



ABN 12 345 678 901

Annual Report - 30 June 2019

**Melbourne City Mission
Directors' report
30 June 2019**

Your Directors submit their report for the year ended 30 June 2019.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period, unless otherwise stated.

Di McDonald (Chair)	
Catherine McGovern	Resigned November 2018
John Jeffreys	
Caitlin MacLeod	Resigned June 2019
Paul Scroope	
Leonie Boxel (Deputy Chair)	
Joe Carbone	
Jonathan Mortimer	
Marion Hemphill	Appointed August 2018

Information on directors

Name: Di McDonald (Chair)
 Title: A member of the Board since 2011; appointed Chair, January 2016.
 Qualifications: B.App.Sc, Grad. Dip. Education, Grad. Dip. Rehabilitation, Grad. Dip. Bus. Mgt., M.Mgt. (Organisational Systems), MAICD.
 Experience and expertise: Di has an extensive background and formal qualifications in business development and management in the occupational health, disability and human resources fields. She has over 25 years of demonstrated leadership in senior roles including at Managing Director and CEO level in NFP, privately owned and publicly listed organisations, as well as Executive and Non-executive positions on Boards and Advisory Boards. Currently Di is Chair of the recently formed NFP Law and Advocacy Centre for Women (LACW); sits on the Advisory Board for Psychology Melbourne and is a member of the Institute of Company Directors, and the Cabrini Foundation Board. Di sees it as a privilege to be a member of the Melbourne City Mission Board and is highly committed to making opportunities accessible to those that are the most disadvantaged and at risk.

Name: Catherine McGovern
 Title: A member of the Board since 2010. Resigned November 2018.
 Qualifications: BEc (Hons), GAICD.
 Experience and expertise: Catherine has nearly twenty years' experience in the health service and social policy environment, both in Australia and Europe. Prior to working in health, Catherine's experience was in merchant banking and she was also a ministerial adviser in the Howard Government. Catherine is Principal of Evaluate Consulting, consulting in health, social policy and economics. She is a graduate member of the Australian Institute of Company Directors and a member of Medicines Australia's Advisory Council.
 Special responsibilities: Chair of the Board Quality Safety & Risk Committee and Member of the Nominations and Remuneration Committee. (Resigned November 2018)

Name: John Jeffreys
Title: A member of the Board since 2013.
Qualifications: FCPA, GAICD.
Experience and expertise: John is an experienced senior Finance Executive and Company Director having worked in the mining, service and manufacturing industries. John is a graduate of the Institute of Company Directors. He is married with two children and enjoys spending time with his two grandchildren and sport – in particular, cricket and football – supporting Richmond in the AFL. John has been actively involved in community activities including the Lord's Taverners, Candlelight Productions, and formerly The Jean Hailes Foundation and is looking to continue making a positive contribution to Melbourne City Mission.

Special responsibilities: Chair of the Board Nominations & Remuneration Committee (resigned November 2018), and Member of the Board Finance Investment & Audit Committee.

Name: Caitlin MacLeod
Title: A member of the Board since November 2013; resigned June 2019
Qualifications: BA (Hons), LLB, MSC, GDLP.
Experience and expertise: Caitlin has extensive experience in financial regulation in the UK, Australia and Africa, and currently consults to firms in the financial services industry in the areas of strategy, risk management and regulatory compliance. She also co-founded Pivot, an ed-tech company currently used by over 500 Australian schools. Caitlin's previous experience is as a commonwealth public servant in the Department of Finance and Administration and the Department of the Prime Minister and Cabinet. She has over 15 years Board experience and is a past Chair of the YWCA (ACT). Caitlin returned from maternity leave to the MCM board in May 2018.

Special responsibilities: Member of the Board Finance Investment & Audit Committee (resigned November 2018); Chair of the Nominations & Remuneration Cttee, (Dec 2018-May 2019)

Name: Paul Scroope
Title: A member of the Board since 29 October 2014.
Qualifications: B. Bus. Accounting, Grad. Dip. Business Management, Masters Organisational Systems, FCPA, MAICD.
Experience and expertise: Paul is an experienced board member and a senior finance executive with over 25 years' experience in the commercial and not-for-profit sectors including executive positions with the Australian Red Cross, the CSIRO, Fujitsu Australia and Therapeutic Innovations Australia. He is a board member of the Hester Hornbrook Academy and the CTx Cancer Therapeutics and acts as board advisory to other organisations

Special responsibilities: Chair of the Board Finance Investment & Audit Committee.

