

MELBOURNE COMMUNITY FOUNDATION

ANNUAL REPORT 2006

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MELBOURNE COMMUNITY FOUNDATION

DIRECTORS' REPORT

1. The Directors of the Trustee present their report on the Melbourne Community Foundation (the "company") for the Financial year ended 30 June 2006.
2. The names of Directors of the Trustee in office during or since the end of the financial year are:

Name

Marion Webster OAM (Chair)	Annie Duncan Dr
Chris Arnold	Jill Reichstein OAM
Lucy Ashley	Hayden Raysmith
Sam Chandler	Russell Phillips
Carol desCognets (nee Clendenin)	Mike Zafiroopoulos
David I. Gibbs	Chris Lovell
Peter Griffin	David Parsons SC
Gregory Larsen	Uly Merkel
Karen Mahlab	Kristen Smith
Ian McHutchison	

3. **Meeting of Directors**

The meetings held during the financial year were

	<u>Number Eligible To Attend</u>	<u>Number Attended</u>
Marion Webster OAM	12	12
Annie Duncan Dr	4	3
Carol desCognets	5	5
David I Gibbs	12	11
Karen Mahlab	12	10
Gregory Larsen	12	11
Ian McHutchison	5	4
David Parsons SC	12	6
Jill Reichstein OAM	12	7
Hayden Raysmith	12	10
Mike Zafiroopoulos	12	8
Chris Arnold	12	11
Lucy Ashley	6	0
Peter Griffin	12	8
Uly Merkel	9	5
Chris Lovell	12	9
Kristen Smith	12	7
Russell Phillips	12	6
Sam Chandler	6	6

Leave

Lucy Ashley resigned February 2006
Uly Merkel resigned March 2006
Carol des Cognets resigned May 2006
Kristen Smith resigned June 2006

Carol des Cognets leave of absence July 2005 - Dec 2005

MELBOURNE COMMUNITY FOUNDATION

4. **Principal Activities**

The Melbourne Community Foundation is a charitable organisation.

5. **Results**

The company's profit for the period was \$6.2m. (2005: \$4.3m). No Income Tax is payable by the company.

6. **Dividends**

No dividend was paid during financial year.

7. **Directors' Benefits**

The directors act in an honorary capacity unless otherwise stated. During the financial year, no director of the company has received or become entitled to receive a benefit because of a contract that the director or firm of which the director is a member or an entity in which the director has a substantial financial interest made with the company or an entity that the company controlled, or a body corporate that was related to the company, when the contract was made or when the director was received, or became entitled to receive the benefit.

8. **State of Affairs**

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review.

9. **Environmental regulation**

The company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

10. **Subsequent Events**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the company.

11. **Likely developments**

Information about likely developments in the operations of the company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the company.

12. **Indemnification**

The company is entitled to be indemnified in respect of liabilities, out of the assets of the Foundation.

Signed in accordance with the resolution of the Board of Directors:

M Webster OAM
Director

D.I. Gibbs
Director

MELBOURNE COMMUNITY FOUNDATION

Date:

MELBOURNE COMMUNITY FOUNDATION

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$	2005 \$
INCOME - COMMUNITY FUNDS			
Investment income	9	1,306,498	925,005
Donations		4,608,469	2,280,546
Net gain on sale of investments		184,381	72,491
Change in fair value of investments		<u>1,947,603</u>	<u>2,328,728</u>
		8,046,951	5,606,770
EXPENDITURE			
Administration fee		(194,097)	(148,214)
Investment fee		<u>(40,000)</u>	<u>(31,000)</u>
		(234,097)	(179,214)
PROFIT FROM OPERATING ACTIVITIES			
		7,812,854	5,427,556
Distributions paid		<u>(1,648,397)</u>	<u>(1,134,576)</u>
NET PROFIT			
		<u><u>6,164,457</u></u>	<u><u>4,292,980</u></u>

MELBOURNE COMMUNITY FOUNDATION

**ADMINISTRATION FUND
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$	2005 \$
INCOME - ADMINISTRATION			
Donations - General		127,335	88,440
Administration Fees		201,924	154,832
Other income		10,954	7,147
Investment income		<u>5,922</u>	<u>2,948</u>
		346,135	253,367
EXPENDITURE			
Expenses		<u>(280,250)</u>	<u>(250,647)</u>
NET PROFIT		<u><u>65,885</u></u>	<u><u>2,720</u></u>

