

# ANNUAL REPORT + FINANCIAL STATEMENTS 2016

National Heart Foundation of Australia  
(**Victorian Division**) ABN 25 004 463 334  
For the year ended 31 December 2016



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## Directors and Office Bearers

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### Patron-in-Chief

The Honourable Linda Dessau AM, Governor of Victoria

### Patron

The Honourable Daniel Andrews MP, Premier of Victoria

### Board of Directors

President

Mr John Etherington, BEc, FCA, FAICD

Directors

Mr Ron Fairchild, BHK (Hons), CFRE (retired May 2016)

Mrs Leonie Fryar

Mr Chris Gardner, BEc/LLB (since March 2016)

Ms Diana Heggie, MCSP, MAICD, Grad. Dip. Human Services Research (since August 2016)

Ms Daphne Lee, MA; BusMgmt & DipFinPlan (Snr CFTP)

Professor Ian T. Meredith AM, MBBS (Hons), BSc (Hons), PhD, FRACP, FACC, FAHA, FCSANZ, FSCAI (retired May 2016)

Professor Brian Oldenburg, BSc, MPsychol, PhD

Professor Alistair Royse, MBBS, MD, FRACS, FCSANZ

Ms Jyoti Singh LLB, BEc (Hons)

A/Prof Andrew Taylor, MBBS, PhD, FRACP, FCSANZ

**Chief Executive Officer**

Ms Diana Heggie, MCSP, MAICD, Grad. Dip. Human Services Research (until 31 July 2016)

Ms Kellie-Ann Jolly, GradDipAppSci (OralHealth Therapy); MHlthSci (Health Promotion) (since 1 August 2016)

**Company Secretary**

Ms Jade Lemmens, BHlthSc, CAPM

### Senior Staff

**Cardiovascular Health Programs Director**

Ms Kellie-Ann Jolly, GradDipAppSci (OralHealth Therapy); MHlthSci (Health Promotion) (until 31 July 2016)

Dr Susan Forrest, DPhil (Oxon), BBus, BSc (Hons), GAICD (since 8 August 2016)

**Fundraising Director**

Mr Rob Daly, MBA, BA, PGDip

**Finance Manager**

Ms Roanna Khor, BBus (Accounting), CPA

**Solicitors**

Norton Rose Fulbright

**Auditors**

KPMG

**Registered Office**

Level 12  
500 Collins Street  
Melbourne VIC 3000

## Financial Members

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Mr T Adam  
Mr K D Barry  
Dr F N Bouvier  
Mr R McD Brown  
Mr D J Brydon  
Ms R Charlwood  
Mr I Collins AM  
Mrs A M L Court  
Mr B J Davies OAM  
Mr J Etherington  
Dr E T Fagan  
Mr R Fairchild  
Mrs L Fryar  
Mr C Gardner  
Mr A W Gorrie  
Mr P J Griffin  
Prof R Harper  
Ms D Heggie  
Mr W H Hodgson  
Dr M Jelinek  
Prof G Jennings  
Dr J Johns  
Ms Helen Kapalos  
Mrs D Krongold

Ms D Lee  
Mrs N Leslie  
Dr S Lubicz  
Dr A MacIassac  
Prof I Meredith AM  
Mr H M Morgan  
Prof B Oldenburg  
Mr B O'Shea  
A/Prof D Prior  
Mr B P Ranford  
Mr T W Roper  
A/Prof A Royse  
Mr G R Sellars-Jones  
Ms J Singh  
Prof Julian A Smith  
A/Prof L St Leger  
Mrs R Syme  
Prof J Tatoulis  
A/Prof A Taylor  
Mr J W Tomkins  
Mr A C Weber

### **Honorary Life Members**

Dr J T Dowling  
Mr J S Grigg  
Dr J G Sloman AO ED

## Bequest and Major Supporters

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### New Bequestors in 2016

A special thank you belongs to the men and women who have chosen to include a gift in their Will to the Heart Foundation. We respect their request for privacy, but welcome them to the Heart Foundation. Their foresight and support will help save many lives in the future.  
Thank you again.

#### Estates that distributed in 2016

Patricia Dulcie Allan  
Valerie Jean Allan  
Gustav George Herman Apituley  
James Alexander Arbuckle  
Dorothy Edna Arnott  
Pamela Florence Ayers  
Herbert Herman Baer  
Shirley Elizabeth Bassett  
Quentin Clifford Binks  
Maurice Charles Birch  
Margaret Edna Bishop  
Bernard Breakspear  
Margaret Mary Brett  
Benjamin W Bright  
Troy Andrew Cullinger  
Edna M Dacey  
Edith Ruth Deane  
Frank Durra  
Stephen Thomas Earp  
Ruth Valerie Edwards  
Pauline Audrey Flanagan  
Betty Frazer  
Irene Avis Freeman  
Helen E Gadsden  
Agnes Crofts Gardner  
Valentine George Gardner  
Joyce Catherine Gilbert  
Joyce W Golden  
Robert M Graham  
Walter Hamblin  
Lionel Charles Henderson  
William Robert Arnold Henderson  
William Edgar Hickey  
Cynthia Hilary Holper  
James Holt  
Gordon James Horsley  
Daryl Giles Howard  
Russell W Hunter  
Helen Hutsch  
George F Jackson  
Alfred Richard James  
Francis Phillip Jones  
John Charles Kelleher  
Valerie Margaret Kerr  
Mervyn Charles Kydd  
Frances A Lightley  
Kenneth Vincent Lloyd  
Phyllis M Mackennal  
Jean Aileen Manwaring  
Daniel Francis McCarthy  
John William McCarthy  
Joan Louise McMahan  
Victor Milton Miller

Ann Elizabeth Mills  
Peter James Morris  
Geraldine Nancy Nicoll  
Valerie H Oswin  
Julette Roma Paull  
Sammy Pennuto  
Violet Doreen Pollock  
Elsie Marion Pongracz  
Jean Stephanie Purcell  
Lilian Mavis Ramsay  
Gerald Riley  
Norma Lois Riley  
Charles Henri Roussac  
Darryl Ryan  
Jean Brown Sampson  
Patricia Shanahan  
Robin Lorimer Sharwood  
Robert S Sinnatt  
Winifred Daisy Stevens  
Barbara F Sutton  
Harold Thomas Swanton  
Cornelis Teeuwen  
Bessie Mary Thompson  
Reginald George Troeth  
Rita Victoria Walker  
Olga G Webb  
Jack Williams  
Lorraine Florence Williams  
Winsome Williams  
Andrew John Wilson  
Raymond Joseph Wright  
Luba Zogalski

#### Perpetual trusts that distributed in 2016

B & S Colee Trust  
Betty May Caccamo Trust  
Bruce Leslie Powell Trust  
Danuta Rogowski Trust  
DJ & LM Fox Foundation  
Edith Jean Elizabeth Beggs Trust  
Elise Louise Thomas Memorial Fund  
Fay Lorraine Nelson Trust  
Florence Grace Clark Trust  
Florence Mitten Trust  
G & H Foulkes Charitable Trust  
Grace Horton Charitable Fund  
Gregory Joseph & Zig Dickson Trust  
Hilda Emily McNee Trust  
Jean & Gerrard Harper Bequest  
Joseph Norman Mason Trust  
Joyce Adelaide Healey Trust  
Keith Goldsbury Trust  
Kenneth Martin Trust  
Lindsay James Baldy Trust  
Lorna Muriel Jenkins Trust  
MA & VL Perry Foundation  
Mabel Edna Cardwell Charitable Trust  
Mabel Kathleen Corless Trust  
Madeline Crump & Madeline Williams Trust  
Margaret Jean Bumpstead Trust  
Marion Popplewell Charitable Trust  
Mary Theresa Cromie Trust  
Mona Isobel Paul Trust  
N J Horton Charitable Fund  
Noel & Imelda Foster Research Awards  
Paula & Betty Clements Memorial Trust  
Phyllis Nurelle Turner Trust  
Price Coulsell Wilson Fund  
Russell Charitable Trust  
The Drury Trust  
Hardie-Anselmi Trust  
The Ethelwyn Elsbeth Richardson Trust  
The Isabel E & Francis J Hickmott Trust  
The Jean May Carey Donation  
The William and Georgena Bradshaw Charitable Trust  
Victor Russ Pittman Charitable Trust  
William C K Warden Trust  
Yvonne Patricia Steven Family Trust