Name: Leonie Boxtel (Deputy Chair)
Title: A member of the Board since October 2014; appointed Deputy Chair November 2018.
Qualifications: B Arts (Hons), M. Bus. (Marketing), MAICD.
Experience and expertise: Leonie has extensive experience in stakeholder relations, strategy development, marketing and communications in Australia and in the Asian region. She has worked in executive and senior management roles with the Australia-Japan Foundation, the University of Melbourne and Monash University, and was a member of the leadership team that delivered one of Australia's first major higher education philanthropic campaigns. Leonie is currently Director of Philanthropy and Alumni for RMIT. She is a former Board member of the International Women's Development Agency and has a long-standing interest in education, and the philanthropic sector. She is married, with two bilingual children.

Special responsibilities: Chair of the Nominations & Remuneration Committee

Name: Joe Carbone
Title: A member of the Board since 28 June 2017.
Qualifications: BHA (Health Administration), GAICD.
Experience and expertise: Joe is an experienced Chief Executive and Independent Advisor who has held senior leadership posts across 3 industry sectors (Health Care, Local Government and Retail/Manufacturing). He has worked extensively with Boards and multi-disciplinary professionals in large complex service organisations and innovative commercial enterprises. Joe has valuable insights on innovative leadership and diverse stakeholder engagement. His leadership focus across a career spanning over 36 years has been around empowering organisations to chase innovation and continuous improvement in the context of value creation for stakeholders and consumers. Joe is a Graduate Member of the Australian Institute of Company Directors and holds a Bachelor of Health Administration (University of NSW).
Special responsibilities: Chair of the Board Quality, Safety & Risk Committee; Member Nominations & Remuneration Committee

Name: Jonathan Mortimer
Title: A member of the Board since June 2018
Experience and expertise: Jonathan is a Director at a professional services firm in Melbourne, specialising in taxation. He has previously been the Head of Risk for a large Australian superannuation fund. He is a former member of the Board Quality Committee and Clinical Quality Committee at the Royal Victorian Eye and Ear Hospital. Jonathan is admitted to legal practice in Australia and called to the bar of England and Wales. Jonathan holds a Master of Public Policy from the Australian National University and a Master of Law from the University of Cambridge.
Special responsibilities: Member of the Board Finance, Investment & Audit Committee; Member of the Board Quality, Safety & Risk Committee.

Name: Marion Hemphill
Title: A member of the Board since August 2018
Qualifications: LLB (Hons)
Experience and expertise: Marion has more than 20 years' experience as a corporate lawyer. Marion is currently General Counsel and Chief Privacy Officer at the Australian Red Cross Blood Service. She has also held senior roles in large law firms in Australia, London and New Zealand and was Counsel to the New Zealand Takeover Panel. Her professional experience has included commercial negotiations, governance, compliance and government relations. Marion is a proponent of focusing on compliance, risk and ethics as a fundamental step to achieving strategic goals. Marion has an LLB (Hons) from Victoria University of Wellington.
Special responsibilities: Member of the Quality, Safety & Risk Committee

Company secretary

Jacquie Scales

CGIA

Company Secretary appointed 30 August 2017

Jacquie brings extensive experience to the role, having supported boards and senior executives in both the corporate and not-for-profit sectors for over 12 years; more recently as Company Secretary.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Board Finance Investment & Audit		Board Quality, Safety & Risk Committee		Board Nominations & Remuneration Committee	
	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Held
Caitlin MacLeod	7	10	1	1	-	-	-	-
Catherine McGovern	3	4	-	-	2	2	1	1
Di McDonald	11	11	3	6	2	5	3	4
John Jeffreys	10	11	6	6	1	1	1	1
Leonie Boxtel	10	11	-	-	-	-	4	4
Paul Scroope	11	11	6	6	1	1	-	-
Joe Carbone	9	11	2	3	5	5	3	3
John Mortimer	10	11	3	4	3	4	-	-
Marion Hemphill	8	9	-	-	3	4	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Objectives

Melbourne City Mission exists so that people can lead positive lives - their best future, their way. We work with people at risk of poor outcomes. Our innovative services prevent and disrupt progression to greater and different forms of disadvantage throughout people's lives. In a rapidly changing environment for the not for profit sector, our organisation is guided by our five year strategy (2017-2022).

