



2021

Annual Report

1 January – 31 December 2021



Contents

The School's Place in History	1
Patrons	1
From the President	2
The Board of Directors	3
Board Meeting Attendance & Staff	7
Committees	8
Activities & Services	9
Members' Activities	9
Public Engagement	9
The SMSA Library	10
The Tom Keneally Centre	10
Venue Hire	10
Treasurer's Report	11
Financial Statements	12
Statement by Members of the Board	13
Auditor's Independence Declaration	15
Statement of Comprehensive Income	16
Statement of Financial Position	17
Statement of Changes in Equity	18
Statement of Cash Flows	19
Notes to the Financial Statements	20
Independent Audit Report	36
Disclaimer	38
Detailed Income Statement	39
Rental Properties Statement	41
Appendix: AGM Minutes	43

< **OPPOSITE PAGE:**
Reading Room of the Sydney Mechanics' School of Arts Library ca. 1920s.
Image Credit: Sam Hood, courtesy of the State Library of New South Wales – YEG77qKn.

COVER IMAGE:
The SMSA Library.
Image Credit: Graham Jepson.

The School's Place in History

The Sydney Mechanics' School of Arts (SMSA) was founded in 1833 for the intellectual improvement of its members and the cultivation of literature, science and the arts.

The initial focus of the School was 'to promote the diffusion of scientific and useful knowledge extensively, throughout all ranks of the community of New South Wales' and to bring science within reach of the working man. The School fully realised this aim with the establishment in 1878 of the Working Men's College which evolved into TAFE NSW.

The School has continued its commitment to adult education and lifelong learning through an ever changing educational, social and political landscape, evident in its events program and through its library, the longest running lending library in Australia.

REFERENCES

Carmichael, Henry (1833) Lecture on the Formation of the Sydney Mechanics' School of Arts, *New South Wales Magazine*, 2(1), 3(1),4(1), Retrieved February 4, 2020 from nla.gov.au/nla.obj-753076802

Woolley, John (1862) *Lectures Delivered in Australia*, Cambridge England: Macmillan



Patrons

The Sydney Mechanics' School of Arts has always been appreciative of Vice Regal patronage and consider it a privilege that **Her Excellency the Honourable Margaret Beazley AC QC, Governor of New South Wales** and **Mr Dennis Wilson** are Joint Patrons of the School.

< PICTURED:

Her Excellency the Honourable Margaret Beazley AC QC, Governor of New South Wales and Mr Dennis Wilson.

Image Credit: Official image, courtesy of Government House Sydney.

From the President

2021 was another challenging year not only for the SMSA community but the wider community as a whole. Lockdowns, protests, financial hardship and separation from family and friends have affected everyone in some way.

Our Accountant Michael Ludowici has continued to address the complexities of rental deferrals and waivers as per government advice. Although we have said goodbye to some tenants, others have renewed their leases, and we have secured new tenants for some levels. Details of this and other financial matters are addressed in the Treasurer's report.

Max Bosotti retired in September and Ray Seeto was appointed Secretary. We thank Max for his contribution while in the role.

Venue Hire & Building Services Coordinator Kylie Campbell navigated closures and restrictions while maintaining a positive relationship with hirers and tenants. With businesses reopening in the CBD, we are experiencing renewed interest in our available spaces. Kylie has secured ongoing bookings as well as obtaining new hirers for 2022.

Once again, many of our face-to-face events were cancelled. Marketing & Events Coordinator Andrea Shrewsbury continued to organise and hold successful events via Zoom while the building was closed. We hope to see the return of our exciting events program in 2022, to be carried over from 2021, including our much-loved Christmas Party.

During the last few months of 2021, I endeavoured to phone as many members as possible to check on how they were coping with lockdown. I am eternally grateful to them for sharing their thoughts, suggestions and concerns. I also thank them for their friendliness and affection toward SMSA.

My gratitude and thanks to the Board for their ongoing commitment. To the staff who have adapted to the ever changing COVID-19 rules and our wonderful volunteers who are eagerly waiting for the Tom Keneally Centre to reopen.

We will still have challenges to face in 2022, however for the first time in the past two years there appears to be light at the end of the tunnel.

With the ongoing dedication of the Board, staff and members, I have no doubt we are laying a solid foundation to enable us to take Sydney Mechanics' School of Arts towards its 200th year and beyond.



Winsome Allen

Winsome Allen
President

The Board of Directors



Winsome Allen
President

Winsome is a former Chairperson of the fundraising committees for the Cerebral Palsy Alliance and the Benevolent Society of NSW for whom she is also a Life Governor. She is a Distinguished Toastmaster and former Area Governor. Winsome has always been interested in the arts and self-development and has experience in the fields of marketing, leadership, management and training. She has owned several successful businesses including ballet academies, retail boutiques, manufacturing and direct selling. Winsome promotes the SMSA through outreach talks to community groups about its history, current activities and future.

Re-elected President 2020



Paul Reid
Vice President

Paul has served on the SMSA Board for over 12 years, including four years as President, Vice President and Chair of the Board's various sub-committees. Now retired from full time employment, he previously worked as a Training and Educative Services Manager. Paul served on the NSW Government ITAB as a Director for over 10 years, and is a current Trustee of Unions NSW, and member of its Finance and Governance Committee. Paul is also a Director on the Board of the Bankstown Community College Institute.

Elected 2020
Re-appointed Vice President 2021



Lesley Scanlon
Vice President

Lesley has spent her career as a practitioner, researcher and author in adult education. She has published books on education, written articles for peer-reviewed journals and presented at international conferences. Lesley is the VP of the Innovation & Programs Committee and is currently writing a book on the early years of the Sydney Mechanics' School of Arts and its cultural and educational contribution to early Sydney. In 2021, Lesley delivered the Henry Carmichael lecture at the re-opening of the Henry Carmichael Theatre and presented a paper on the challenges of the early years of the School at the Heriot-Watt Conference, which celebrated the foundation of the first mechanics institute in Edinburgh in 1821.

Re-elected 2021
Appointed Vice President 2019



Steve Warren
Vice President

Steve's background in long-term community development and experience in education, training and events management have given him the skills to make positive contributions to the SMSA in the areas of policy development, management and strategic planning. Steve has previously served on a university Board and Academic Senate, held National Secretary and Executive roles for the Australian postgraduate student body, as well as having served on a range of community-based organisations. He has a long-standing commitment to equality in all of these roles. Steve currently chairs our Library & Membership Committee.

Re-elected 2020
Appointed Vice President 2020



Denis Mockler
Treasurer

As a long-standing member of the SMSA and Board member, Denis has held a number of positions including President, Treasurer and Vice President. Denis remains a strong advocate for the Library and for the provision of increased services for members of the SMSA. He is also an advocate for strengthening our governance and working with the Board and staff to ensure that the SMSA can impact on and reach a greater number of people. Denis is the principal of a small legal firm.

