) |
| | | <hr/> | <hr/> |
| Net surplus/(deficit) for the year | | (431,701) | 466,321 |
| Other comprehensive income: | | | |
| Net change in fair value of equity investments designated as at FVOCI | | 169,971 | (269,590) |
| | | <hr/> | <hr/> |
| Total comprehensive result for the year | | (261,730) | 196,731 |
| | | <hr/> | <hr/> |

MLC FOUNDATION (INC)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

| | <i>Note</i> | <i>2019</i> | <i>2018</i> |
|----------------------------------|-------------|------------------|------------------|
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash & cash equivalents | 3 | 669,271 | 579,686 |
| Other assets | | 14,608 | - |
| TOTAL CURRENT ASSETS | | <u>683,879</u> | <u>579,686</u> |
| NON CURRENT ASSETS | | | |
| Financial assets | 6 | 2,578,740 | 2,846,065 |
| TOTAL NON CURRENT ASSETS | | <u>2,578,740</u> | <u>2,846,065</u> |
| TOTAL ASSETS | | <u>3,262,619</u> | <u>3,425,751</u> |
| CURRENT LIABILITES | | | |
| Trade and other payables | 8 | 98,598 | - |
| TOTAL CURRENT LIABILITIES | | <u>98,598</u> | <u>-</u> |
| TOTAL LIABILITIES | | <u>98,598</u> | <u>-</u> |
| NET ASSETS | | <u>3,164,021</u> | <u>3,425,751</u> |
| EQUITY | | | |
| Accumulated funds | | 3,116,163 | 3,547,864 |
| Reserves | 4 | 47,858 | (122,113) |
| TOTAL EQUITY | | <u>3,164,021</u> | <u>3,425,751</u> |

The accompanying notes form part of these financial statements.

MLC FOUNDATION (INC)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | <i>Note</i> | <i>2019</i> \$ <i>Inflows</i> <i>(Outflows)</i> | <i>2018</i> \$ <i>Inflows</i> <i>(Outflows)</i> |
|--|-------------|--|--|
| Cash flows from operating activities | | | |
| Other donations | | 588,671 | 473,552 |
| Other income | | 395,460 | 642,268 |
| Interest received | | 2,054 | 4,642 |
| Imputation credits received | | 18,564 | 17,641 |
| Payments to suppliers and employees | | (236,396) | (387,672) |
| Donations to MLC support groups | | (10,000) | (100,075) |
| Donations to Methodist Ladies' College | | (1,137,590) | (330,294) |
| Net cash (outflow)/inflow from operating activities | 7 | (379,237) | 320,062 |
| Cash flows from investing activities | | | |
| Proceeds from sale of investments | | 468,822 | - |
| Purchases of investments | | - | (270,000) |
| Net cash inflow/(outflow) from investing activities | | 468,822 | (270,000) |
| Net increase in cash held | | 89,585 | 50,062 |
| Cash at the beginning of the financial year | | 579,686 | 529,624 |
| Cash at the end of the financial year | 3 | 669,271 | 579,686 |

The accompanying notes form part of these financial statements.

MLC FOUNDATION (INC)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | <i>Accumulated Funds</i> | <i>Reserves</i> | <i>Total</i> |
|--|------------------------------|-----------------|--------------|
| BALANCE 31 DECEMBER 2017 | 3,081,543 | 147,477 | 3,229,020 |
| Net surplus for the year | 466,321 | - | 466,321 |
| Net change in fair value of equity instruments (restated) | - | (269,590) | (269,590) |
| Total comprehensive result for the year | 466,321 | (269,590) | 196,731 |
| BALANCE 31 DECEMBER 2018 | 3,547,864 | (122,113) | 3,425,751 |
| Net deficit for the year | (431,701) | - | (431,701) |
| Net change in fair value of equity instruments | - | 169,971 | 169,971 |
| Total comprehensive result for the year | (431,701) | 169,971 | (261,730) |
| BALANCE 31 DECEMBER 2019 | 3,116,163 | 47,858 | 3,164,021 |

MLC FOUNDATION (INC)

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are special purpose financial statements prepared in order to meet the requirements of the members of MLC Foundation (Inc) ("the Foundation") and the *Associations Incorporation Act 2015*. The special purpose financial statements have also been prepared in accordance with the requirements of *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act). The Foundation has prepared the financial statements on the basis it is not publicly accountable and is a non-reporting entity because there are no users dependent on general purpose financial statements. The Board has determined that the Foundation is not a reporting entity. The Foundation is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The Foundation was incorporated on 20 June 1988 in Western Australia. Its primary purpose is to provide for the advancement of education of girls in Western Australia by promoting and providing financial support for education at Methodist Ladies' College.