Our short term objectives include:

- Opened in 2017, off the back of MCM's community education programs, The Hester Hornbrook Academy is delivering quality education programs in a high support flexible learning environment. With 200 students who have overcome historical barriers to their education progress now actively working towards their VCAL, the Academy is proud of what it has achieved in two years, and excited about the potential in the next five years.
- Transforming our disability services and enhancing our capabilities to respond to the implementation of the NDIS.
- Delivering our innovative new model of Youth Refuge to address the complex needs of an extremely disadvantaged group of young people not currently serviced by the homelessness system or other inter-related systems.
- Establishing pre-and post release services at the new Ravenhall prison so that people exiting the justice system are supported in securing housing, education and employment to reconnect with their communities.

Our longer term strategic goals include:

- Maximising our impact: We will grow our services to respond to areas of unmet community need.
- Profit for Purpose: We will ensure we create a financially sustainable business able to respond to marketisation of social services.
- Innovation: We will create new disruptive models that improve the lives of people at risk of poor outcomes.

MCM creates an overarching business plan to manage and monitor our annual objectives, the CEO and managers have a set of Key Performance Indicators to work towards that are regularly reported against and assessed.

Principal activities

The principal activities of Melbourne City Mission during the course of the financial year were:

- Home and Residential Care based Palliative Care;
- Disability Services;
- Employment, Education and Early Years; and
- Homelessness and Justice Programs.

There was no significant change in the nature of the principal activities during the financial year.

OPERATING RESULTS

Dividends

Melbourne City Mission is a company limited by guarantee. As such, it has no issued capital and does not pay a dividend.

Events Subsequent to Balance Date

There have been no events that have occurred subsequent to year-end that require disclosure in the financial statements.

State of Affairs

No significant changes in the company's underlying activities have occurred during the financial year.

Future Developments

Melbourne City Mission will embark on a growth strategy across Victoria, focused on supporting those experiencing, or at imminent risk of, the most severe disadvantage.

Environmental Issues

Melbourne City Mission has determined that there are no significant environmental regulations that apply to its operations.

Directors' Benefits

No Director of Melbourne City Mission has received any remuneration or other benefit by way of contract with Melbourne City Mission either directly or via related corporations in which they have a substantial financial interest.

Indemnity and Insurance Of Directors and Auditors

During the financial year, the Department of Human Services met all the costs of insuring all Directors, past and present, against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in the capacity of Director of Melbourne City Mission.

Risk Management

The Board takes a proactive approach to risk management. The Board is responsible for ensuring that risks and opportunities are identified on a timely basis and that the company's objectives and activities are aligned with the risks and opportunities identified by the Board.

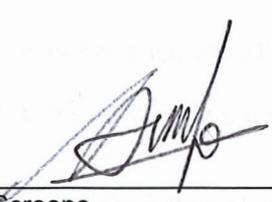
Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under the Australian Charities and Not-for-Profits Commission Act 2012 is set out in this report.

This report is made in accordance with a resolution of the board;



Di McDonald
Chairperson



Paul Scroope
Director

30 October 2019

Auditor's Independence Declaration under S 60-40 of the Australian Charities and Not-for-profits Commission Act 2012 to the Directors of Melbourne City Mission

I declare that, to the best of my knowledge and belief during the year ended 30 June 2019 there have been:

- no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads 'William Buck'.

William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

A handwritten signature in blue ink that reads 'C.L. Siddles'.

C.L. Siddles

Director

Dated this 30th day of October, 2019

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Melbourne City Mission
Contents
30 June 2019



Statement of profit or loss and other comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12
Directors' declaration	24
Independent auditor's report to the members of Melbourne City Mission	25

General information

The financial statements cover Melbourne City Mission as a consolidated entity consisting of Melbourne City Mission and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Melbourne City Mission's functional and presentation currency.

Melbourne City Mission is a not-for-profit unlisted public company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 October 2019. The directors have the power to amend and reissue the financial statements.