## Bequest and Major Supporters (continued)

### Private Supporters (Over \$1000)

Anonymous  
 Mrs C Barber  
 Mr K Bethell  
 Miss H Blackwood  
 Mr O & Mrs E Blumberg  
 Mr G Blair  
 Mr W Bowness  
 Mr J Buckle  
 Mrs D Carr  
 Mrs J M Carvell  
 Mr G Chau  
 Mr & Mrs WD & WE Chick  
 Mr K Christian  
 Miss L Coles  
 Mr G Crew  
 Mr R A Curry  
 Dr R Dickens  
 Mrs J Drury  
 Ms L Eaton  
 Mr J Etherington  
 Mr & Mrs J Gaylard  
 Ms J Giles  
 Mr L Gill  
 Mr G S Gjergja  
 Mr B Goddard  
 Mr & Mrs J Grigg  
 Mrs Guilfoyle  
 Gras Foundation  
 Gringlas Family Charitable Fund  
 Ms T Hallcroft  
 Ms D Heggie  
 Mr R Heslop  
 Mr & Mrs Hui  
 Mr D Hooley  
 Mr B Howard  
 The Peter Isaacson Foundation  
 Mr J & Mrs J Khalid  
 Mrs B King  
 Mr J Levy  
 Dr & Mrs Lewis  
 Mr J B Little  
 Mrs Loi  
 Ms P Lowe  
 Mr T Maclean  
 Mrs J Manins  
 The Merrin Foundation  
 Mrs C & Mr D McConnell  
 Mrs D McEvoy  
 Mr N McMaster  
 Ms B Miller  
 Mrs E Miller  
 Mrs M Moir  
 Mrs S Muir  
 The Muffin Foundation  
 Mrs P & Mr A Murdoch  
 Murlid Family Endowment Fund  
 Mr M & Mrs A Neil  
 Ms J Nelson  
 Mr J & Mrs M Nolan  
 Professor R & Mrs M Norris

### Private Supporters (Over \$1000)

**Continued**  
 Mr N Paine & Mrs M O'Dea  
 Miss M O'Sullivan  
 Mr S Phillipson  
 Providence Pty Ltd  
 Mr G Shalit & Dr M Faine  
 Mr & Mrs S Shnider  
 Mrs J Smith  
 Miss B Smith  
 Mr M Steven  
 The RC & EM Bennett Fund, a charitable fund account of the Lord Mayor's Charitable Foundation  
 The HMA Foundation Pty Ltd  
 The Elizabeth & Barry Davies Charitable Foundation  
 The Isabel & John Gilbertson Charitable Trust  
 The Loftus-Hill Fund, a charitable Fund account of the Lord Mayor's Charitable Foundation  
 The Stuart Leslie Foundation  
 The Sun Foundation  
 The Will and Dorothy Bailey Charitable Fund, managed by Equity Trustees  
 Ms J Tatchell  
 Mr & Mrs Thomson  
 Mr & Mrs M & E Tong  
 Mr N Vink  
 Mr & Mrs N Walliss  
 Mr H Walker  
 Mr & Mrs R Ward-Ambler  
 Mrs A Wilson  
 Mr M Wozniak  
 Mrs D C Yeung  
 Supreme Grand Chapter of Victoria - Burgundy Ladies Association and Freemasons Foundation Victoria

### Honorary Fundraisers

Mrs Leonie Fryar  
 Mr Chris Gardner  
 Mr Neale Wright  
 Mr David Whiting

### Workplace Giving Partners (Over \$1000)

AMP Foundation Charitable Trust  
 ANZ - Global Internal Audit  
 Australia Post  
 Caltex Australia Limited  
 CSR Limited  
 Dyson Group of Companies  
 Macquarie Bank Foundation  
 National Australia Bank  
 Telstra  
 Zurich Financial Services

### Corporate Supporters (Over \$1000)

Ambulance Victoria  
 B M Investments Pty Ltd  
 Collins Square Management  
 DBM Consultants Pty Ltd  
 ISPT  
 KPMG  
 Perpetual Trustees  
 Red Energy  
 Remedy Healthcare  
 Ritchies Stores  
 TDJ Australia

### Heart Foundation Awards Night

Commonwealth Bank (Diamond Raffle Sponsor)  
 Technology One (Platinum Sponsor)  
 Remedy Healthcare (Silver Sponsor)  
 KPMG (Bronze Sponsor)  
 Ambulance Victoria (Bronze sponsor)

### Corporate Value in Kind

City of Melbourne  
 Donaldson Whiting + Grindal  
 Ernst & Young  
 Nova Entertainment  
 Pimpernel Vineyards  
 Pacific Optics  
 Mountain Goat

## Bequest and Major Supporters (continued)

### Charitable Trusts and Foundations (Over \$1000)

William Angliss Charitable Fund  
 Bell Charitable Fund  
 Cassidy Bequest Fund  
 Ivor Ronald Evans Foundation, managed by Equity Trustees  
 GWA Griffiths Estate  
 Henzell Family Bequest  
 Eirene Lucas Foundation  
 The Iorine & Hugh Demmer Charitable Trust, managed by Equity Trustees  
 James & Vera Lawson Trust, managed by Equity Trustees

### Clubs & Community Fundraising (Over \$1000)

Adam Abel  
 All Souls Opportunity Shop  
 Alysha Lambert  
 Angela Bernaldo  
 Antonio & Matilde Filippini  
 Brett Pooles  
 Calvino Coffee  
 Cathy Timcke  
 Cory Hull  
 Cranbourne Arthritis Support Group.  
 Diane Broad  
 Dr Adam Rose  
 Emily McVeigh  
 Federazione Lucana Inc  
 Fiona Dalglish  
 Gill Relph  
 Grant Johnston  
 Hayden Brass  
 Itamar Levinger  
 Jayke Barrack  
 Jessica Ryan  
 Jo Humphries  
 Kate Gardiner  
 Lavanya Day Spa  
 Lee Pantelis Frangos  
 Lisa Stanley  
 Matt Stanley  
 Genesis Mobile Entertainment  
 Nina Zaldivia  
 North Eastern 60 & Over  
 Bowlers Group Inc  
 Paterno Lucania Club  
 Rebeka Chereshsky  
 Rebekah Spencer  
 Rotary Club of Frankston Sunrise  
 Stefan Dalglish  
 Suzette Hartwell  
 Tegan Frazer  
 The Lions Club of Karingal  
 The Wombats Social Golf Club  
 Troy Ratcliffe  
 Upper Murray Horseman's Association Inc  
 Victorian Chemist Bowlers  
 Wayne & Margaret Chapman

### Schools

The Heart Foundation Jump Rope for Heart campaign motivated 57,617 children to be physically active and to raise funds to fight heart disease. 222 schools were involved throughout Victoria in 2016 raising \$526,067.

Highest Fundraising Schools for their region.