The financial report has been prepared on an accrual basis and is based on historical costs, unless otherwise stated in the notes.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below. Such accounting policies are consistent with prior periods unless stated otherwise.

a) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand, deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

b) Financial Assets

Equity investments designated as at fair value through other comprehensive income (FVOCI)

On initial recognition, as long as the equity instrument is not held for trading, the Foundation may make an irrevocable election (on an instrument-by instrument basis) to designate investments in equity instruments as at FVOCI.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Foundation manages together and has evidence of a recent actual pattern of short-term profit-taking.

Investments in equity instruments as at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the asset revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to accumulated funds. Dividends on these investments in equity instruments are recognised in profit or loss in accordance with AASB 9, unless the dividends clearly represent a recovery of part of the cost of the investment. The Foundation has designated all investments in equity instruments that are not held for trading as at FVOCI under AASB 9. Equity instruments as at FVOCI are not subject to an impairment assessment.

The Foundation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Derecognition of an investment in equity instrument which the Foundation has elected on initial recognition to measure as at FVOCI, the cumulative gain or loss previously accumulated in the asset revaluation reserve is not reclassified to profit or loss but is transferred to accumulated funds.

MLC FOUNDATION (INC)

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c) Revenue

Applicable for 31 December 2019

Revenue accounted under AASB 15 *Revenue from Contracts with Customers* is recognised based on the delivery of performance obligations and on assessment of when control is transferred. Revenue is recognised either when the performance obligation has been performed ('point in time' recognition) or as control of the performance obligation is transferred ('over time' recognition).

The transaction price is the amount to which the Foundation expects to be entitled and has rights to under the contract, net of any discounts. Once a transaction price is determined, it is allocated to the identified performance obligations and revenue is recognised when (or as) those performance obligations are satisfied.

Contract assets for consideration received in arrears for satisfied performance obligations and contract liabilities for consideration received in advance of unsatisfied performance obligations are recognised on the statement of financial position.

Revenue with no performance obligations is recognised in accordance with AASB 1058 *Income of Not-for-Profit Entities* and arises mainly from donations. Donation income is recognised when the Foundation obtains control over the funds, which is generally at the time of receipt.

Interest revenue is recognised using the effective interest method.

Applicable for 31 December 2018

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised using the effective interest method.

Donation income is recognised when the entity obtains control over the funds, which is generally at the time of receipt.

d) Income Tax

The Foundation is exempt from income tax under Subdivision 50-B of the Income Tax Assessment Act (1997).

e) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred are not recoverable from the Australian Tax Office (ATO). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST Recoverable from, or payable to, the ATO is included with other receivables or payable in the statement of financial position.

f) Other Payables

Other payables are recognised when the Foundation becomes obliged to make future payments resulting from the purchase of goods and services.

g) Critical Accounting Estimates and Judgments

The Board members evaluate estimates and judgement incorporated into the financial report based on historical knowledge and best available current information.

Estimates assume reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Foundation.

MLC FOUNDATION (INC)

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

h) Adoption of New and Revised Standards

In the year ended 31 December 2019, the Board has reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Foundation and effective for the current reporting periods beginning on or after 1 January 2019.

As a result of this review, the Foundation has adopted the following accounting standards with a date of initial application of 1 January 2019:

- AASB 15 *Revenue from Contracts with Customers*;
- AASB 1058 *Income of Not-for-Profit Entities*; and
- AASB 16 *Leases*

As a result of adoption, the Foundation has changed its accounting policy for revenue (refer Note 1(c)).

The Board has determined that there is no impact, material or otherwise, upon the financial statements on adoption of the new accounting standards.

The Foundation has adopted the new accounting standards using the modified retrospective method of adoption with the effect of initially applying these new standards recognised at the date of initial application, being 1 January 2019. Accordingly, the information presented for 31 December 2018 has not been restated.