Melbourne City Mission
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019



	Note	Consolidated	
		2019 \$	2018 \$
Revenue			
Total revenue	3	73,076,956	69,804,257
		<u>73,076,956</u>	<u>69,804,257</u>
Expenses			
Disability Services		(24,885,870)	(24,266,856)
Homelessness & Justice Services		(19,351,809)	(15,999,323)
Employment, Education and Early Years		(13,688,690)	(12,349,708)
Palliative Care Services		(4,917,140)	(4,294,516)
Corporate Administration		(13,657,825)	(12,642,884)
Fundraising and Public Information		(2,828,933)	(2,578,620)
Total expenses		<u>(79,330,267)</u>	<u>(72,131,907)</u>
Operating deficit		(6,253,311)	(2,327,650)
Capital Grants	3	3,150,000	1,219,304
Investment Revenue	3	1,648,977	1,240,578
Bequests	3	984,195	115,615
Capital Appeal	3	3,030,169	1,500,000
Write off of Non Current Assets		(72,944)	(994,473)
Net Profit on Sale of Non Current Assets	3	-	46,796
Net Profit on Sale of Investments	3	-	365,124
		<u>2,487,086</u>	<u>1,165,294</u>
Surplus for the year			
Other comprehensive income			
<i>Items that may not be reclassified subsequently to profit or loss</i>			
Gain/(Loss) on the revaluation of financial assets		(206,912)	1,262,203
Transferred realised gain to profit on sale of investments		-	(256,363)
Other comprehensive income for the year		<u>(206,912)</u>	<u>1,005,840</u>
Total comprehensive income for the year		<u>2,280,174</u>	<u>2,171,134</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Melbourne City Mission
Statement of financial position
As at 30 June 2019



	Note	Consolidated	
		2019	2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	5	10,039,100	11,126,567
Trade Receivables & Prepayments	6	5,964,331	6,020,526
Financial assets at fair value through other comprehensive income	7	20,681,275	22,608,704
Total current assets		<u>36,684,706</u>	<u>39,755,797</u>
Non-current assets			
Property, Plant and Equipment	8	19,802,321	11,592,685
Externally Funded Property, Plant and Equipment	9	280,855	299,218
Intangibles	10	2,592,978	1,324,465
Other	11	612,626	1,603,733
Total non-current assets		<u>23,288,780</u>	<u>14,820,101</u>
Total assets		<u>59,973,486</u>	<u>54,575,898</u>
Liabilities			
Current liabilities			
Trade and Other payables	12	6,681,721	6,140,123
Employee Benefits	13	5,148,042	4,815,876
Other Current Liabilities	14	8,808,989	6,681,003
Total current liabilities		<u>20,638,752</u>	<u>17,637,002</u>
Non-current liabilities			
Deferred Lease Liability	15	2,085,204	1,978,890
Employee Benefits	16	1,137,345	1,109,633
Capital Grants Liability	17	280,856	299,218
Total non-current liabilities		<u>3,503,405</u>	<u>3,387,741</u>
Total liabilities		<u>24,142,157</u>	<u>21,024,743</u>
Net assets		<u>35,831,329</u>	<u>33,551,155</u>
Equity			
Reserves	18	1,726,861	2,254,331
Retained surpluses		<u>34,104,468</u>	<u>31,296,824</u>
Total equity		<u>35,831,329</u>	<u>33,551,155</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Melbourne City Mission
Statement of changes in equity
For the year ended 30 June 2019



Consolidated	Capital Appeal Reserve \$	Financial Asset Reserve \$	Retained Surplus \$	Total equity \$
Balance at 1 July 2017	360,558	927,933	30,091,530	31,380,021
Surplus for the year	-	-	1,165,294	1,165,294
Other comprehensive income for the year	-	1,005,840	-	1,005,840
Total comprehensive income for the year	-	1,005,840	1,165,294	2,171,134
Transfer (to)/from reserve	(40,000)	-	40,000	-
Balance at 30 June 2018	<u>320,558</u>	<u>1,933,773</u>	<u>31,296,824</u>	<u>33,551,155</u>

Consolidated	Capital Appeal Reserve \$	Financial Asset Reserve \$	Retained Surplus \$	Total equity \$
Balance at 1 July 2018	320,558	1,933,773	31,296,824	33,551,155
Surplus for the year	-	-	2,487,086	2,487,086
Other comprehensive income for the year	-	(206,912)	-	(206,912)
Total comprehensive income for the year	-	(206,912)	2,487,086	2,280,174
Transfer (to)/from reserve	(320,558)	-	320,558	-
Balance at 30 June 2019	<u>-</u>	<u>1,726,861</u>	<u>34,104,468</u>	<u>35,831,329</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Melbourne City Mission
Statement of cash flows
For the year ended 30 June 2019