Metro South:  
 Haileybury College – Berwick Campus, Berwick  
 \$16,175

Gippsland:  
 Grey Street Primary School, Traralgon  
 \$10,217

Grampians:  
 Ballarat Clarendon College – Junior Campus, Ballarat  
 \$12,910

Metro East:  
 Wesley College, Glen Waverley  
 \$10,885

Metro North:  
 Aitken Creek Primary School, Craigieburn  
 \$9,773

Barwon:  
 Mandama Primary School, Grovedale  
 \$5,323

Loddon Mallee:  
 St Mary's School, Echuca  
 \$7,498

Metro West:  
 Williamstown Primary School  
 \$5,407

Hume:  
 Whittlesea Primary School, Whittlesea  
 \$6,170



## Directors' Report

for the year ended 31 December 2016

The directors present their report together with the general purpose financial reports of National Heart Foundation of Australia (Victorian Division) ("the Foundation") for the year ended 31 December 2016 and the auditors' report thereon.

### Directors

The following directors of the Foundation, all of whom are independent, non-executive and act in an honorary capacity and held office at any time during or since the end of the financial year:

Name and qualifications	Experience and special responsibilities	Board Meetings attended & held#	Appointment & resignation
Mr J Etherington, BEc, FCA, FAICD (President)	Chartered Accountant; 28 years in public practice, including 16 years as a partner of Deloitte. Currently a non executive director on a range of public, private and not for profit organisations. He is a director of the National Heart Foundation of Australia and Chair of the National Audit and Governance Committee.	4/4	Director since 2008
Mr Ron Fairchild, BHK (Hons), CFRE	Vice President and Chief Advancement Officer, Deakin University.	1/1	Retired May 2016
Mrs L Fryar	Sales & Marketing; 34 years working across Government's and Corporate Australia. Supported the Heart Foundation for 14 years and currently Business Development Director-Supply Chain.	3/4	Director since 2014
Mr C Gardner	Over 20 years' experience as a workplace relations lawyer. Chris also has experience in professional services marketing & brand development, has been actively involved in fundraising for the Heart Foundation and currently sits on the fund raising sub-committee.	4/4	Director since March 2016
Ms D Heggie MCSP, MAICD, Grad. Dip. Human Services Research	Over 25 years working in the Not For Profit sector with 10 years experience in executive roles. Current directorships include the Heart Foundation (Vic), Toorak College, the Abbotsford Convent ,and a foundation member of the Heide Museum of Modern Art.	1/1	Additional Director Since August 2016
Ms D Lee, MA; BusMgmt & DipFinPlan CFTP (Senior)	Over 25 years in setting up and managing Treasury division as Treasury Manager, including Pacific Dunlop Group of Asia & Australia; China Int'l Trust & Investment Group of Australia and the major banks in Hong Kong. Currently with Baillieu Holst as Investment & Strategic Portfolios Advisor for self-managed superfund, corporate and family trust clients.	4/4	Director since 2015
Prof I Meredith AM, MBBS (Hons), BSc (Hons), PhD, FRACP, FACC, FCSANZ, FAHA, FSCAI	Professor & Director of Monash Heart at Monash Health, Professor of Medicine & Cardiology Monash University, Executive Director of Monash Cardiovascular Research Centre, Monash University; CSANZ Representative National Heart Foundation; Member of CSANZ Federal Board; Board Member Asia Pacific Society of Interventional Cardiology.	1/1	Retired May 2016
Prof B Oldenburg, BSc, MPsycho, PhD	Professor of Noncommunicable Disease Control and Director of the Centre for Health Equity in the School of Population and Global Health, University of Melbourne, Australia.	2/4	Director since 2014
Prof A Royse, MBBS, MD, FRACS, FCANZ	Prof of Surgery, Deputy Head of Surgery, The University of Melbourne Director, Ultrasound Education Group, The University of Melbourne Cardiothoracic Surgeon, Royal Melbourne Hospital.	4/4	Director since 2008
Ms J Singh, LLB, BEc (Hons)	Partner practising in the area of mergers and acquisitions and corporate law at Norton Rose Fulbright.	2/4	Director since 2015
A/Prof Andrew Taylor, MBBS, PhD, FRACP, FCSANZ	Director of Cardiac MRI and Head of Non-Invasive Imaging, Heart Centre, Alfred Hospital. Honorary Scientist, Baker IDI Heart and Diabetes Institute, Adjunct Associate Professor, Department of Medicine, Central Clinical School, Monash University.	3/4	Director since 2012

#meetings attended and meetings held while the director held office

## Directors' Report (continued)

for the year ended 31 December 2016

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### Corporate Governance Statement

The Foundation is a company limited by guarantee, incorporated under the *Corporations Act 2001* and registered under the Australian Charities and Not-For-Profits Commission (ACNC). Ultimate responsibility for the governance of the company rests with the Board of Directors. This corporate governance statement outlines how the Board meets that responsibility. The Board believes the principles of good corporate governance underpin the values and behaviour of the Foundation.

### Role of the Board

The Board's primary role is to ensure that the activities of the Foundation are directed towards achieving its mission to reduce suffering and death from heart, stroke and blood vessel disease in Australia. The Board must ensure that this mission is achieved in the most efficient and effective way. The Foundation operates as part of a co-operative federation with Divisions in each of the other States and Territories of Australia. The relationships between all entities are set out in a Federation Agreement 2013-2017 which requires Divisions making grants to the National Heart Foundation of Australia ("National") to fund research and other health programs conducted on a National basis.

### Oversight by the Board

The Board oversees and monitors the performance of management by:

- Meeting regularly during the year
- Receiving detailed financial and other reports from management at those meetings
- Receiving additional information and input from management when necessary

### Specific responsibilities of the Board

The Board fulfils its primary role by:

- Selecting, appointing, guiding and monitoring the performance of the Chief Executive Officer ("CEO")
- Formulating the strategic plan of the Foundation in conjunction with the CEO and management
- Approving operating and capital budgets formulated by the CEO and management
- Monitoring the progress of management in achieving the strategic plan
- Monitoring the adherence by management to operating and capital budgets
- Ensuring the integrity of internal control, risk management and management information systems
- Ensuring stakeholders receive regular reports, including financial reports
- Ensuring the independence of the Foundation from government, industry and other groups in determining health and other policies and recommendations
- Ensuring the Foundation complies with all relevant legislation and regulations
- Acting as an advocate for the Foundation whenever and wherever necessary

These responsibilities are set out in a *Corporate Governance Framework*, including a *Board Charter*.

### Responsibilities of management

The Board has formally delegated responsibility for the day-to-day operations and administration of the Foundation to the CEO and executive management.

### Board members

All Board members are independent, non-executive directors and act in an honorary capacity. The Constitution of the Foundation specifies:

- There must be no less than six and no more than twelve directors
- No employees of the Foundation, including the CEO, can be a director of the Foundation
- Each year a minimum of one third of the directors shall retire from office but are eligible to stand for election immediately upon retirement
- A Director may only serve a maximum period of nine consecutive years and will not be eligible to stand for re-election after this time

Board members are appointed to ensure a breadth of skill and knowledge across all areas of the work of the Foundation. The current Board's qualifications, skills, experience and responsibilities appear on page 7.

Board members receive written advice of the terms and conditions of their appointment and complete a structured induction program when first appointed. Management presentations to the Board enable directors to maintain knowledge of the business and operations of the Foundation.

A formalised Board Performance Evaluation process is undertaken on an annual basis.

## **Directors' Report** (continued) for the year ended 31 December 2016

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### **Risk management**

The Board oversees the establishment, implementation and regular review of the risk management system of the Foundation, which is designed to protect its reputation and manage those risks that might preclude it from achieving its mission. Management is responsible for establishing and implementing the risk management system which assesses, monitors and manages operational, financial reporting and compliance risks. The financial statements of the Foundation are subject to independent, external audit. Guidelines for internal controls have been adopted and compliance is reviewed bi-annually by independent staff from another Division.