Re-elected 2019
Re-appointed Treasurer 2021



Cecile Cornford
Director

A former SMSA Librarian, Cecile has been a member of the School for many years. An avid reader and lover of literature, she is interested in maintaining the quality of good reading that we have in the Library. Cecile was elected to the Board in 2015 and has also previously served as Vice President.

Re-elected 2019



Christine Campbell
Director

Christine is the National Marketing & Communications Manager at the Property Industry Foundation, which brings together the property and construction industry to build homes for homeless youth. Prior to taking on this role in 2020, she spent more than 15 years leading marketing, communications and fundraising teams for Odyssey House NSW, Youth Off The Streets and the Leukaemia Foundation. She is an experienced team leader and is skilled in working on Executive teams in non-profit organisations, branding and identity, strategic planning, communications, community engagement and fundraising.

Appointed 2021



Shirley Hunt
Director

Shirley has been a member of the SMSA for over 18 years and was elected to the Board in 2012. Having had valuable experience working in accounts, payroll and personnel departments, Shirley has also volunteered for several organisations. She regularly volunteers in the Tom Keneally Centre where she has the opportunity to meet members and is also on the Board's Library & Membership and Innovation & Programs Committees. Shirley is passionate about reading, theatre and film but most importantly enjoys spending time with her family.

Re-elected 2021



Stephen Newton
Director

Stephen is a lawyer with over 40 years' experience in governance, risk management and compliance in the financial services industry. He has degrees in Law and Arts (majoring in Australian history) and a graduate diploma in Compliance. He has a love of language, history and the Australian landscape. Stephen is keen for the School to attract members from all parts of Australian society.

Appointed 2021



Geoff Webb
Director

Geoff has been an SMSA member for over 45 years. He has served on the Board since 2009 as a Director and as a Vice President. He has served on the Building, Membership, Finance and Grants committees during that time. Geoff is a professional engineer with broad experience in engineering work, with a particular emphasis on project management and documentation. He enjoys reading mystery and science fiction.

Re-elected 2021



John Robinson
Director

John has been an SMSA member for over 12 years and was a Board member from 2009 to 2016. He assisted with the public programs to increase diversity and provide interesting programs for members and their guests. A former NSW Government employee, working in the education and health portfolios, he studied political science and industrial relations at UNSW. John's interests include reading, yoga, walking, swimming and the arts.

Elected 2021

OPPOSITE PAGE: >

Books in the Tom Keneally Centre.

Image Credit: Helen White.

Board Meeting Attendance & Staff

Attendance at Board Meetings 2021

Board Member	Attended
Allen, Winsome	14 of 14
Biscoe, Jane*	3 of 3
Campbell, Christine^	2 of 2
Cornford, Cecile	9 of 14
Hunt, Shirley	11 of 14
Mockler, Denis	14 of 14
Newton, Stephen^	2 of 2
O'Brien, Carole**	3 of 3
Reid, Paul	11 of 14
Robinson, John#	9 of 10
Scanlon, Lesley	13 of 14
Seeto, Raymond##	8 of 9
Stawski, Eugene+	4 of 4
Warren, Steve	12 of 14
Webb, Geoff	11 of 14
Wong, Alister++	5 of 7

* Resigned March 2021

^ Filled casual vacancy November 2021

** Outgoing Director March AGM

Incoming Director March AGM

Resigned September 2021

+ Resigned May 2021

++ Resigned July 2021

SMSA Staff at 31 December 2021

Secretary

Ray Seeto

Accountant

Michael Ludowici

Venue & Building Services Coordinator

Kylie Campbell

Marketing & Events Coordinator

Andrea Shrewsbury

Library Assistant

Erika Samonte

Casual Library Assistants

Stephen Elliott

Dee Mahoney

Siobhan Morrell

Marlene Smith

Diane Stewart

Committees

Each committee of the Board is chaired by a Vice President and one by the Treasurer, who are responsible for the work of their committee: Paul Reid (Governance & Policy); Steve Warren (Library & Membership); Lesley Scanlon (Innovation & Programs); and Denis Mockler (Finance). Each committee comprises a core group of directors as formal members, and other directors or staff are invited to attend as required.

The report from each committee is below, with the exception of Finance which is in the Treasurer's Report on Page 11.

Innovation & Programs

Prior to the COVID-19 lockdown, we officially launched the re-opening and re-naming of the Henry Carmichael Theatre with the annual Carmichael Address and celebrated Anzac Day with personal remembrances, poetry and cinema.

Thereafter, the lockdown provided the opportunity for us to extend our Zoom presentations, connect with a broader audience and engage interstate speakers.

Our presentation at the UK conference to celebrate the foundation of the first mechanics' institute in Edinburgh (1821) enabled us to highlight, for an international audience, the challenges of the early years of the Sydney Mechanics' School of Arts.

Library & Membership

The staff with the help of the Committee have maintained access to the Library within NSW Health regulations. Thank you to our members for their patience with the changes that affected Library access.

In 2021, our projects included updating our series collection (including eBooks) so that we have complete sets available. We also continued to review our Purchasing Policy to provide the best benefit for our Library and members.

Membership has remained steady. As a gesture of goodwill, the SMSA Board waived the 2022 renewal fee for all members who had paid for a 2021 membership. There were 1183 SMSA members at 31 December 2021.

A special thank you to our staff and volunteers for being on the frontline of managing health and safety in the Library during a difficult time. Library Manager Kathy Sale resigned in October to pursue other goals. We are very grateful for Kathy's leadership over the years. Marlene Smith has stepped down from her role as a casual staff member, but remains a volunteer.

Governance & Policy

The Governance Committee at Sydney Mechanics' School of Arts aims to promote member confidence, and in more stable economic times, a better balance sheet.

The Committee continues to work closely with the Board to develop the Strategic Plan, which will assist in the lead-up to our 200th anniversary. We have continued to look at ways to ensure good governance, supporting and improving our management procedures to maintain a sound position for our organisation.

Thank you to fellow Committee members John Robinson and Denis Mockler for their assistance in developing Terms of Reference for the Board Committees, and to former Director Alister Wong for his contribution to School Policy documents.

Activities & Services

Members' Activities

Members' Recreation and Discussion Groups

It was another challenging year for our members' groups, with frequently changing COVID-19 restrictions. Some groups were able to meet onsite between March and June, where capacity regulations allowed.

The Chess and Mah Jong groups continued to be suspended for much of the year due to their high contact nature, although the Tuesday group met onsite within guidelines between March and June. The Knitting and Crochet group was suspended during 2021.

The 'Mystery and Crime' and 'Murder on a Monday' reading groups mostly met virtually via email, sharing their notes and ideas in Word documents. The Poetry group continued using Zoom and were able to meet each month throughout 2021, with two meetings onsite.