	Note	Consolidated	
		2019 \$	2018 \$
Cash flows from operating activities			
Government Subsidies and Grants Received		66,140,830	57,783,749
Payments to suppliers and employees (inclusive of GST)		(75,628,871)	(69,920,876)
Fees from Residents and Clients		4,757,003	5,966,548
Receipts from Customers		5,064,445	4,085,102
Capital Grants and Donations		5,829,272	5,840,276
		<u>6,162,679</u>	<u>3,754,799</u>
Dividends received		1,613,964	1,178,403
Interest received		167,102	114,114
		<u>7,943,745</u>	<u>5,047,316</u>
Net cash from operating activities			
Cash flows from investing activities			
Payments for investments		(14,453,353)	(2,940,788)
Payments for property, plant and equipment	8	(11,087,589)	(1,045,360)
Proceeds from disposal of investments		16,510,448	2,539,199
Proceeds from disposal of property, plant and equipment		-	281,315
		<u>(9,030,494)</u>	<u>(1,165,634)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Net cash from financing activities			
		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		(1,086,749)	3,881,682
Cash and cash equivalents at the beginning of the financial year		11,125,849	7,244,167
Cash and cash equivalents at the end of the financial year	5	<u>10,039,100</u>	<u>11,125,849</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Summary of Significant Accounting Policies

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), the Australian Charities and Not-for-profits Commission Act 2012 and associated regulations and the Corporations Act 2001, as appropriate for not-for profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Melbourne City Mission ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Melbourne City Mission and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 1. Summary of Significant Accounting Policies (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Revenue Recognition

Government Income

Income from the Government, which is of a recurrent or capital nature and is intended to fund the ongoing operations or asset acquisition of the Company is recognised in accordance with the principles set out in AASB 1004 'Contributions when Melbourne City Mission obtains control of the revenue or the right to receive the revenue.

Dividends and Imputation Credit

Dividends and Imputation Credit is taken into the Statement of Profit or Loss when declared.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Donation

Donations are recognised as income when the donations are received unless Melbourne City Mission has not met its specific obligations.

Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value. For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank, excluding resident and client cash, at-call deposits, term deposits with a maturity of 90 days or less, and which are subject to an insignificant risk of changes.

Trade Receivables and Prepayments

Trade receivables were recognised and carried at original value less an allowance for uncollectible amounts. Receivables from residents and clients are on 30-day terms. Collectability of trade receivables is reviewed on an ongoing basis.

Other Financial Assets

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Held to Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when Melbourne City Mission has the positive intention and ability to hold the financial asset to maturity. Investments intended to be held for an undefined period are not included in this classification. Held to maturity investments such as Bank Bills are valued at face value on acquisition date. Term Deposits are valued at cost. At maturity date, interest forms part of the principal amount and is reinvested for a determined term.

Note 1. Summary of Significant Accounting Policies (continued)

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Externally Funded Assets

Non-current assets which have been funded by specific purpose grants from Government Departments, and which may be required to be returned to the funding body in the event of the closure of that program, for which the funding was given, are accounted for separately from assets which are the property of Melbourne City Mission. These assets are disclosed as externally funded assets in the Statement of Financial Position. A Capital Grants Liability at an amount equal to the written down value of these assets, is classified as a liability owing to the funding provider.

Property, Plant and Equipment

Classes of Property, Plant and Equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line basis over the estimated useful life on all tangible assets including externally funded assets as follows:

Buildings	50 years
Building Development	20 years
Improvements & Renovations	10 years
Furniture & Fittings	10 years
Plant & Machinery, Computer Equipment	5 years
Motor Vehicles	3 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year-end.

Impairment

The carrying values of Plant and Equipment are reviewed for impairment at each reporting date, with recoverable amounts being estimated when events or changes in circumstances indicate that the carrying value may be impaired. An impairment may exist when the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of plant and equipment is the higher of fair value less costs to sell, and 'value in use'. When an impairment in value exists, the asset is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the Statement of Profit or Loss.