### **Ethical standards and code of conduct**

Board members, all staff and volunteers are expected to comply with relevant laws and codes of conduct of relevant professional bodies, and to act with integrity, compassion, fairness and honesty at all times when dealing with colleagues and any stakeholders in the mission of the Foundation. Board members, all staff and volunteers are provided with a copy of the Foundation's Code of Conduct policy during their induction to the organisation.

### **Involving stakeholders**

The Foundation has many stakeholders, including its donors and benefactors, its staff and volunteers, the broader community, its suppliers and other members of the National Heart Foundation of Australia co-operative federation. The Foundation adopts a consultative approach in dealing with its stakeholders. The Board has endorsed and is constantly reviewing the Foundation's policies and procedures that uphold the reputation and standing of the Foundation.

## **PRINCIPAL ACTIVITIES AND ACHIEVEMENT OF OBJECTIVES**

The primary activities of the Foundation are directed towards achieving its mission to reduce suffering and death from heart, stroke and blood vessel disease in Australia through the support of research into the causes and cures of heart disease, the rehabilitation of sufferers from heart disease, professional and community education about heart disease, and the raising of funds to carry out this work. There were no significant changes in the nature of those activities during the year.

## **SHORT AND LONG TERM OBJECTIVES AND STRATEGIES FOR ACHIEVING THESE OBJECTIVES**

### **Alignment to strategic plan "For All Hearts"**

The Foundation has a five-year strategic plan, For All Hearts 2013-2018, aligned directly with our vision for Australians to have the best cardiovascular health in the world and our mission to reduce suffering and death from heart, stroke and blood vessel disease in Australia. Through For All Hearts, we have focused on four main goals :

- Healthy hearts
- Heart care
- Health equity
- Research

The plan aims to unite and empower all Australians to transform our nation's heart health. Our aspirational goal is to link our work to supporting a global target of reducing premature deaths by 25% by 2025, through curbing chronic disease risks (including cardiovascular disease).

### **Performance Measures and Key Achievements in 2016**

The Foundation has a process for measuring its performance and regular reports are provided to the Board on the following key results areas:

- Cardiovascular health
- Community engagement and awareness raising
- Fundraising and donor engagement
- Finance and operations

This year the team in Victoria worked tirelessly to build links with communities across the state particularly in rural and regional Victoria. From providing heart health checks in the community to supporting young people with heart disease - we worked with communities at high risk of heart disease as well as other not-for-profit partners, business and government to help ensure every person in Victoria has the chance to improve their heart health.

## **Directors' Report** (continued) for the year ended 31 December 2016

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### **Highlights in Cardiovascular Health in 2016**

#### **1. Positive evaluation of our warning signs of heart attack campaign**

Ernst and Young (EY) undertook pro bono work and delivered a report that provided us with a collation of the evaluation work that we undertook as part of the warning signs of heart attack strategy at a national level. The report highlights the success of our campaign including (i) significant increases in the awareness and knowledge of heart attack symptoms with effective communication of our key messages and (ii) these high levels of awareness and knowledge are likely to have a positive impact on intention to act in the future. We have also collaborated with Ambulance Victoria to analyse our campaign activity against key ambulance metrics. Two papers were published and the major finding delivered by the campaign was a 13% reduction in deaths from cardiac arrest.

#### **2. Addressing the needs of younger people living with Heart disease**

In August, 2016 the Heart Foundation ran the first Supporting Young Hearts Health Forum for 40 young people aged between 18 and 40 years who are living with a heart condition or recovering from a heart event or heart surgery. The forum was developed following requests from young people who said they needed information and support and an opportunity to meet others like them to share their stories. Our Supporting Young Hearts Program aims to engage more young people in 2017, through the establishment of an Advisory Group of Young People, targeted workshops addressing issues specific to this age group, newsletters and social media activities.

#### **3. Heart failure – a growing need for improved management**

The Heart Foundation in partnership with the Victorian Cardiac Care Network (VCCN) held a Forum in December 2016 that showcased the innovative projects currently being completed across the seven key health services participating in the Heart Failure Model of Care program. The forum was attended by a broad range of clinicians, health service designer and health executives and was an excellent opportunity to share new approaches. We also developed a training program focused on how to use the new low health literacy resource "Living well with heart failure". The concepts of people's different learning styles and teaching methods were presented to hospital staff to help patients understand how to manage their heart failure. A total of 215 heart failure staff were trained and very positive feedback was obtained. Funding was secured from the VCCN (\$495,000) late in 2016 to conduct a targeted implementation of our Heart Failure Readmissions Toolkit across three health services and pilot collection of Patient Reported outcome Measures for heart failure.

#### **4. Love your heart – low literacy recovery book and guide**

We have developed an easy to read book *Love your heart: a guide to support recovery and good heart health* to support patients (and their carers) during their recovery from heart attack or surgery. The content and design of the book was informed by international literature and consultations with patients, their carers and health professionals and will be in 13 languages. This book was made possible through the generous support from the Victorian Government, The Percy Baxter Charitable Trust (managed by Perpetual) and the Ian Potter Foundation.

#### **5. Reducing cardiac arrest disparities in Victoria – the Chain of Survival**

We are developing a large program of work to position the Heart Foundation as a key organisation aiming to address the issue in out of hospital cardiac arrest. This focus has enabled the Heart Foundation to secure over \$500K from our generous donors to support implementation of the program. Ambulance Victoria are key partners and have lead responsibility for the infrastructure and resources that support many aspects of this work.

#### **6. Keeping Ballarat hearts healthy**

Together with Ballarat Health we provided heart health checks in our mobile clinic to the Ballarat community during Heart Week. Over 500 checks were undertaken across the region throughout the week. An evaluation of the program which measured the impact and behaviour change arising from the heart health checks showed that: 58% people visited their general practitioner post heart health check; 29% took action on the smoking advice offered; 77% people took action on the advice recommended by the nurse; four in five people acted on the physical activity advice; and 35% took up action to join a Heart Foundation walking group. In addition to the health checks, we worked with 6 local pubs and clubs to offer a heart healthy menu for Heart Week. Feedback was very positive from the pubs and clubs and their patrons.

#### **7. Don't trust your tastebuds when it comes to salt**

In partnership with VicHealth, we implemented a digital campaign aimed at increasing the community's awareness of the dangers of consuming too much salt including the longer-term effects that salt can have on the body such as increasing blood pressure. Evaluation of the campaign showed impressive results with awareness of the health impacts of high salt intakes and knowledge of the high levels of salt in processed foods increasing.

## Directors' Report (continued)

for the year ended 31 December 2016

### 8. Walking programs/ Sons of the West

The Heart Foundation has been working in partnership with the Spirit West Foundation and local stakeholders in 6 Local Government Areas (LGAs) to support the development of local Sons of the West/Western Walking Groups, as an important addition to their 10 week health program that focuses on men's physical health, nutrition and overall wellbeing. Two new Host organisations (Councils) and 14 Groups have been established in 5 of the 6 LGAs – approximately 150 men participating. This is a promising outcome as men are far more difficult to engage in walking than women.

### 9. Advocating for change

After a number of years of advocacy, in 2016 Heart Foundation Victoria welcomed new laws which will prohibit smoking in outdoor dining areas across the state in 2017. The new laws also regulate the sale, promotion and use of e-cigarettes. Heart Foundation Victoria have also advocated for the Victorian Government to introduce a mandatory kilojoule menu labelling scheme in Victoria to create a consistent, easily understood system. In 2016, Heart Foundation Victoria welcomed the Government's commitment to introduce a scheme by 2018, with legislation introduced into the Victorian Parliament late in the year.