Some members' groups occasionally met outdoors in park settings, observing social distancing rules, when they were unable to meet safely at SMSA.

We look forward to our members' groups resuming back at SMSA in 2022 when restrictions ease.

Members' Events

While special member events had been planned for 2021, these had to be cancelled due to COVID-19. Sadly, this again included two of the favourite annual events, Christmas in July and the Members' Christmas Party in December.

Public Engagement

SMSA's program of events in 2021 was managed by Andrea Shrewsbury under the guidance of the Innovation & Programs Committee.

The School held 31 public talks and events in 2021 covering a wide range of topics including history, literature, lifestyle, science and the environment, as well as social and political issues.

In April we held a special Anzac Day event which included poetry readings, afternoon tea and a film matinee. At the Carmichael Lecture, presented by Dr Lesley Scanlon, we celebrated the refurbishment and renaming of the Henry Carmichael Theatre with champagne and canapés.

Due to the disruptions caused by COVID-19, we continued a series of online Zoom events at the beginning of the year and later, during the lockdown and restrictions from July onward. 20 of the 31 events in 2021 were adapted to this format. We also recorded and uploaded most of our Zoom events to our website for on-demand viewing, reaching as many as 87 views for a single video.

Among our most popular Zoom events were:

- Sydney Observatory: An Environmental History, 1847–1900 with Nancy Cushing – 220 attendees
- *Kate Kelly: The True Story of Ned Kelly's Little Sister* with Rebecca Wilson – 180 attendees
- Physical Activity: how much is enough? with Anne Tiedemann – 134 attendees
- True Crime Stories from Sydney's History with Tanya Bretherton – 118 attendees
- An Afternoon of Roald Dahl with the SMSA Poetry Group – 112 attendees

Our monthly film program was again adapted throughout the year using a combination of Zoom and our Library's movie streaming service, Beamafilm. This enabled "Virtual Viewing Parties" where attendees met on Zoom to hear about the film before viewing, used a direct Beamafilm link to simultaneously watch the film, and then reconvened on Zoom for a post-film discussion.



^ **PICTURED ABOVE:** The newly refurbished Henry Carmichael Theatre.

Image Credit: Graham Jepson.

The SMSA Library

The SMSA Library is the longest-running lending library in Australia, operating since 1833. Managed this year by Kathy Sale and later by Erika Samonte under the guidance of the Library & Membership Committee, the Library again experienced a tumultuous period in 2021.

Library staff worked hard to maintain some normality for members between having to close and reopen according to NSW Health guidelines. Early in the year, we held a popular book sale where members were able to buy ex-library books at bargain prices. The 'Click & Collect' service was convenient during times when we were not able to fully open the Library.

While visitation was again low due to closures and safety restrictions, there was a 30% increase in usage of online resources such as Audiobooks and eBooks, while 95 members signed up to Beamafilm.

Despite closures, our Library has been important to many during another difficult year, and we were pleased to be able to offer various online services and to reopen in October after Sydney's major lockdown.

We purchased 715 new items in 2021 and now have over 5,000 titles within the Audiobook and eBook collection.

The Tom Keneally Centre

The Tom Keneally Centre remained closed for much of 2021 due to COVID-19, and we look forward to reopening again with the help of our valued volunteers in 2022.

Venue Hire

SMSA's venue hire facilities, managed by Kylie Campbell, provide conveniently located, affordable meeting space in the CBD for all types of meetings and events.

Reduced capacities and COVID-19 safety restrictions caused some upheaval throughout the year, and all venue hire bookings were cancelled throughout the lockdown.

The Henry Carmichael Theatre, formerly known as the Mitchell Theatre, reopened after renovations in early 2021. The addition of a camera and video conferencing facilities was valuable to our regular clients, allowing them to continue their meetings with remote attendees who could not travel due to restrictions. The beautifully refurbished space, which also includes new seating and lighting, was popular with hirers prior to the Sydney lockdown, and bookings have started flowing in again for 2022.

This year we also expanded our available venues to include the SMSA Boardroom on Level 3. The impressive, professional space has been particularly suitable for hirers needing a private room for business and mediation meetings.

Treasurer's Report

The operations of the School, for the year ended 31 December 2021, resulted in a loss of \$201,000. This loss is mainly due to an increase in the Provision for Doubtful Debts of \$156,000. This recognises specific tenant issues that are ongoing. Excluding this provision, the School suffered a net loss of \$45,000 on its operations compared with a surplus of \$62,000 in 2020 (before impairment losses).

As reported in 2020, the continuing COVID-19 pandemic has had a detrimental impact on our tenants' businesses and SMSA's income during 2021. Mandatory rental discounts and deferrals continued during 2021 and have been extended until March 2022. We are expecting to start recovery of the deferred rental income of \$430,000 over the next two years although we expect to still incur a loss in 2022. During 2021 we waived total rent of \$220,000. A small positive contribution to revenues has been an increase in income received from Venue Hire of 4% over 2020.

There have been some savings in building operating costs as a result of initiatives implemented and fewer people using the building because of lockdowns. In contrast to 2020, there were no major building costs incurred during the year. Other costs have also been kept to a minimum due to the ongoing COVID-19 pandemic.

The SMSA has gone through a difficult financial year. The 2021 year started with a negative outlook for our rental income with some tenants looking to vacate their premises. We were able to successfully renew some of our major tenants in the latter part of 2021, as well as attracting new tenants in 2022.

Unfortunately, the market has impacted upon the rates that we previously enjoyed, and this will affect our income going forward.



A handwritten signature in black ink, appearing to read 'Denis Mockler'.

Denis Mockler
Treasurer

Financial Statements

31 December 2021

Sydney Mechanics' School of Arts
ABN 29 720 771 090

Audited by Christopher Wong of Watson Erskine Pty Ltd

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Statement by Members of the Board For the Year Ended 31 December 2021

The directors present their report on Sydney Mechanics' School of Arts for the financial year ended 31 December 2021.

1. General information

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Winsome Allen	
Lesley Scanlon	
Carole O'Brien	Outgoing March 2021
Steve Warren	
Geoff Webb	
Jane Biscoe	Resigned March 2021
Eugene Stawski	Resigned May 2021
Cecile Cornford	
Shirley Hunt	
Paul Reid	
Denis Mockler	
Alistair Wong	Resigned July 2021
Raymond Seeto	Resigned September 2021
Stephen Newton	Appointed October 2021
Christine Campbell	Appointed October 2021

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The principal activity of Sydney Mechanics' School of Arts during the financial year was the provision of library and other services for members and the leasing of commercial office space.

No significant changes in the nature of the School's activity occurred during the financial year.

2. Operating results and review of operations for the year

Operating results

The loss of the School after providing for income tax amounted to \$ (200,915) (2020: \$ (657,998)).