Payables and Other Creditors

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. These amounts, which are non-interest bearing, unsecured, and are generally settled in 30-day terms, are valued at cost.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 1. Summary of Significant Accounting Policies (continued)

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at the amounts expected to be paid when the liability is settled.

Provisions made in respect of long service leave, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience on employee departures and periods of service. Expected future payments are discounted using market yield at the reporting date based on government guaranteed securities, which have terms to maturity approximating to the terms of the related liability.

Employee benefit expenses and revenues arising in respect of the wages and salaries, annual leave, long service leave and the related on-costs (superannuation and workcover premium) are charged against profits on a net basis in their respective categories.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax Revenues, expenses and assets are recognised net of the amount of GST except receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the Australian Taxation Office.

Expense Classification and Treatment

Expenses are classified in the Statement of Profit or Loss based on the programs provided by Melbourne City Mission and include details of specific support functions, which underpin the delivery of quality services. Expenses are accounted for on an accrual basis.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Revenue

	Consolidated	
	2019	2018
	\$	\$
Local Government	605,318	665,318
State and Federal Government	46,989,931	48,837,901
Fees from Residents and Clients	4,844,661	5,517,231
Donations	631,972	2,854,202
Trusts	1,182,942	151,155
Sundry Revenue	5,084,940	4,074,005
Insurance Claim Income	20,597	26,743
National Disability Insurance Scheme	13,716,595	7,677,702
Revenue	<u>73,076,956</u>	<u>69,804,257</u>

	Consolidated	
	2019	2018
Other Revenue		
Net Profit on Sale of Non-current Assets	-	46,796
Net Profit on Sales of Investment	-	365,124
Capital Grants	3,150,000	1,219,304
Interest Revenue	153,104	91,800
Dividend Revenue	1,495,873	1,148,778
Bequests	984,195	115,615
Capital Appeal	3,030,169	1,500,000
Total	<u>8,813,341</u>	<u>4,487,417</u>

Note 4. Expenses

Operating (Deficit)/Surplus is arrived at after charging the following:

Note 4. Expenses (continued)

	Consolidated	
	2019	2018
	\$	\$
a) Depreciation and Amortisation		
Depreciation - Freehold Buildings	49,974	50,059
Depreciation - Improvements	853,236	916,827
Depreciation - Motor Vehicles	55,150	177,221
Depreciation - Fixtures, Plant and Equipment	137,532	115,138
Amortisation - Lease Incentive	55,572	45,456
Amortisation - Computer Software	392,939	277,958
	<u>1,544,403</u>	<u>1,582,659</u>

Total Depreciation and Amortisation

	Consolidated	
	2019	2018
b) Employee Benefits Expense		
Wages and Salaries	50,794,058	45,704,433
Workers' Compensation Costs	1,633,401	1,184,743
Superannuation Costs	4,358,458	3,970,249
Annual Leave Provision	(8,529)	323,595
Long Service Leave Provision	(189,490)	33,426
	<u>56,587,898</u>	<u>51,216,446</u>

Total Employee Benefits Expense

Note 5. Cash and cash equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash	3,043,585	3,202,315
Term Deposits	-	1,000,000
Deposits at Call	6,992,865	6,923,534
Residents and Clients	2,650	718
	<u>10,039,100</u>	<u>11,126,567</u>

Note 6. Trade Receivables & Prepayments

	Consolidated	
	2019	2018
	\$	\$
Trade receivables	1,405,172	2,299,458
Less: Allowance for expected credit losses	(190,118)	(190,118)
	<u>1,215,054</u>	<u>2,109,340</u>
Sundry Debtors	3,010,730	3,095,191
Security Bond	22,937	18,573
Other Prepayments	1,302,365	580,457
Dividend Imputation Credit	413,245	216,965
	<u>4,749,277</u>	<u>3,911,186</u>
	<u>5,964,331</u>	<u>6,020,526</u>

(i) Dividend Imputation Credit is non-interest bearing and is claimed annually from the Australian Taxation Office.