MELBOURNE COMMUNITY FOUNDATION

BALANCE SHEET AS AT 30 JUNE 2006

	Note	2006 \$	2005 \$
CURRENT ASSETS			
Cash & cash equivalents	8	2,282,495	2,890,276
Receivables	2	<u>862,700</u>	<u>469,136</u>
Total current assets		3,145,195	3,359,412
NON CURRENT ASSETS			
Investments	3	20,991,513	14,529,680
Property plant & equipment	4	<u>2,094</u>	<u>3,830</u>
Total non current assets		20,993,607	14,533,510
Total assets		<u>24,138,802</u>	<u>17,892,922</u>
CURRENT LIABILITIES			
Payables	5	<u>86,991</u>	<u>71,453</u>
Total liabilities		<u>86,991</u>	<u>71,453</u>
Net Assets Attributable To Unitholders		<u>24,051,811</u>	<u>17,821,469</u>

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**STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2006**

	Note	2006 \$	2005 \$
TRUST FUNDS			
Corpus		200	200
COMMUNITY FUNDS			
Opening balance		17,723,991	13,431,011
Net profit for the year		<u>6,164,457</u>	<u>4,292,980</u>
Community funds	6	23,888,448	17,723,991
Opening balance admin fund		97,278	94,558
Administration fund	7	<u>65,885</u>	<u>2,720</u>
Total Trust Funds		<u><u>24,051,811</u></u>	<u><u>17,821,469</u></u>

MELBOURNE COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividend and imputation credits received		936,115	806,618
Trust distributions received		95,675	97,698
Interest received		88,756	86,004
Other income		23,714	10,095
Donations received		4,735,804	2,368,986
Distributions paid		(1,648,397)	(1,134,576)
Administration expenses paid		(284,824)	(263,816)
Investment services paid		(40,000)	(31,000)
Net cash from operating activities	8(a)	3,906,843	1,940,009
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(8,888,324)	(3,159,955)
Proceeds from sale of investments		3,305,509	608,495
Payment for purchase of furniture & equipment		(395)	(1,662)
Net Cash from investing activities		(5,583,210)	(2,553,122)
CASH FLOWS FROM FINANCING ACTIVITIES			
Buyback proceeds		1,068,586	449,387
Net cash from financing activities		1,068,586	449,387
Net decrease in cash and cash equivalents		(607,781)	(163,726)
Cash and cash equivalents at 1 July 2005		2,890,276	3,054,002
Cash and cash equivalents at 30 June 2006	8(b)	2,282,495	2,890,276

Notes to the Financial Statements For the Year ended 30 June 2006

1. Significant accounting policies

The company is an entity domiciled in Australia. The financial report was authorised for issue by the trustee on 19 September 2006.

The significant policies which have been adopted in the preparation of this Financial Report are:

(a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance International Financial Reporting Standards ('IFRS') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP. The financial reports of the company also comply with IFRS and interpretations adopted by the international Accounting Standards Board.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report has been prepared on the historical cost basis except for certain financial instruments which are stated at their fair value (AASB139: Financial Instruments and Recognition and measurements).

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

(c) Depreciation

Depreciation is charged using the diminishing value method.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits.

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(e) Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefit will flow to the company and revenue can be reliably measured.

(i) Interest income

Interest income and expense is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(ii) Dividend Income

Dividend income relating to exchange-traded equity investments is recognised in the income statement on the ex-dividend date.

In some cases, the company may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the company recognises the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

(f) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the foreign currency closing exchange rate ruling at the balance sheet date.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at the foreign currency closing exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in gains and losses on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the income statement.

(g) Expenses

All expenses are recognised in the income statement on an accruals basis.

(h) Investments

Financial instruments are recognised on the balance sheet at fair value with any gains or losses arising from changes in fair value recognised in the income statement.

The fair value of financial instruments classified as held for trading are held at their quoted bid price.

From July 1 2005, in order to comply with AASB132 "Financial Instruments: Disclosure and Presentation"; the unitholders' funds are required to be treated as a liability to unitholders and trust distributions treated as an expense in the Income statement. AASB132 was effective from 1 July 2005 and therefore does not affect prior year comparatives.

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- (i) Buy Backs
The total proceeds including imputation credits of the financial instrument less the fair market value the day before the buyback is used to calculate the portion attributable to income. The basis of this policy is to retain the capital value of investment and unitholder funds.

- (j) Payables
Payables includes liabilities and accrued expenses owing by the company which are unpaid at balance date.

- (k) Receivables
Receivables may include amounts for dividends, trust distributions and interest.

- (l) Impact of adoption of AIFRS
The company amended its accounting policies and financial reporting from the former Australian Accounting Standards (previously Australian GAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS).

This change has not had a significant impact on the financial statements of Melbourne Community Foundation.

- (m) Income Tax
The company is exempt from Income Tax under Section 50-5 of the Income Tax Assessment Act 1997. The Foundation is a Deductible gift recipient.

- (n) GST
Expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO). GST on brokerage which is claimed at the rate of 75% of the total.