Review of operations

A review of the operations of the School during the financial year and the results of those operations show the School's financial performance improved significantly over the prior year. The School is continuing to manage the impacts resulting from the ongoing COVID-19 Pandemic.

3. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the School during the year.

3. Other items (continued)

Future developments and results

Likely developments in the operations of the School and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the School.

Environmental issues

The School's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Indemnification and insurance of officers and auditors

During the year, the School paid premiums to insure the directors and certain officers against the costs that may be incurred in defending civil or criminal proceedings that may be brought against them in their capacity as officers.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 31 December 2021 has been received and can be found on page 3 of the financial report.

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

Director: 
Winsome Allen

Director: 
Denis Mockler

Dated 14 February 2022



Watson Erskine Pty Ltd
Chartered Accountants

ABN 44 125 509 015

Level 4, 55 Clarence Street, Sydney NSW 2000
GPO Box 2003, Sydney NSW 2001

T +61 (02) 9248 9600
F +61 (02) 9248 9666
E mail@watsonerskine.com.au
W www.watsonerskine.com.au

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Auditor's Independence Declaration to the Board of Sydney Mechanics' School of Arts

In accordance with Section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, I declare that, to the best of my knowledge and belief, during the year ended 31 December 2021, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct in relation to the audit.

Watson Erskine Pty Ltd
Authorised Audit Company

C. WONG
Director

14 February 2022

SYDNEY NSW 2000

Sydney Mechanics' School of Arts

ABN 29 720 771 090

**Statement of Comprehensive Income
For the Year Ended 31 December 2021**

		2021	2020
	Note	\$	\$
Office and facilities rental	4	1,232,656	1,487,744
Other income	4	343,668	379,613
Depreciation of property, plant and equipment		(350,529)	(409,251)
Impairments - buildings		-	(720,144)
Employee benefits expense		(506,879)	(588,183)
Rental outgoings		(488,390)	(555,407)
Other expenses		(431,441)	(252,370)
Deficit for the year		(200,915)	(657,998)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Net gains from revaluation of land and buildings		-	24,052,473
Other comprehensive income for the year, net of tax		-	24,052,473
Total comprehensive income for the year		(200,915)	23,394,475

The accompanying notes form part of these financial statements.

4

Sydney Mechanics' School of Arts

ABN 29 720 771 090

**Statement of Financial Position
As At 31 December 2021**

	2021	2020
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	5 4,189,679	884,170
Trade and other receivables	6 403,131	320,769
Other financial assets	7 83,983	3,483,787
Other assets	9 67,837	67,262
TOTAL CURRENT ASSETS	<u>4,744,630</u>	4,755,988
NON-CURRENT ASSETS		
Property, plant and equipment	8 46,494,115	46,702,302
TOTAL NON-CURRENT ASSETS	<u>46,494,115</u>	46,702,302
TOTAL ASSETS	<u>51,238,745</u>	51,458,290
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	11 27,051	44,599
Employee benefits	14 44,092	53,259
Other financial liabilities	12 10,664	1,851
Other liabilities	13 59,730	68,791
TOTAL CURRENT LIABILITIES	<u>141,537</u>	168,500
NON-CURRENT LIABILITIES		
Employee benefits	14 13,389	5,056
TOTAL NON-CURRENT LIABILITIES	<u>13,389</u>	5,056
TOTAL LIABILITIES	<u>154,926</u>	173,556
NET ASSETS	<u>51,083,819</u>	51,284,734
EQUITY		
Reserves	15 34,574,659	34,574,659
Retained earnings	<u>16,509,160</u>	16,710,075
TOTAL EQUITY	<u>51,083,819</u>	51,284,734

The accompanying notes form part of these financial statements.

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Statement of Changes in Equity
For the Year Ended 31 December 2021

2021

	Retained Earnings	Asset Revaluation Surplus	Total
	\$	\$	\$
Balance at 1 January 2021	16,710,075	34,574,659	51,284,734
Deficit for the year	(200,915)	-	(200,915)
Balance at 31 December 2021	16,509,160	34,574,659	51,083,819

2020

	Retained Earnings	Asset Revaluation Surplus	Total
	\$	\$	\$
Balance at 1 January 2020	17,368,073	10,522,186	27,890,259
Deficit for the year	(657,998)	-	(657,998)
Revaluation Increment	-	24,052,473	24,052,473
Balance at 31 December 2020	16,710,075	34,574,659	51,284,734

The accompanying notes form part of these financial statements.

6

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Statement of Cash Flows
For the Year Ended 31 December 2021

	2021	2020
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	1,133,270	1,313,852
Payments to suppliers and employees	(1,407,295)	(1,540,626)
Investment income received	140,850	113,490
Government subsidies received	96,875	251,350
Net cash provided by/(used in) operating activities	22 <u>(36,300)</u>	<u>138,066</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(142,342)	(85,390)
Net change in investment in other financial assets	3,484,151	(362,431)
Net cash provided by/(used in) investing activities	<u>3,341,809</u>	<u>(447,821)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net cash provided by/(used in) financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents held	3,305,509	(309,755)
Cash and cash equivalents at beginning of year	884,170	1,193,925
Cash and cash equivalents at end of financial year	5 <u>4,189,679</u>	<u>884,170</u>

The accompanying notes form part of these financial statements.

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Notes to the Financial Statements For the Year Ended 31 December 2021

The financial report covers Sydney Mechanics' School of Arts as an individual entity. Sydney Mechanics' School of Arts is a not-for-profit School, registered and domiciled in Australia.

The principal activities of the School for the year ended 31 December 2021 include:

- the provision of educational and cultural activities;
- the provision of library services;
- running a robust program of talks, readings and screenings; and
- the provision of commercial office space and venue hire.

The functional and presentation currency of Sydney Mechanics' School of Arts is Australian dollars.

The financial report was authorised for issue by the Directors on 14 February 2022.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures and have been prepared to meet the reporting requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the School expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the School have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Notes to the Financial Statements For the Year Ended 31 December 2021

2 Summary of Significant Accounting Policies (continued)

(a) Revenue and other income (continued)

Specific revenue streams

Interest revenue

Interest is recognised using the effective interest method.

Rental income

Investment property revenue is recognised on a straight-line basis over a period of the lease term so as to reflect a constant periodic rate of return on the net investment.

Member Subscriptions

Revenue from the provision of membership subscriptions is recognised on a straight line basis over the financial year.

Grant revenue

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

Other income

Other income is recognised on an accruals basis when the School is entitled to it.

(b) Income Tax

The School is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(c) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and 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.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Notes to the Financial Statements For the Year Ended 31 December 2021

2 Summary of Significant Accounting Policies (continued)

(d) Property, plant and equipment (continued)

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

Land and buildings

Land and buildings are measured using the revaluation model.