(ii) Trade Receivables are non-interest bearing and are generally settled on 30-day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

Note 7. Financial assets at fair value through other comprehensive income

	Consolidated	
	2019	2018
	\$	\$
Investment Portfolio - Listed Securities	<u>20,681,275</u>	<u>22,608,704</u>

Note 8. Property, Plant and Equipment

	Consolidated	
	2019	2018
	\$	\$
Land and buildings - at cost	5,052,917	4,295,774
Less: Accumulated depreciation	(1,159,759)	(1,142,588)
	<u>3,893,158</u>	<u>3,153,186</u>
Freehold improvements - at cost	20,011,062	11,769,196
Less: Accumulated depreciation	(4,576,424)	(4,000,601)
	<u>15,434,638</u>	<u>7,768,595</u>
Fixtures, Plant and Equipment- at cost	719,286	1,114,366
Less: Accumulated depreciation	(281,196)	(528,823)
	<u>438,090</u>	<u>585,543</u>
Motor vehicles - at cost	435,708	435,708
Less: Accumulated depreciation	(399,273)	(350,347)
	<u>36,435</u>	<u>85,361</u>
	<u>19,802,321</u>	<u>11,592,685</u>

Note 8. Property, Plant and Equipment

(continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Land \$	Buildings \$	Improvement/ Development \$	Fixtures, Plant and Equipment \$	Motor Vehicles \$	Total \$
Balance at 1 July 2018	2,399,750	753,436	7,768,595	585,543	85,361	11,592,685
Additions	779,200	-	8,333,231	314,751	-	9,427,182
Disposals	-	(1,402)	(48,020)	(23,522)	-	(72,944)
Transfers in/(out)	-	-	234,077	(301,150)	-	(67,073)
Depreciation expense	-	(37,826)	(853,245)	(137,532)	(48,926)	(1,077,529)
Balance at 30 June 2019	<u>3,178,950</u>	<u>714,208</u>	<u>15,434,638</u>	<u>438,090</u>	<u>36,435</u>	<u>19,802,321</u>

Note 9. Externally Funded Property, Plant and Equipment

	Consolidated	
	2019	2018
	\$	\$
Freehold Property - at cost	664,974	664,974
Less: Accumulated depreciation	(395,011)	(382,873)
	<u>269,963</u>	<u>282,101</u>
Fixtures and Fittings - at cost	-	10,256
Less: Accumulated depreciation	-	(10,256)
	<u>-</u>	<u>-</u>
Motor Vehicles - at cost	41,495	41,495
Less: Accumulated depreciation	(30,603)	(24,378)
	<u>10,892</u>	<u>17,117</u>
	<u>280,855</u>	<u>299,218</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Land \$	Buildings \$	Motor Vehicles \$	Total \$
Balance at 1 July 2018	58,071	224,030	17,117	299,218
Depreciation expense	-	(12,138)	(6,225)	(18,363)
Balance at 30 June 2019	<u>58,071</u>	<u>211,892</u>	<u>10,892</u>	<u>280,855</u>

Note 10. Intangibles

	Consolidated	
	2019	2018
	\$	\$
Lease Incentive - at cost	869,986	681,818
Less: Accumulated amortisation	(332,095)	(276,522)
	<u>537,891</u>	<u>405,296</u>
Computer Software - at cost	2,920,725	1,404,311
Less: Accumulated amortisation	(865,638)	(485,142)
	<u>2,055,087</u>	<u>919,169</u>
Computer Software - at cost (Externally Funded)	-	7,508
Less: Accumulated amortisation	-	(7,508)
	<u>-</u>	<u>-</u>
	<u><u>2,592,978</u></u>	<u><u>1,324,465</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

Consolidated	Computer Software \$	Lease Incentive \$	Total \$
Balance at 1 July 2018	919,169	405,296	1,324,465
Additions	1,461,784	188,168	1,649,952
Transfers in/(out)	67,073	-	67,073
Amortisation expense	(392,940)	(55,572)	(448,512)
Balance at 30 June 2019	<u><u>2,055,086</u></u>	<u><u>537,892</u></u>	<u><u>2,592,978</u></u>

Note 11. Other

	Consolidated	
	2019	2018
	\$	\$
Prepayments	-	961,184
Security deposits	612,626	642,549
	<u>612,626</u>	<u>1,603,733</u>

Note 12. Trade and Other payables

	Consolidated	
	2019	2018
	\$	\$
Trade Payables	929,444	2,442,016
Other Creditors	5,658,633	3,604,809
Provision for Lease Liability - Current	93,644	93,298
	<u><u>6,681,721</u></u>	<u><u>6,140,123</u></u>