MELBOURNE COMMUNITY FOUNDATION

Notes to the Financial Statements
For the Year ended 30 June 2006

	2006 \$	2005 \$
2. Receivables		
Sundry debtors	79,333	45,148
Accrued imputation credits	621,188	300,267
Interest receivable	25,402	7,432
Dividends & distributions receivable	134,015	113,073
Withholding tax receivable	-	3,216
GST receivable	2,762	-
	<u>862,700</u>	<u>469,136</u>
3. Investments		
Ordinary shares	13,951,037	10,473,652
Property trusts	1,380,538	913,305
Quasi fixed interest	3,246,571	2,461,843
International shares	943,277	680,880
Managed funds	1,470,090	-
	<u>20,991,513</u>	<u>14,529,680</u>
4. Property Plant & Equipment		
Furniture & fittings	10,704	10,310
Acc depn fixtures & fittings	(8,610)	(6,480)
	<u>2,094</u>	<u>3,830</u>
5. Payables		
Trade creditors	22,890	11,699
Sundry creditors	64,101	55,638
Unearned income	-	4,116
	<u>86,991</u>	<u>71,453</u>

MELBOURNE COMMUNITY FOUNDATION

	2006	2005
	\$	\$
6. Community Funds		
Opening balance	17,723,991	13,431,011
Profit for the year	6,164,457	4,292,980
	<u>23,888,448</u>	<u>17,723,991</u>
7. Administration Fund		
Balance at 1 July, 2005	97,278	94,558
Profit for the year	65,885	2,720
Balance at 30 June, 2006	<u>163,163</u>	<u>97,278</u>
8. Note to Statement of Cash Flows		
(a) Reconciliation of Net Profits to Net Cash Provided by Operating Activities		
Net Profit from Community Foundation	6,164,457	4,292,980
Net Profit from Administration Fund	65,885	2,720
	<u>6,230,342</u>	<u>4,295,700</u>
Change in fair value of investments non cash	(1,947,603)	(2,328,728)
Depreciation	2,130	2,315
Increase in receivables	(393,564)	(211,840)
Increase in accounts payable	15,538	40,274
Other non cash items	-	142,288
Net cash from operating activities	<u>3,906,843</u>	<u>1,940,009</u>
(b) Reconciliation of Cash		
Cash at bank and on hand	200	200
Cash at bank -ANZ	-	(1,121)
JB Were Cash Management Account	2,177,670	1,721,589
Cash at bank JB Were -Admin	104,625	69,608
Bank bills NAB	-	1,100,000
	<u>2,282,495</u>	<u>2,890,276</u>
9. Net Investment Income represented by:		
Dividends received	682,052	476,766
Franking credits received	415,146	213,413
Interest received	100,865	86,004
Trust distributions received	95,675	147,165
Other Income received	12,760	1,657
	<u>1,306,498</u>	<u>925,005</u>

MELBOURNE COMMUNITY FOUNDATION

10. Financial Instruments

(a) Terms, Conditions and Accounting Policies

The Company's Accounting Policies, including terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date are as follows:

(i) Financial Assets

Cash Assets

Cash at bank is stated at cost. Interest is recognised when earned.

Cash at Bank is at Call with effective interest rate of 4.80 %

Deposits are at nominal amounts. Interest & distributions are recognised when earned.

Deposits are at call with effective interest rate of 4.80%

Bank bills are at nominal amounts. Interest is recognised when earned.

Bank bills are at call with effective interest rate of 5.59% for the quarter ended 30 June 2006.

Receivables

Amounts Receivable are carried at nominal amount due.

No Interest is charged on outstanding balances.

(ii) Financial Liabilities

Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received.

Trade Liabilities are normally settled on 30 day terms.

(b) Credit Risk

The Company's maximum exposure to credit risk at balance sheet in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position and notes to the financial statements.

(c) Net Fair Values

The Net fair values of the financial assets and financial liabilities approximate their carrying amounts.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

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**Notes to the Financial Statements
For the Year ended 30 June 2006**

10. Financial Instruments (cont'd)

(d) Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in interest rates and the effective weighted average interest rate on those financial assets and financial liabilities, is as follows:

	Weighted Average		Floating Interest		Non Interest		Total Carry Per Statement Position
	Effective Interest		2006	2005	Bearing		
	2006	2005			2006	2005	
	%	%	\$	\$	\$	\$	\$
Financial Assets							
Cash assets	3.94	3.94	200	921	-	-	200
Bank bills	5.59	6	-	1,100,000	-	-	-
Cash Trust	4.8	4.79	2,282,295	1,791,197	-	-	2,282,295
Units in Pooled Funds			-	-	-	-	-
Shares in listed corporations			-	-	20,991,513	14,529,680	20,991,513
Receivables			-	-	862,700	469,136	862,700
Total Financial Assets			2,282,495	2,890,276	21,854,213	14,998,816	24,136,708
Financial Liabilities							
Payables			-	-	86,991	71,453	86,991

11. Contractual Commitments

At 30 June, 2006 there were no outstanding contractual commitments.