### Review of Results and Operations for Current Year

A strong and successful year for the Foundation saw it achieving an operating surplus of \$9.068 million in 2016, a 32% increase from \$6.826 million in 2015. The Foundation recorded Bequest income of \$9.688million which was a 28% increase from the previous year (2015: \$7.562 million) and \$2.130 million (2015: \$1.670 million) from the State government, trusts and foundations, and major gifts. These funds have enabled us to accomplish the strategic objectives we have set for the Foundation.

The Foundation's total expenditure was \$6.945 million and we continue to achieve efficiencies and savings across our business units. The Foundation contributed strongly to the National company in support of cardiovascular research and local health programs to the sum of \$9.096 million in 2016 (2015: \$6.876 million).

We sincerely thank our many donors – both individuals and organisations – who have supported us financially and in-kind, and we are grateful also to the State government for continuing to fund the Foundation's work. Further thanks is extended to all our volunteers for their time, energy, enthusiasm and talent which ensured the smooth running and success of events and services.

### Review of Results and Operations for Past Five Years

Set out below is a comparative table of income and expenditure, and assets and liabilities for the past five years, including relevant ratios:

	2016	2015	2014	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income &amp; Expenditure</b>					
Charitable support - bequests	9,688	7,562	7,884	4,759	5,358
Charitable support - non-bequests	3,958	4,591	4,422	4,993	4,898
<b>Fundraising income</b>	<b>13,646</b>	<b>12,153</b>	<b>12,306</b>	<b>9,752</b>	<b>10,256</b>
Grants for specific health programs - Government	1,316	1,248	759	276	189
Grants for specific health programs and research - Other	814	422	81	6	-
Other income	235	125	158	147	115
<b>Total income</b>	<b>16,011</b>	<b>13,949</b>	<b>13,303</b>	<b>10,181</b>	<b>10,560</b>
Less: Fundraising expenditure	(2,994)	(3,187)	(3,114)	(3,132)	(3,802)
Communications & administration	(629)	(663)	(558)	(685)	(630)
Health programs conducted locally	(3,320)	(3,273)	(2,618)	(2,366)	(2,699)
<b>Net Surplus/(deficit)</b>	<b>9,068</b>	<b>6,826</b>	<b>7,013</b>	<b>3,998</b>	<b>3,429</b>
Contributions to National health programs & research	(9,096)	(6,876)	(7,154)	(4,195)	(3,678)
<b>Balance added to/(deducted from) equity</b>	<b>(28)</b>	<b>(50)</b>	<b>(141)</b>	<b>(197)</b>	<b>(249)</b>
<b>Ratios:</b>	%	%	%	%	%
Fundraising expenditure to fundraising income	22%	26%	25%	32%	37%
Surplus from fundraising to fundraising income	78%	74%	75%	68%	63%
Surplus available for health programs & research to total income	77%	72%	72%	63%	58%
Expenditure on health programs and research to total income	78%	73%	73%	64%	60%
Expenditure on health programs and research to total expenditure	77%	72%	73%	63%	59%
Annual increase in expenditure on health programs & research	22%	4%	49%	3%	(30%)
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets &amp; Liabilities</b>					
Cash & investments	3,294	2,096	2,367	1,791	1,006
Computers, cars & equipment	267	516	733	988	1,238
Other assets	269	268	207	153	389
<b>Total assets</b>	<b>3,830</b>	<b>2,880</b>	<b>3307</b>	<b>2932</b>	<b>2633</b>
Total liabilities	(3,383)	(2,404)	(2,781)	(2,266)	(1,769)
<b>Total equity</b>	<b>447</b>	<b>476</b>	<b>526</b>	<b>666</b>	<b>864</b>

**Directors' Report** (continued)  
for the year ended 31 December 2016

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**State of Affairs**

There were no significant changes in the state of affairs of the Foundation during the year.

**Events Subsequent to Reporting Date**

No matter or circumstances have arisen in the interval between end of the financial year and the date of this report, which are likely in the opinion of the Directors to significantly affect the operations of the Foundation, the results of those operations or the state of affairs of the Foundation in subsequent financial years.

**Likely Developments**

In the opinion of the directors there are no likely developments that will change the nature of the operations of the Entity.

**Environmental Regulation**

The Foundation's operations are not subject to any significant environmental regulations under both Commonwealth and State legislation. However the Directors believe that the Foundation has adequate systems in place for the management of its environmental requirements and are not aware of any breach of those environmental requirements as they apply to the Foundation.

**Insurance Premiums**

Since the end of the previous financial year the National Heart Foundation has paid insurance premiums on behalf of the Foundation in respect of directors' and officers' liability and legal expense, insurance contracts, for the current and former directors and officers, including executive officers, of the Foundation.

The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The premiums were paid in respect of the directors and officers of the Foundation listed in this report, and do not contain details of premiums paid in respect of individual directors or officers.

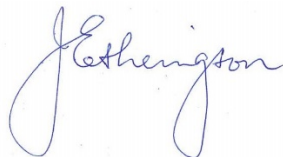
**Indemnification**

During the year the Foundation has not indemnified or made a relevant agreement for indemnifying against a liability, any person who is or has been an officer or auditor of the Foundation.

**Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 37 and forms part of the directors' report for financial year 2016.

Signed in accordance with a resolution of the Directors.



J Etherington  
Director

Dated at Melbourne this 14<sup>th</sup> day of March 2017

## Directors' Declaration

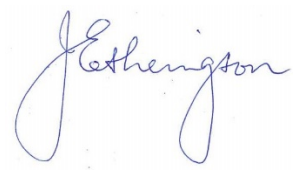
for the year ended 31 December 2016

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In the opinion of the directors of National Heart Foundation of Australia (Victoria Division) ("the Foundation"):

- (a) the financial statements and notes, set out on pages 14 to 33, are in accordance with the Australian Charities and Not-For-Profits Commission ACT 2012, including:
  - (i) giving a true and fair view of the Foundation's financial position as at 31 December 2016 and of its performance for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Australian Charities and Not-For-Profits Regulation 2013; and
- (b) there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



J Etherington  
Director

Dated at Melbourne this 14<sup>th</sup> day of March 2017

**Statement of Surplus or Deficit and Other Comprehensive Income**

for the year ended 31 December 2016

	Notes	2016 \$	2015 \$
<b>Revenue</b>			
Revenue from operating activities	4	15,915,612	13,842,350
<b>Total revenue</b>		15,915,612	13,842,350
Net gain/(loss) on sale of property, plant and equipment		-	1
Health programs (including those funded by grants)		(3,320,244)	(3,272,714)
Fundraising		(2,992,663)	(3,185,963)
Cost of goods sold		(1,358)	(572)
Communications and publicity		(283,511)	(262,950)
Administration		(347,805)	(400,514)
<b>Results from Operating activities</b>		8,970,031	6,719,638
Finance income		97,163	106,264
Finance costs		-	-
<b>Net Finance income</b>	6	97,163	106,264
<b>Net Surplus</b>		9,067,194	6,825,902
<b>Net Grants to National Heart Foundation of Australia</b>	18	(9,096,017)	(6,875,756)
<b>Deficit for the year before tax</b>		<b>(28,823)</b>	<b>(49,854)</b>
Income tax expense	3c	-	-
<b>Deficit for the year after tax</b>		<b>(28,823)</b>	<b>(49,854)</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to surplus or deficit		-	-
Items that may be reclassified subsequently to surplus or deficit		-	-
<b>Total other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<b>(28,823)</b>	<b>(49,854)</b>