Plant and equipment

Plant and equipment are measured using the cost model.

Library Books

Library books are measured using the revaluation model. Additional purchases of common use collection books are expensed.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the School, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Freehold Land	Not depreciated
Buildings	2.5%
Plant and Equipment	5% to 50%
Library	Not depreciated

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(e) Financial instruments

Financial instruments are recognised initially on the date that the School becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

10

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Notes to the Financial Statements For the Year Ended 31 December 2021

2 Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

Classification

On initial recognition, the School classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - equity instrument (FVOCI - equity)
- fair value through other comprehensive income - debt investments (FVOCI - debt)

Financial assets are not reclassified subsequent to their initial recognition unless the School changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The School's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Fair value through other comprehensive income

Assets measured at fair value through other comprehensive income are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to retained earnings and is not reclassified to profit or loss.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets through profit or loss

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Notes to the Financial Statements For the Year Ended 31 December 2021

2 Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

The School has a number of strategic investments in listed and unlisted entities over which they do not have significant influence nor control. These investments are measured at FVTPL.

Net gains or losses, including any interest or dividend income are recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL, the School considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the School's historical experience and informed credit assessment and including forward looking information.

The School uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The School uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the School in full, without recourse to the School to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the School in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The School has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Notes to the Financial Statements For the Year Ended 31 December 2021

2 Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

Financial assets (continued)

Where the School renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The School measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the School comprise trade payables.

(f) Impairment of non-financial assets

At the end of each reporting period the School determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(g) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Notes to the Financial Statements For the Year Ended 31 December 2021

2 Summary of Significant Accounting Policies (continued)

(h) Employee benefits

Provision is made for the School's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

(i) Foreign currency transactions and balances

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

3 Critical Accounting Estimates and Judgments

Those charged with governance make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - land and buildings

An independent valuation of property (land and buildings) carried at fair value was obtained in August 2020. Those charged with governance have reviewed this valuation and adopted it. The valuation is an estimation which would only be realised if the property is sold.

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Notes to the Financial Statements

For the Year Ended 31 December 2021

3 Critical Accounting Estimates and Judgments (continued)

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

4 Revenue and Other Income

Revenue from continuing operations

	2021	2020
	\$	\$
Revenue from contracts with customers		
- rental revenue from property investment	1,232,656	1,487,744
- member subscriptions	13,705	23,456
	<u>1,246,361</u>	<u>1,511,200</u>

Investment Income

	2021	2020
	\$	\$
- investment income received	140,850	113,490
	<u>140,850</u>	<u>113,490</u>

Other Income breakup

	2021	2020
	\$	\$
Other Income		
- recoveries	1,980	-
- Government support payments	96,875	251,350
- other trading revenue	919	1,404
- donations	4,993	1,295
- net gain on disposal of assets	-	25
- fair value adjustments	84,347	(11,407)
	<u>189,114</u>	<u>242,667</u>

5 Cash and Cash Equivalents

	2021	2020
	\$	\$
Cash at bank and in hand	4,189,584	883,972
Other cash and cash equivalents	95	198
	<u>4,189,679</u>	<u>884,170</u>

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Notes to the Financial Statements For the Year Ended 31 December 2021

6 Trade and Other Receivables

	2021	2020
	\$	\$
CURRENT		
Trade receivables	113,672	45,004
Deferred rent and other receivables	439,199	275,765
Provision for impairment	(155,826)	-
	<u>397,045</u>	<u>320,769</u>
Deposits	6,086	-
	<u>403,131</u>	<u>320,769</u>

7 Other Financial Assets

Financial assets at fair value through profit or loss

	2021	2020
	\$	\$
CURRENT		
Financial Investments	83,983	3,483,787
	<u>83,983</u>	<u>3,483,787</u>

8 Property, plant and equipment

	2021	2020
	\$	\$
LAND AND BUILDINGS		
Freehold land		
At fair value	36,350,000	36,350,000
Total freehold land	<u>36,350,000</u>	<u>36,350,000</u>
Total Land	<u>36,350,000</u>	<u>36,350,000</u>
Buildings		
At fair value	9,450,000	9,450,000
Accumulated depreciation	(343,782)	(80,157)
Total buildings	<u>9,106,218</u>	<u>9,369,843</u>
Total land and buildings	<u>45,456,218</u>	<u>45,719,843</u>
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	1,504,700	1,362,357
Accumulated depreciation	(886,661)	(799,756)
Total plant and equipment	<u>618,039</u>	<u>562,601</u>

Sydney Mechanics' School of Arts

ABN 29 720 771 090

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

8 Property, plant and equipment (continued)

Library books		
At fair value	1,404,946	1,404,946
Accumulated impairment losses	(985,088)	(985,088)
Total plant and equipment	<u>1,037,897</u>	<u>982,459</u>
Total property, plant and equipment	<u>46,494,115</u>	<u>46,702,302</u>

Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land \$	Buildings \$	Plant and Equipment \$	Library \$	Total \$
Year ended 31 December 2021					
Balance at the beginning of year	36,350,000	9,369,843	562,601	419,858	46,702,302
Additions	-	-	142,342	-	142,342
Depreciation expense	-	(263,625)	(86,904)	-	(350,529)
Balance at the end of the year	<u>36,350,000</u>	<u>9,106,218</u>	<u>618,039</u>	<u>419,858</u>	<u>46,494,115</u>

	Land \$	Buildings \$	Plant and Equipment \$	Library \$	Total \$
Year ended 31 December 2020					
Balance at the beginning of year	10,000,000	12,715,064	558,912	419,858	23,693,834
Additions	-	-	85,390	-	85,390
Depreciation expense	-	(327,550)	(81,701)	-	(409,251)
Revaluation decrease	-	(3,017,671)	-	-	(3,017,671)
Revaluation increase	26,350,000	-	-	-	26,350,000
Balance at the end of the year	<u>36,350,000</u>	<u>9,369,843</u>	<u>562,601</u>	<u>419,858</u>	<u>46,702,302</u>

9 Other non-financial assets

	2021 \$	2020 \$
CURRENT		
Prepayments	38,726	38,157
Rental bonds	<u>29,111</u>	<u>29,105</u>
	<u>67,837</u>	<u>67,262</u>

Sydney Mechanics' School of Arts

ABN 29 720 771 090

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

10 Leases

Operating leases as a Lessor

The School leases out commercial office space to various third party entities. These leases have been classified as operating leases for financial reporting purposes and the assets are included under property, plant and equipment in the statement of financial position (refer note 8).

In April 2020, the Australian Government introduced a National Code of Conduct (Code of Conduct) and set of principles which apply to commercial tenancies (including retail, office and industrial) for small and medium enterprise customers (SMEs) with turnover of less than \$50 million experiencing financial stress or hardship as a result of the COVID-19 pandemic as defined by their eligibility for the Commonwealth Government's JobKeeper Program.