MELBOURNE COMMUNITY FOUNDATION

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2005

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1,791,197

14,529,680
469,136
17,889,092

71,453

MELBOURNE COMMUNITY FOUNDATION

DIRECTORS' DECLARATION

In the opinion of Directors of Melbourne Community Foundation

- (a) Financial statements and notes, as set out on pages 4 to 16 are in accordance with the corporations Act 2001, including
 - (i) giving a true and fair view of the financial position of the company at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debt as and when they become due and payable.

Dated at Melbourne this day of November 2006.

Signed in accordance with a resolution of the directors;

M Webster OAM
Director

D.I. Gibbs
Director

Date:

KB 31/8/05	This yr	Last yr	This yr	Last yr	change	Non-cash	Share sales	share purch	Accruals	asset invest				
						0								
COMMUNITY FUND														
Dividends Listed companies	(682,052)						(183,155)			(3,216)				
Franking Credits received	(415,146)								320,921					
Interest received - NAB	(72,500)								38,912	4,116				
Interest - JB Were	(28,365)													
Trust distributions	(95,675)													
Option Income	(9,768)													
Other Income	(2,992)													
Change mkt value	(1,550,644)					0	1,550,644							
Profit / Loss on sale assets	(581,340)					0	581,340							
Donations rec'd	(4,608,468)					0								
EXPENDITURE						0								
Advisory services	40,000					0								
Administration fees	194,097					0								
Distributions paid	1,648,397					0								
Rounding						0								
ADMINISTRATION FUND														
Donations - General	(127,335)					0								
Administration Fees	(201,925)					0								
Sub-Tenancy Income	0					0								
Other income	(10,954)					0								
Investment income	(5,921)					0								
EXPENSES														
Annual leave	0					0								
Bank charges	181					0								
Board Retreat	3,905					0								
Bookkeeping	0					0								
Cleaning	2,383					0								
Computer costs	1,924					0								
Consultancy fees	75,580					0								
Depreciation	2,130					0	(2,130)							
Donor meetings	100					0								
Fundraising	50,107					0								
Insurance - general	5,442					0								
Insurance- workers compensation	0					0								
Occupancy costs	14,364					0								
Office expenses	2,525					0								
Photocopying	0					0								
Print & design expenses	10,155					0								
Postage	3,476					0								
Repairs & maintenance	1,051					0								
Salaries & wages	87,607					0								
Stationery	4,396					0								
Superannuation	8,373					0								
Telephone & facsimile	5,263					0								
Travel / conference	1,287					0								
	<u>280,249</u>					0	(2,130)		(11,191)	34,185				
Statement of Financial Position														
Corpus	(200)	200				0								
COMMUNITY FUNDS	(17,723,991)	(17,723,991)				0								
ADMINISTRATION FUND	(163,163)	(97,278)				0								
CURRENT ASSETS														
Cash at Banks	2,282,495	1,790,276				0								
Bank Bills NAB		1,100,000				0								
	<u>2,282,495</u>	<u>2,890,276</u>				(607,781)								
Sundry debtors	79,333	45,148				34,185								
Accrued imputation credits	621,188	300,267				320,921								
Interest/Distributions receivable	159,417	120,505				38,912								
Provision Income Tax	0	3,216				(3,216)								
GST receivable	2,762					2,762								
Investments		10,657,413				0								
NON CURRENT ASSETS						0	drp	cmv	purchases	mac diversified	shares at cost			
Shares Listed companies	<u>20,991,513</u>	14,529,680				6,461,833	32,754	2,237,553	8,855,569	1,131	(2,355) (3,972,903)			
Share sale proceeds						0		(686,909)		(3,008)				
Share sale proceeds						0		(4,374,095)						
Furniture & Fittings	10,705	10,310				395					395			
Acc Depn Fixtures & Fittings	(8,610)	(6,480)				(2,130)								
CURRENT LIABILITIES														
Trade creditors	(22,890)	(11,699)				(11,191)								
Sundry creditors	(64,101)	(55,640)				(8,461)								
Unearned income	0	(4,116)				4,116								
Deferred Liability - Options	0					0								
Loans - Unsecured						0								
Loan to Extension fund	0	0				0								
Provisions		0				0								
						0								
						0	0	6,230,345	1,977,323	(2,823,451)	8,855,569	346,765	32,730	(3,972,508)