**Statement of Financial Position**

as at 31 December 2016

	Notes	2016 \$	2015 \$
<b>Current assets</b>			
Cash and cash equivalents	7a	3,293,797	2,095,642
Trade and other receivables	8	269,155	267,431
Inventories		17	839
<b>Total current assets</b>		<b>3,562,969</b>	<b>2,363,912</b>
<b>Non-current assets</b>			
Property, Plant, equipment and vehicles	9	267,119	515,792
<b>Total non-current assets</b>		<b>267,119</b>	<b>515,792</b>
<b>Total assets</b>		<b>3,830,088</b>	<b>2,879,704</b>
<b>Current liabilities</b>			
Trade and other payables	10	1,815,892	698,271
Grants income deferred	11	814,961	698,479
Employee benefits	12	326,493	304,827
Provisions	15	396,418	93,942
<b>Total current liabilities</b>		<b>3,353,764</b>	<b>1,795,519</b>
<b>Non-current liabilities</b>			
Employee benefits	12	29,199	31,284
Provisions	15	-	576,953
<b>Total non-current liabilities</b>		<b>29,199</b>	<b>608,237</b>
<b>Total liabilities</b>		<b>3,382,963</b>	<b>2,403,756</b>
<b>Net assets</b>		<b>447,125</b>	<b>475,948</b>
<b>Equity</b>			
Retained earnings		447,125	475,948
<b>Total equity</b>	13	<b>447,125</b>	<b>475,948</b>

**Statement of Changes in Equity**

as at 31 December 2016

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Balance of Equity as at 1 January</b>	475,948	525,802
<b>Comprehensive income for the period</b>		
Deficit	(28,823)	(49,854)
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>(28,823)</b>	<b>(49,854)</b>
<b>Balance of Equity as at 31 December</b>	<b>447,125</b>	<b>475,948</b>

**Statement of Cash Flows**

for the year ended 31 December 2016

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		14,253,219	12,373,399
Cash payments in the course of operations		(5,552,231)	(5,315,972)
Net grants made to National Heart Foundation of Australia		(7,605,117)	(7,399,378)
Net financial income		104,219	95,181
<b>Net cash from operating activities</b>	7b	<b>1,200,090</b>	<b>(246,770)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, equipment, vehicles and computer software		(1,935)	(24,476)
<b>Net cash from investing activities</b>		<b>(1,935)</b>	<b>(24,476)</b>
<b>Cash flows from financing activities</b>			
<b>Net cash from financing activities</b>		-	-
<b>Net increase in cash and cash equivalents</b>		1,198,155	(271,246)
Cash and cash equivalents at 1 January		2,095,642	2,366,888
<b>Cash and cash equivalents at 31 December</b>	7a	<b>3,293,797</b>	<b>2,095,642</b>

## Notes to the Financial Statements

for the year ended 31 December 2016

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### 1 Reporting entity

The National Heart Foundation of Australia (Victorian Division) (the "Foundation") (ABN: 25 004 463 334) is a company domiciled in Australia. The address of the Foundation's registered office is Level 12, 500 Collins Street, Melbourne, Victoria 3000. The Foundation is a not for profit charity, registered under the Australian Charities and Not-For-Profits Commission, devoted to reducing suffering and death from heart, stroke and blood vessel disease in Australia.

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### 2 Basis of preparation

#### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-For-Profits Commission Act 2012. The financial report was authorised for issue by the directors on 14 March 2017.

#### (b) Basis of measurement

The financial report is prepared on the historical cost basis except for any equity instruments the Foundation may hold which will be measured at fair value.

#### (c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Foundation's functional currency.

#### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected.

#### *Significant accounting judgments*

The company has entered into leases of premises and office equipment as disclosed in Note 14. Management has determined that all of the risks and rewards of ownership of these premises and equipment remain with the lessor and has therefore classified the leases as operating leases.

#### *Significant accounting estimates and assumptions*

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

##### (i) Make good provisions

Provisions for future costs to return certain leased premises to their original condition are based on the Foundation's past experience with similar premises and estimates of likely restoration costs determined by the property manager of the leased premises. These estimates may vary from the actual costs incurred as a result of conditions existing at the date the premises are vacated. Refer to note 15.

##### (ii) Provisions for employee benefits

Provisions for employee benefits payable after 12 months from the reporting date are based on future wage and salary levels, experience of employee departures, and periods of service, as discussed in Note 3(j). The amount of these provisions would change should any of these factors change in the next 12 months. Refer to note 12.

#### (e) Changes in accounting policies

The Foundation has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in this financial report.

#### (a) Revenue recognition

##### (i) Charitable support

Revenue is received from appeals, donations, fundraising events and bequests and is brought to account on a cash received basis. When assets, such as investments or properties, are received from a bequest or donation, an asset is recognised, at fair value, when the Foundation gains control of such assets and the value of the asset can be reliably measured.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2016

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### 3 Significant accounting policies (continued)

#### (a) Revenue recognition (continued)

##### (ii) Interest and dividend revenue

Interest revenue is recognised as it accrues on a daily basis. Dividend revenue is recognised when the right to receive payment is established. Where dividends are franked the dividend is recognised inclusive of imputation credits, which are refunded by the ATO.

##### (iii) Grants for health programs and research (deferred income)

Grants received for specific health programs or research are recognised as income only to the extent of work completed on those projects. Any funds attributable to work still to be completed are carried forward as grants income deferred as recognised in note 11. In the circumstances where the terms of the grants stipulate that any unexpended funds are to be returned to the sponsor these unexpended funds are held as deferred income until such time as they are returned to the funding body. Where the terms of the grant do not stipulate that unexpended funds are to be returned to the funding body they are recognised as revenue once all agreed project outcomes and specified work has been completed.

##### (iv) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. Revenue from the sale of goods is recognised when control of the goods passes to the customer.

##### (v) Services of volunteers

A substantial number of volunteers, including directors and members of committees, donate a significant amount of their time to the activities of the Foundation. School children across Victoria also supported the Foundation by participating and raising funds through the Jump Rope for Heart program. In total this involved over 57,617 children and 222 schools and groups throughout Victoria. The Foundation's door knock program successfully recruited over 18,862 volunteers to collect funds in 2016. However, as no objective basis exists for recording and assigning values to these services, they are not reflected in the financial statements as either revenue or expenses.

#### (b) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"). Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ("ATO") is included as a current asset or current liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### (c) Income Tax

The Foundation is exempt from paying income tax due to being a charitable institution in terms of section 50(5) of the Income Tax Assessment Act 1997. The Foundation is also endorsed as a Deductible Gift Recipient and falls under item 1 of the table in section 30-15 of the Income Tax Assessment Act 1997.

#### (d) Inventories

Inventories, representing publications held for resale, are measured at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs and include purchase prices plus design and freight costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of disposal.

#### (e) Property, equipment and vehicles

##### (i) Recognition and measurement

Items of property, equipment and vehicles are measured at cost less accumulated depreciation and impairment losses (refer to note 3(i)(ii)). Cost includes expenditure directly attributable to the acquisition of the asset. Such assets are recognised/derecognised by the Foundation on the date it commits to purchase/sell each item. Gains and losses on disposal of an item of property, equipment and vehicles, are determined by comparing the proceeds from the disposal with the carrying amount of property, equipment and vehicles and are recognised on a net basis in the Statement of Surplus or Deficit and Other Comprehensive income.

**Notes to the Financial Statements** (continued)

for the year ended 31 December 2016

**3 Significant accounting policies (continued)****(e) Property, equipment and vehicles (continued)****(ii) Depreciation**

Depreciation is charged to the Statement of Surplus or Deficit and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each item of property, equipment and vehicles from the date they are acquired and are ready for use. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- leasehold improvements 5 - 10 years
- office furniture and equipment 3 - 10 years
- motor vehicles 6 - 7 years

Depreciation methods, remaining useful lives and the residual values of individual assets, if not insignificant, are reviewed at each reporting date.

**(f) Leased assets including property and equipment**

Leases in terms of which the Foundation assumes substantially all the risks and benefits of ownership are classified as finance leases. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by payments made. The interest components of the lease payments are expensed. There have been no finance leases during the periods covered by these financial statements.