For tenants eligible under the Code of Conduct and State based legislation, rent relief comprises a proportionate reduction in rent payable in the form of waivers and deferrals of up to 100% of the amount ordinarily payable, on a case-by-case basis, based on the reduction in the tenant's turnover during the COVID-19 pandemic period. At 31 December 2021, the total rent deferred amounted to \$430,068 (2020: \$249,984). The program ended in March 2021 but was reintroduced in July 2021 through to January 2022 on the emergence of the COVID-19 Delta strain.

On 13 January 2022 the Code of Conduct was extended to 13 March 2022. The impact of this extension of the Code of Conduct on future lease income has not been accounted for in the maturity analysis of lease receivables below.

Maturity analysis of lease receivables showing the undiscounted lease payments to be received after reporting date for operating leases:

	2021	2020
	\$	\$
< 1 year	988,930	1,150,861
Between 1 – 2 years	665,472	728,206
Between 2 – 3 years	563,124	314,767
Between 3 – 4 years	236,667	201,113
Between 4 – 5 years	28,387	60,292
Total undiscounted lease receivables	2,482,580	2,455,239

11 Trade and Other Payables

	2021	2020
	\$	\$
CURRENT		
Trade payables	25,962	43,510
Other payables	1,089	1,089
	27,051	44,599

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Notes to the Financial Statements

For the Year Ended 31 December 2021

12 Other Financial Liabilities

	2021	2020
	\$	\$
CURRENT		
Amounts received in advance	10,664	1,851
	<u>10,664</u>	<u>1,851</u>

13 Other Liabilities

	2021	2020
	\$	\$
CURRENT		
Rental bonds	29,111	29,105
ATO - GST	1,969	4,205
Other accrued expenses	28,650	35,481
	<u>59,730</u>	<u>68,791</u>

14 Employee Benefits

	2021	2020
	\$	\$
Current liabilities		
Provision for employee benefits	44,092	53,259
	<u>44,092</u>	<u>53,259</u>

	2021	2020
	\$	\$
Non-current liabilities		
Long service leave	13,389	5,056
	<u>13,389</u>	<u>5,056</u>

15 Reserves

	2021	2020
	\$	\$
Asset revaluation reserve		
Land	34,550,000	34,550,000
Library	24,659	24,659
	<u>34,574,659</u>	<u>34,574,659</u>

The asset revaluation reserve records fair value movements on property, plant and equipment held under the revaluation model.

Sydney Mechanics' School of Arts

ABN 29 720 771 090

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

16 Members' Guarantee

The liability of a member of the Sydney Mechanics' School of Arts to contribute towards the payment of the debts and liabilities of the Sydney Mechanics' School of Arts or the costs, charges and expenses of the winding up of the Sydney Mechanics' School of Arts is limited to the amount, if any, unpaid by the member in respect of membership of the Sydney Mechanics' School of Arts as required by By-law 8.

17 Key Management Personnel Disclosures

The total remuneration paid to key management personnel of the School is 176,074 (2020: 165,913).

18 Auditors' Remuneration

	2021	2020
	\$	\$
Remuneration of the auditor, Watson Erskine Pty Ltd, for:		
- auditing and other services	<u>18,174</u>	<u>19,355</u>
	<u>18,174</u>	<u>19,355</u>

In addition to auditing the financial statements, the auditor provides assistance with the preparation of the financial statements, attends the annual general meeting (AGM) and independently counts the votes at the AGM.

19 Fair Value Measurement

The School measures the following assets and liabilities at fair value on a recurring basis:

Asset	Basis for determining value
Property, plant and equipment	
Land and Buildings	Fair value as determined by a certified independent valuer every three to five years. The last independent valuation was conducted on 21 August 2020. Fair value is determined using a combination of a capitalisation of rental income basis subject to existing tenancies at the time of valuation together with a vacant possession basis against sales of similar properties to determine a rate per square metre. In the years between valuations the Board will consider if there is any material impairment of the value of land and buildings.
SMSA General Library	Fair value is determined by an independent third party specialist valuer every three to five years and is based upon market value calculated as a percentage of replacement value. Market value is affected by various factors including reputation and standing of the title within its genre, the volume and comprehensiveness of each genre, demand, market scarcity, condition and provenance. In the years between valuations the Board will consider if there is any material impairment of the value of the SMSA General Library.

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Notes to the Financial Statements For the Year Ended 31 December 2021

19 Fair Value Measurement (continued)

Asset

Thomas Keneally Collection

Basis for determining value

Fair value is determined by an independent third party specialist valuer every three to five years and is based upon the estimated market value of each of the items within the Collection. In the years between valuations the Board will consider if there is any material impairment of the value of the Thomas Keneally Collection.

Financial assets

Financial Investments

Fair value is determined with reference to quoted market prices of identical assets in active markets.

20 Commitments and Contingencies

Capital Commitments

The School has agreed with one of its tenants to contribute an amount not exceeding \$50,000 plus GST towards refurbishment of the leased office space.

Other than the above, there were no other capital commitments at 31 December 2021.

Contingencies

The NSW business grant and Jobsaver amounts of \$67,006 have been recognised as income in the year ended 31 December 2021. Although the School has received these amounts in cash, there remains a possibility that these amounts may be subject to review and the School found not eligible to receive such amounts. Should such a determination be made the School will be required to repay the full amount to the NSW Government.

Other than the above, there were no other contingent liabilities at 31 December 2021.

21 Related Parties

The School's main related parties are as follows:

Key management personnel - refer to Note 17.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Denis Mockler, a current Board member of the School, has provided legal advice to the School in connection with a matter regarding one of the School's tenants. Denis has agreed to provide these services free of charge to the School.

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Notes to the Financial Statements For the Year Ended 31 December 2021

22 Cash Flow Information

Reconciliation of net income to net cash provided by operating activities:

	2021	2020
	\$	\$
Deficit for the year	(200,915)	(657,998)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and impairments	350,529	1,129,395
- fair value movements on investments	(84,347)	11,407
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(232,102)	(319,395)
- (increase)/decrease in other assets	(6,092)	7,280
- (increase)/decrease in prepayments	(569)	1,266
- increase/(decrease) in trade and other payables	(17,548)	13,989
- (increase)/decrease in income in advance	8,813	129
- increase/(decrease) in other liabilities	(9,061)	(43,424)
- increase/(decrease) in provisions	154,992	(4,583)
Cashflows from operations	<u>(36,300)</u>	<u>138,066</u>

23 Events Occurring After the Reporting Date

The School continues to manage the effects of the COVID-19 Pandemic on its business. The School's main source of income, being rental income earned from leasing out commercial office space in the building at 280 Pitt Street Sydney, is expected to recover gradually over the medium to long term. Managing more frequent rental vacancies and current tenants who are experiencing or are likely to experience financial difficulty, and maintaining the upkeep of the building to professional standards with a reduced rental income base are some of the major challenges facing the School over the next 12 months and beyond.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the School, the results of those operations or the state of affairs of the School in future financial years.