Note 13. Employee Benefits

	Consolidated	
	2019	2018
	\$	\$
Provisions for Annual Leave	2,825,434	2,816,486
Provisions for Long Service Leave	1,747,262	1,960,345
Provisions for R.D.O	43,509	39,045
Restructuring	531,837	-
	<u>5,148,042</u>	<u>4,815,876</u>

Note 14. Other Current Liabilities

	Consolidated	
	2019	2018
	\$	\$
Trust Fund Liability	3,985,130	4,349,993
Provision for Refund	2,877,896	1,156,724
Income Received in Advance	1,945,963	1,174,286
	<u>8,808,989</u>	<u>6,681,003</u>

Note 15. Deferred Lease Liability

	Consolidated	
	2019	2018
	\$	\$
Provision for Lease Liability - Non-current	<u>2,085,204</u>	<u>1,978,890</u>

Note 16. Employee Benefits

	Consolidated	
	2019	2018
	\$	\$
Provisions for Long Service Leave	<u>1,137,345</u>	<u>1,109,633</u>

Note 17. Capital Grants Liability

	Consolidated	
	2019	2018
	\$	\$
Capital Grants Liability	<u>280,856</u>	<u>299,218</u>

Note 18. Reserves

	Consolidated	
	2019	2018
	\$	\$
Financial assets at fair value through other comprehensive income reserve	1,726,861	1,933,773
Capital Appeal reserve	-	320,558
	<u>1,726,861</u>	<u>2,254,331</u>

Financial assets at fair value through other comprehensive income reserve

The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

Capital Appeal Reserve

This reserve recognises funds allocated for capital projects

Note 19. Key Management Personnel

	Consolidated	
	2019	2018
	\$	\$
Total Compensation	<u>2,478,482</u>	<u>1,673,100</u>

Note 20. Commitments For Expenditure

	Consolidated	
	2019	2018
	\$	\$
<i>Lease Expenditure Commitments - under Operating Leases</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,488,187	1,901,029
One to five years	6,103,855	6,588,401
More than five years	4,358,195	4,040,969
	<u>11,950,237</u>	<u>12,530,399</u>

Note 21. Related Party Disclosures

Subsidiaries

Interests in subsidiaries are set out in note 23.

Disclosures relating to key management personnel are set out in note 19.

Members of the Board receive no remuneration or other benefits from Melbourne City Mission (2018, Nil)

Note 22. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2019	2018
	\$	\$
Surplus/(deficit)	1,668,767	(50,741)
Total comprehensive income	1,668,767	(50,741)

Statement of financial position

	Parent	
	2019	2018
	\$	\$
Total current assets	32,722,590	35,189,198
Total assets	54,819,632	49,835,634
Total current liabilities	20,375,398	17,066,862
Total liabilities	23,853,987	20,440,997
Equity		
Financial assets at fair value through other comprehensive income reserve	1,617,344	1,758,261
Capital Appeal reserve	-	320,558
Retained surpluses	29,348,301	27,315,818
Total equity	<u>30,965,645</u>	<u>29,394,637</u>

Note 23. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business Country of incorporation
Hester Hornbrook Academy	Melbourne
Dr John Singleton Trust	Melbourne

**Melbourne City Mission
Directors' declaration
30 June 2019**



In the directors' opinion:

- the attached financial statements and notes comply with the Australian Accounting Standards - Reduced Disclosure Requirements, the Australian Charities and Not-for-profits Commission Act 2012 and associated regulations, and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors:

On behalf of the directors


Di McDonald
Chairperson


Paul Scroope
Director

30 October 2019

Melbourne City Mission

Independent auditor's report to members

Report on the Audit of the Financial Statements

Opinion

We have audited the financial report of Melbourne City Mission. (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the financial report of Melbourne City Mission has been prepared in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Regime 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 Company in accordance with the auditor independence requirements of the Australian Charities and Not-for-profits Commission Act 2012 (ACNC Act) and the ethical 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.

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555
williambuck.com

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Regime and the ACNC Act and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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 the 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.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf or

This description forms part of our independent auditor's report.

We also provide the directors 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.



William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136



C.L. Siddles

Director

Melbourne, 30th October 2019