Other leases are classified as operating leases and payments are expensed on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. The Foundation recognises lease periods as the initial term specified in the lease and renewal options are treated as separate leases should the Foundation elect to extend the lease period beyond the initial term. The leased assets are not recognised on the Foundation's Statement of Financial Position, however, in accordance with lease terms, future obligations have been recognised on the Foundation's Statement of Financial Position for the costs of restoring leased premises to conditions as set out in the lease agreement. This future obligation will be adjusted annually to reflect increases in CPI (refer to note 15).

***Determining whether an arrangement contains a lease***

At the inception of an arrangement, the Foundation determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Foundation the right to control the underlying asset. At inception or upon reassessment of the arrangement, the Foundation separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

**(g) Non-derivative financial assets**

The Foundation early adopted AASB9 *Financial Instruments* with a date of initial application of 1 January 2011. The Foundation initially recognises loans and receivables on the date when they originated. All other financial assets are initially recognised on the trade date at which the Foundation becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through Surplus or Deficit then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The Foundation subsequently measures financial assets at either amortised cost or fair value.

The Foundation derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Foundation is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Foundation has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2016

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### 3 Significant accounting policies (continued)

#### (g) Non-derivative financial assets (continued)

On initial recognition, the Foundation classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. In accordance with the transitional provisions of AASB9 (2011) which the Foundation early adopted on 1 January 2011, the classification of financial assets that the Foundation held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date.

##### (i) Fair Value through Other Comprehensive Income

Investments in equity instruments that are held directly are classified and stated as fair value. The fair value of equity instruments is their quoted bid price as at the statement of financial position date. Any resultant gain or loss from cost whether related to market movement or from derecognition of the instrument is recognised directly in other comprehensive income. Investments classified as fair value are recognised/derecognised by the entity on the date it commits to purchase/sell the investments.

##### (ii) Amortised Cost

Investments in term deposits maturing beyond 90 days that are held directly are classified and measured at amortised cost. Any differential between face or maturity value and cost is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income over the remaining term to maturity of each instrument. If an amortised costs investment is considered to be impaired such impairment is recognised directly in the Statement of Surplus or Deficit and Other Comprehensive Income. Investments classified at amortised cost are recognised/derecognised by the entity on the date it commits to purchase/sell the investments.

##### (iii) Other financial instruments

A financial instrument is recognised on the date the Foundation becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Foundation's contractual rights to the cashflows from the financial assets expire. Purchases and sales of financial assets are accounted for at trade date. Accounting for finance income and finance cost is discussed in note 3(m). Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

#### **Share capital**

The Foundation has no issued capital and is limited by guarantee. If the Foundation is wound up each member would have a liability of an amount not exceeding \$4. Refer note 17.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank accounts and short term deposits maturing within 90 days and are stated at fair value. Term deposits maturing beyond 90 days are classified as investments.

#### **Trade and other receivables**

Trade and other receivables are stated at cost less impairment losses, this being equivalent to fair value. Refer to note 3(i).

#### (h) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Foundation becomes a party to the contractual provisions of the instrument. The Foundation derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Foundation classifies all other non-derivative financial liabilities into the amortised cost measurement category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities comprise trade and other payables that are stated at cost, this being equivalent to fair value.

#### (i) Impairment

##### (i) Non-derivative financial assets including receivables

Each financial asset apart from those classified at fair value through surplus or deficit is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount by the Foundation on terms that the Foundation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. An impairment loss in respect of amortised cost investments is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at an appropriate effective interest rate and is recognised directly in Surplus or Deficit. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised and is recorded as an amortisation adjustment between face and maturity values over the remaining period to maturity.

**Notes to the Financial Statements** (continued)

for the year ended 31 December 2016

**3 Significant accounting policies (continued)****(i) Impairment (continued)****(ii) Non-financial assets**

The carrying amounts of non-financial assets, other than inventory, are reviewed at each reporting date to determine whether there is any objective evidence that they are impaired. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss for an individual asset measured under the cost model is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income, whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income to the extent that an impairment loss was previously recognised in the Statement of Surplus or Deficit and Other Comprehensive Income. The recoverable amount of an asset is the greater of its depreciated replacement cost and its fair value less costs to sell. Depreciated replacement cost is defined as the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Impairment losses are recognised in Surplus or Deficit. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(iii) Calculation of recoverable amount**

The recoverable amount of assets is the greater of their fair value less cost to sell and value in use. As the future economic benefits of the asset are not primarily dependent on the asset's ability to generate cash inflows, value in use is the depreciated replacement cost of the asset concerned.

**(j) Employee Benefits****(i) Short term benefits**

The provisions for employee entitlements to wages, salaries, annual and paid maternity leave represent legal and constructive obligations resulting from employees' services provided up to reporting date, that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees rendered the related services. These are calculated at undiscounted amounts based on wage and salary rates, including related on-costs, which the Foundation expects to pay at each reporting date. Short-term employee benefits are expensed as the related service is provided.

**(ii) Long term benefits**

The provision for employee entitlements to long service leave represent obligations resulting from employees' services provided up to reporting date, that are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees rendered the related services. These are calculated at actuarial present values based on wage and salary rates, including related on-costs, which the Foundation expects to pay at each reporting date using:

- assumed rate of future increases in wage and salary rates: 2016: 3.0% (2015: 3.0%)
- discount rate based on the bond rate which most closely match the terms to maturity of the related liabilities: 2016: 2.76% (2015: 2.88%)
- expected settlement dates for annual leave 2016: 2 years (2015: 2 years)
- expected settlement dates for long service leave based on turnover history: 2016: 15 years (2015: 15 years)

**(k) Provisions**

A provision is recognised if, as a result of a past event, the Foundation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessment of the true value of money and risks specific to the liability. Provisions consist of operating leases expenses straight line, office lease incentives deferred, onerous leases and make good of leased premises. The unwinding of the discount is recognised as a finance cost (refer to note 15).

**(l) Segment reporting**

The Foundation operates in only one business segment as a charity. The Foundation operates in one geographical segment (Victoria).

**(m) Finance income and finance costs**

Finance income comprises interest income, dividend income and gains on disposal of financial assets. Finance costs comprise management fees, losses on disposal and impairment of financial assets (except trade receivables).



## Notes to the Financial Statements (continued)

for the year ended 31 December 2016

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### 3 Significant accounting policies (continued)

#### (n) Financial risk management

The Foundation has exposure to the following risks from their use of financial instruments:

##### *Financial instruments*

- credit risk
- liquidity risk
- market risk
- operational risk

Further details in respect of each of these risks are set out in note 20 Financial Instruments. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Foundation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Foundations activities. The Foundation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

##### *Capital management*

The Board's policy is to maintain a strong capital base so as to maintain supporter, donor, creditor and market confidence and to sustain future development of the business. There were no changes in the Foundations approach to capital management during the year. The Foundation is not subject to externally imposed capital requirements.

##### *Economic dependency*

The National Heart Foundation of Australia ("National") and the state and territory Divisions operate as a co-operative federation. Virtually all revenue from charitable support is received by the Divisions. However most expenditure on research and certain health programs is spent by the National Foundation. The National Foundation relies on the distribution of net grants from the Divisions to fund its commitments. Such grants are receivable under the terms of a *Federation agreement* between the National Foundation and each of the Divisions. The *Federation agreement* also provides funding to the Foundation in the event that there are insufficient funds internally generated to support an adequate level of working capital to deliver the business plan approved by the Board.

#### (o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. Those which may be relevant to the Foundation are set out below. The Foundation does not plan to adopt these standards early.