24 Statutory Information

The registered office and principal place of business of the company is:

Sydney Mechanics' School of Arts
280 Pitt Street
Sydney NSW 2000

Sydney Mechanics' School of Arts

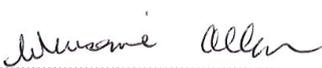
ABN 29 720 771 090

Directors' Declaration

The directors declare that in the directors' opinion:

- there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable; and
- the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

Director 
Winsome Allen

Director 
Denis Mockler

Dated 14 February 2022



Watson Erskine Pty Ltd
Chartered Accountants

ABN 44 125 509 015

Level 4, 55 Clarence Street, Sydney NSW 2000
GPO Box 2003, Sydney NSW 2001

T +61 (02) 9248 9600
F +61 (02) 9248 9666
E mail@watsonerskine.com.au
W www.watsonerskine.com.au

Sydney Mechanics' School of Arts

Independent Audit Report to the members of Sydney Mechanics' School of Arts

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sydney Mechanics' School of Arts (the Entity), which comprises the statement of financial position as at 31 December 2021, the statement of 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 directors' declaration.

In our opinion, the accompanying financial report of the Entity is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (i) giving a true and fair view of the Entity's financial position as at 31 December 2021 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards - Simplified Disclosures 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 Entity 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 (including Independence Standards)* (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 confirm that the independence declaration required by the ACNC Act, which has been given to the directors of the Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Responsibilities of Directors for the Financial Report

The directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Simplified Disclosures 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 Entity'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 Entity or to cease operations, or have no realistic alternative but to do so.

24

Liability limited by a scheme approved under Professional Standards Legislation



Watson Erskine Pty Ltd
Chartered Accountants

ABN 44 125 509 015

Level 4, 55 Clarence Street, Sydney NSW 2000
GPO Box 2003, Sydney NSW 2001

T +61 (02) 9248 9600
F +61 (02) 9248 9666
E mail@watsonerskine.com.au
W www.watsonerskine.com.au

Sydney Mechanics' School of Arts

Independent Audit Report to the members of Sydney Mechanics' School of Arts

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 the financial report.

Watson Erskine Pty Ltd
Authorised Audit Company

C. WONG
Director

SYDNEY NSW 2000

14 February 2022



Watson Erskine Pty Ltd
Chartered Accountants

ABN 44 125 509 015

Level 4, 55 Clarence Street, Sydney NSW 2000
GPO Box 2003, Sydney NSW 2001

T +61 (02) 9248 9600
F +61 (02) 9248 9666
E mail@watsonerskine.com.au
W www.watsonerskine.com.au

Sydney Mechanics' School of Arts

ABN 29 720 771 090

Disclaimer

For the Year Ended 31 December 2021

The additional financial data presented on pages 27 to 29 is in accordance with the books and records of the School which have been subjected to the auditing procedures applied in our statutory audit of the School for the year ended 31 December 2021. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and we give no warranty of accuracy or reliability in respect of the data provided. Neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person (other than Sydney Mechanics' School of Arts) in respect of such data, including any errors or omissions therein however caused.

Watson Erskine Pty Ltd



C. WONG

Sydney NSW 2000

14 February 2022

Sydney Mechanics' School of Arts

ABN 29 720 771 090

For the Year Ended 31 December 2021

Detailed Income Statement

	2021	2020
	\$	\$
Income		
Fees	13,705	23,456
Investment income	140,850	113,490
Donations	4,993	1,295
Recoveries	1,980	-
Other income	97,794	252,755
Net rental surplus	588,440	932,338
Total income	847,762	1,323,334
Less: Expenses		
Administration and management fees	6,129	10,138
Advertising	8,254	5,288
Auditors remuneration	18,174	19,355
Computer expenses	28,592	27,261
Consulting and professional fees	91,039	56,200
Consumables	40,027	41,798
Depreciation	350,529	409,251
Donations	6,000	11,000
First aid supplies	561	77
Entertainment	-	(63)
Insurance	17,486	16,391
Investment manager's fees	15,739	10,681
Impairment	-	720,144
Equipment rental	1,328	2,188
Other employee costs	3,358	22,188
Postage	306	321
Printing and stationery	2,676	6,339
Promotion	12,742	17,229
Repairs and maintenance	818	700
Salaries	450,945	533,980
Safety costs	1,476	3,893
Staff training	325	1,438
Subscriptions	8,768	8,639
Superannuation contributions	43,840	44,144
Telephone and fax	9,617	8,938
Termination benefits	2,292	(19,389)
Travel - domestic	1,999	3,533
Workers compensation insurance	6,119	5,823
Other operating expenses	3,885	2,465
Total Expenses	1,133,024	1,969,950
	(285,262)	(646,616)

Sydney Mechanics' School of Arts

ABN 29 720 771 090

For the Year Ended 31 December 2021**Detailed Income Statement**

	2021	2020
	\$	\$
Other items:		
Gain on disposal of assets	-	25
Fair value adjustments	<u>84,347</u>	<u>(11,407)</u>
	<u>84,347</u>	<u>(11,382)</u>
Profit before income tax	<u>(200,915)</u>	<u>(657,998)</u>

Note: This Detailed Income Statement does not form part of the audited financial statements.

Sydney Mechanics' School of Arts

ABN 29 720 771 090

For the Year Ended 31 December 2021

Rental Properties Statement

	2021	2020
	\$	\$
Rental income	1,144,215	1,402,618
Facilities Rental	88,441	85,126
Total rental income	1,232,656	1,487,744
Agents fees	22,787	7,889
Doubtful debts	155,826	-
Cleaning	91,876	87,688
Electricity and gas	76,883	83,595
Insurance	36,690	34,167
Rates - council	58,547	61,459
Rates - water	5,769	6,285
Repairs and maintenance	119,525	186,603
Security	17,547	21,319
Strata management	52,311	62,300
Major building maintenance	3,500	-
Catering	2,955	4,101
Total rental expenses	644,216	555,406
Net rental surplus	588,440	932,338

Note: This Rental Properties Statement does not form part of the audited financial statements.



PICTURED:
The SMSA Library.
Image Credit: Graham Jepson.