Standards and Interpretations in issue not yet adopted

The Board has also reviewed all the new and revised Standards and Interpretations in issue not yet adopted for the year ended 31 December 2019. The Board has determined that there is no material impact of the new and revised Standards and Interpretations on the Foundation and therefore, no material change is necessary to Foundation accounting policies.

MLC FOUNDATION (INC)

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | <i>2019</i> | <i>2018</i> |
|---------------------------------------|------------------|------------------|
| | \$ | \$ |
| 2. OPERATING REVENUE | | |
| Interest received | 2,054 | 4,642 |
| Unit trust distributions | 32,924 | 146,260 |
| Donations | 588,671 | 398,552 |
| Imputation tax credits | 18,564 | 17,641 |
| Foundation levy | 351,925 | 325,027 |
| Fundraising revenue | 43,535 | 317,240 |
| | <u>1,037,673</u> | <u>1,209,362</u> |
| 3. CASH & CASH EQUIVALENTS | | |
| Cash at bank and on hand | <u>669,271</u> | <u>579,686</u> |
| 4. RESERVES | | |
| Asset revaluation reserve | <u>47,858</u> | <u>(122,113)</u> |
| 5. AUDITORS' REMUNERATION | | |
| Audit of the financial report | <u>6,150</u> | <u>6,050</u> |

MLC FOUNDATION (INC)

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| 6. FINANCIAL ASSETS – EQUITY INVESTMENTS DESIGNATED AS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME | 2019 \$ | 2018 \$ |
|---|------------|------------|
|---|------------|------------|

| | | |
|-----------------------------|-----------|-----------|
| Investments - at fair value | 2,578,740 | 2,846,065 |
|-----------------------------|-----------|-----------|

Market Value of Unit Trusts:

| | <i>Cost base</i> \$ | <i>Market Value</i> \$ | <i>Reserve Unrealised (gain)/loss</i> \$ |
|---|------------------------|---------------------------|---|
| 2019 | | | |
| NWQ Fiduciary Fund – Scholarship Fund SAS | 493,523 | 504,639 | (11,116) |
| NWQ Fiduciary Fund – Scholarship Fund General | 955,480 | 979,744 | (24,264) |
| NWQ Fiduciary Fund – Building Fund | - | - | - |
| NWQ Fiduciary Fund – Endowment Fund | 1,081,879 | 1,094,357 | (12,478) |
| | 2,530,882 | 2,578,740 | (47,858) |
| 2018 | | | |
| NWQ Fiduciary Fund – Scholarship Fund SAS | 488,095 | 469,302 | 18,793 |
| NWQ Fiduciary Fund – Scholarship Fund General | 944,941 | 911,138 | 33,803 |
| NWQ Fiduciary Fund – Building Fund | 163,432 | 161,288 | 2,144 |
| NWQ Fiduciary Fund – Endowment Fund | 1,371,710 | 1,304,337 | 67,373 |
| | 2,968,178 | 2,846,065 | 122,113 |

- a) Investments in equity instruments are held for medium to long term planned purposes and are not held for trading. The Foundation elected to designate investments in equity investments as at fair value through other comprehensive income and is aligned with the investment strategy. Investments are transferrable into cash within 30 days.
- b) During the financial year, the increase in equity investment of \$169,791 has been taken to reserves (FY2018: decrease \$269,590).

MLC FOUNDATION (INC)

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. RECONCILIATION OF RESULT FROM ORDINARY
ACTIVITIES FOR THE YEAR TO NET CASH OUTFLOW
FROM OPERATING ACTIVITIES

| | <i>2019</i> <i>INFLOWS/ (OUTFLOWS)</i> \$ | <i>2018</i> <i>INFLOWS/ (OUTFLOWS)</i> \$ |
|--|---|---|
| Net surplus/(deficit) for the year | (431,701) | 466,321 |
| Distributions reinvested | (32,924) | (146,259) |
| Other expenses | 1,398 | |
| Non-cash items: | | |
| Decrease/(increase) in other receivables | (14,608) | - |
| (Decrease)/increase in other liabilities | 98,598 | - |
| Net cash inflow/(outflow) from operating activities | (379,237) | 320,062 |

8. TRADE AND OTHER PAYALBES

| | <i>2019</i> \$ | <i>2018</i> \$ |
|---|-------------------|-------------------|
| Amount payable to Methodist Ladies' College | 98,598 | - |