Appendix: AGM Minutes

Minutes of the Annual General Meeting held at 12:30pm on Tuesday 9 March 2021

Present

Winsome Allen	Thomas Morris
Jane Baker	Marcia Peters
Nola Barkl	Peter Rainey
Jane Biscoe	Paul Reid
Carole Cavell	John Michael Robinson
Alan Dawson	Lesley Scanlon
Anne Devrell	Raymond Seeto
Bronwyn Ellens	Robyn Short
Anthony Ellis	Marlene Smith
Ellen Elzey	Eugene Stawski
John Ewing	Jaz Stephens OAM
Helen Falconer	Leanne Tam
Shirley Hunt	Thomas Thorburn
Avril Ingram	Claire Tilley
Brian Johnston	Maria Townsend
Margaret Johnston	Shaina Versola
Colin Kay	Steve Warren
Bruno Lovison	Geoff Webb
Linda Maas	Max Williams
Jennifer-Robyn Mattock	Alister Wong
Carole McElligott	Garry Wotherspoon
Graeme McGregor	Robert York
Raewyn McGregor	

Also in Attendance

Christopher Wong Auditor, Watson Erskine Pty Ltd	Michael Ludowici Staff
Simon Orrick Auditor, Watson Erskine Pty Ltd	Andrea Shrewsbury Staff
Marvel Kung Auditor, Watson Erskine Pty Ltd	Kylie Campbell Staff
Max Bosotti Secretary, SMSA	Erika Samonte Staff
	Kathy Sale Staff

Apologies

Merilyn Bryce	Denis Mockler
Peter Clancy	Mary Mockler
Gavin Clark	Robert Swieca
Cecile Cornford	Susan Webb
Janet Crennan	Victoria Whiteman
Narelle Kay	

1. Welcome and Acknowledgment of Traditional Owners

Steve Warren welcomed members and guests to the meeting and the Traditional Owners of the land on which the meeting was held being the Gadigal people of the Eora Nation and their Elders past, present and future were acknowledged.

2. Conduct of the Meeting

The President noted that the meeting had been convened in accordance with the requirements. Members were provided with advice as to the conduct of the meeting and personal safety arrangements in the event of an emergency.

3. Confirmation of the Minutes and the previous Annual General Meeting

The minutes of the previous Annual General Meeting held on 10th March 2020 were confirmed as true and correct records. Moved by Tom Thorburn, seconded by Maria Townsend and carried on show of hands.

4. Elections

Paul Reid noted that in accordance with the By-Laws voting had ceased at 12:45pm. The votes are being counted by the auditors and results will be announced at the close of the meeting for the election of 5 directors from the 7 who nominated. Standing for election are: Marilyn Bryce; Lesley Scanlon; John Robinson; Shirley Hunt; Geoff Webb; Eugene Stawski; and Ellen Elzey.

5. President's Address

2020 was a challenging year for everyone, including the Sydney Mechanics' School of Arts.

Throughout this time the focus and concern has been the welfare of the organisation as a whole - its members, members' groups, staff, hirers and tenants and to ensure a sound financial foundation for the continuity of the Sydney Mechanics' School of Arts as we approach our 200th Anniversary and beyond.

During the past few months, we have taken the opportunity to commence renovations and repairs starting with the replacement roof membrane and accessible toilet. This fabulous new theatre, which has been re-named after Henry Carmichael our founder and educationalist (and incidentally the founder of Porphyry Pearl wine).

A huge thank you to our Secretary Max Bosotti for developing the concept for the theatre. The cost was well under previous quotes and the renovations were kept within budget.

The Innovation and Programs Committee have planned an exciting and interesting program for 2021 (COVID-19 permitting) which will see us getting back to our roots, offering diverse learning and cultural events to the people of Sydney.

6. Treasurer's Address

Michael Ludowici addressed the meeting on behalf of the Treasurer and gave a comprehensive update on the state of SMSA's finances.

In particular, he noted the significant change in income in 2020 due to COVID and the decline of rental income from \$2,026,574 to \$1,487,744. Many tenants had experienced significant issues in meeting lease payments and had not renewed their leases, whilst others had benefitted from the National Code introduced by Government and had had their lease payments reduced in line with income, a portion permanently waived and the balance placed on a deferred payment plan. All of the above materially impacted our revenue.

As a result of revaluation of our land and building, the value of our land increased from \$10,000,000 to \$36,350,000 whilst reducing the building value from \$12,715,064 to \$9,369,843. Total property, plant and equipment was \$46,702,302 compared with \$23,693,834 in 2020, an increase of \$23,008,468.

The total comprehensive income for the year was \$23.4m but this was after the gain from the land and buildings revaluation. The revaluation of our land and building resulted in an impairment charge against our income account of \$720,144. This adjustment, coupled with reduced lease income and lower other expenses produced a deficit for the year of \$(657,998) compared to a surplus in 2020 of \$134,437.

Although a loss on paper, if the revaluation of the land and building had not occurred, the net surplus for 2020 would have been positive at \$62,146. In other words, a reduction in the surplus from the previous year, which is readily explained by the impact of COVID and the revaluation.

Cash flow remains strong and members should note our balance sheet remains strong and therefore SMSA is in a good position to weather adverse situations should they persist into the future.

7. Presentation of the Annual Report for approval

The Treasurer noted the positive progress made and the results achieved by the School over the course of the year as recorded in the report. The annual report was submitted in its entirety for approval. Moved by Brian Johnston and seconded by Garry Wotherspoon. Carried on a show of hands.

8. Appointment of Auditors for 2021

The auditors, Watson Erskine, offered themselves for reappointment. Moved by Lesley Scanlon and seconded by Max Williams. Carried on show of hands.

9. Election Results and Close of Meeting

Winsome Allen presented the results of the elections and congratulated Lesley Scanlon, John Robinson, Shirley Hunt, Geoff Webb and Eugene Stawski who were successful, and thanked the other nominees for their interest.

The meeting closed at 1:30pm.

OPPOSITE PAGE: >

The Tom Keneally Centre.

Image Credit: Graham Jepson.



The **Sydney Mechanics' School of Arts** was founded in 1833 'to promote the diffusion of scientific and useful knowledge extensively, throughout all ranks of the community of New South Wales'.



Sydney Mechanics' School of Arts

280 Pitt Street, Sydney NSW 2000
02 9262 7300 | www.smsa.org.au

Addendum to SMSA Annual Report 2021 - Appendix: AGM Minutes

An addendum to the AGM Minutes from 9 March 2021:

Life Membership Proposal:

In recognition of his contribution to the SMSA film events program, Lesley Scanlon moved that Peter Rainey be made a life member. Carried on show of hands.

Lesley provided the following outline of Peter's contribution to SMSA:

Peter's love of cinema began in his student days in Townsville. After retiring from a long career in education, Peter offered to share his knowledge of film with SMSA members. He began the SMSA film program with three films and after 8 years has selected, introduced and shown 83 films with accompanying information leaflets. Peter's efforts on behalf of the SMSA have enabled members to view old favourites, classic cinema, long forgotten films through the medium of 16mm and more contemporary films.