AASB 1058 Income for Not-for-profit Entities is a standard addressing the recognition and measurement of income for not-for-profit entities. The concept of reciprocal and non-reciprocal transactions has been removed, and instead an assessment of enforceability and performance obligations is required. Application is for financial year beginning on or after 1 January 2019.

AASB 15 *Revenue from contracts with customers*, becomes mandatory for the 2018 financial statements and could change the classification and recognition method of revenue. It establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The Foundation is assessing the potential impact on its financial statements resulting from the application of AASB 15.

AASB 16 *Leases* requires companies to bring most operating leases on-balance sheet from 2019. Companies with operating leases will appear to be more asset-rich, but also more heavily indebted. AASB 16 is effective for the Foundation's 2019 financial statements. The Foundation does not plan to adopt this standard early and the extent of the impact has not been determined.

#### (p) Determination of fair values

A number of the Foundations' accounting policies and disclosures required the determination of fair value. Fair Values have been determined for measurement and/or disclosure purposes based on the following methods;

##### (i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

##### (ii) Property, plant and equipment

The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

**Notes to the Financial Statements** (continued)  
for the year ended 31 December 2016

	2016 \$	2015 \$
<b>4 Revenue from operating activities</b>		
Charitable support - bequests	9,687,650	7,562,421
Charitable support - non-bequests	3,956,214	4,587,337
Sale of goods	2,185	3,548
<i>Total revenue from fundraising activities</i>	13,646,049	12,153,306
Grants for specific health programs - Government	1,316,223	1,248,361
Grants for specific health programs and research - Other	813,636	421,601
Other income	139,704	19,082
<i>Total revenue from other operating activities</i>	2,269,563	1,689,044
<b>Total revenue from operating activities</b>	15,915,612	13,842,350
<b>5 Auditors' remuneration</b>		
KPMG Australia: Audit services	21,700	21,420
	21,700	21,420
<b>6 Finance income and costs</b>		
<b>Recognised in Surplus/(Deficit)</b>		
Interest income	47,426	49,211
Dividend income	49,737	57,053
<b>Finance income</b>	97,163	106,264
<b>Finance costs</b>	-	-
<b>Net finance income and costs recognised in Surplus/(Deficit)</b>	97,163	106,264

**Notes to the Financial Statements** (continued)

for the year ended 31 December 2016

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>7a Cash and cash equivalents</b>		
Cash and cash equivalents include bank accounts and short term deposits maturing within 90 days paying interest rates of 0.01% to 5.87% (2015: 2% to 2.75%)	3,293,797	2,095,642
	<b>3,293,797</b>	<b>2,095,642</b>
The Foundation's exposure to interest rate risk for financial assets and liabilities are disclosed in note 20. The carrying value of cash and cash equivalents is equal to fair value.		
<b>7b Reconciliation of cash flows from operating activities</b>		
<b>Net deficit from ordinary activities</b>	(28,823)	(49,854)
Adjustments for:-		
Depreciation/Amortisation	250,608	241,282
Make good / restoration	1,449	1,647
Operating lease expense obligations incurred	(181,982)	(46,509)
Net loss/(gain) on disposal of property, equipment and vehicles	-	(1)
Office lease incentives deferred	(93,943)	(93,942)
<b>Net cash from operating activities before changes in working capital and provisions</b>	(52,691)	52,623
(Increase)/decrease in receivables	(1,454)	(72,078)
(Increase)/decrease in grants income accrued	(270)	10,636
(Increase)/decrease in inventories	822	672
Increase/(decrease) in payables	1,117,620	155,999
Increase/(decrease) in grants income deferred	116,482	(434,387)
Increase/(decrease) in employee benefits	19,581	39,765
<b>Net cash from operating activities</b>	<b>1,200,090</b>	<b>(246,770)</b>
<b>8 Trade and other receivables</b>		
Trade receivables owing by other National Heart Foundation divisions	142,577	-
Trade receivables owing by National Heart Foundation of Australia (National)	28,962	93,734
Grants income accrued	270	-
Other receivables and prepayments	97,346	173,697
	<b>269,155</b>	<b>267,431</b>

## Notes to the Financial Statements (continued)

for the year ended 31 December 2016

### 9 Property, equipment and vehicles

	Leasehold improvements	Office furniture & equipment	Motor vehicles	Total
	\$	\$	\$	\$
Balance at 1 January 2015	1,444,825	833,126	37,870	2,315,821
Acquisitions	24,476	-	-	24,476
Disposals	-	(135,123)	-	(135,123)
Balance at 31 December 2015	<u>1,469,301</u>	<u>698,003</u>	<u>37,870</u>	<u>2,205,174</u>
Balance at 1 January 2016	1,469,301	698,003	37,870	2,205,174
Acquisitions	-	1,935	-	1,935
Balance at 31 December 2016	<u>1,469,301</u>	<u>699,938</u>	<u>37,870</u>	<u>2,207,109</u>
<b>Depreciation &amp; Impairment losses</b>				
Balance at 1 January 2015	955,912	600,252	27,060	1,583,224
Depreciation charge for the year	166,768	68,833	5,681	241,282
Disposals	-	(135,124)	-	(135,124)
Balance at 31 December 2015	<u>1,122,680</u>	<u>533,961</u>	<u>32,741</u>	<u>1,689,382</u>
Balance at 1 January 2016	1,122,680	533,961	32,741	1,689,382
Depreciation charge for the year	181,624	63,855	5,129	250,608
Balance at 31 December 2016	<u>1,304,304</u>	<u>597,816</u>	<u>37,870</u>	<u>1,939,990</u>
<b>Carrying amounts</b>				
At 1 January 2015	488,913	232,874	10,810	732,597
At 31 December 2015	<u>346,621</u>	<u>164,042</u>	<u>5,129</u>	<u>515,792</u>
At 1 January 2016	346,621	164,042	5,129	515,792
At 31 December 2016	<u>164,997</u>	<u>102,122</u>	<u>-</u>	<u>267,119</u>

### 10 Trade and other payables

	2016 \$	2015 \$
Trade payables to National Heart Foundation of Australia	1,735,627	571,056
Trade payables to other National Heart Foundation divisions	989	-
Other payables and accrued expenses	79,276	127,215
	<u>1,815,892</u>	<u>698,271</u>

The carrying value of trade and other payables is equal to fair value. The Foundation's and consolidated entity's exposure to liquidity risk relates to trade and other payables is disclosed in note 20.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2016

	2016 \$	2015 \$
<b>11 Grants income deferred</b>		
Balance at 1 January	698,479	1,132,866
Amounts received	1,618,883	1,020,282
Income taken to revenue	(1,502,401)	(1,454,669)
Balance at 31 December	<u>814,961</u>	<u>698,479</u>
<p>The carrying value of grants income deferred is equal to fair value. The Foundation's and consolidated entity's exposure to liquidity risk relating to grants income deferred is disclosed in note 20.</p>		
<b>12 Employee benefits</b>		
Aggregate liability for employee benefits including oncosts:		
Current - long service leave and annual leave	326,493	304,827
Non-current - long service leave	29,199	31,284
Total employee benefits	<u>355,692</u>	<u>336,111</u>
<i>Personnel expenses:</i>		
Wages and salaries	2,681,332	2,624,579
Contributions to superannuation plans	262,496	276,981
Total personnel expenses	<u>2,943,828</u>	<u>2,901,560</u>
Number of employees at year end (full time equivalents)	<u>31</u>	<u>29</u>
<b>13 Reserves and Equity</b>		
<b>Total Equity at beginning of year</b>	475,948	525,802
Operating Surplus	9,067,194	6,825,902
Net Grants to National Heart Foundation of Australia	(9,096,017)	(6,875,756)
Other Comprehensive Income	-	-
<b>Total Equity at end of year</b>	<u>447,125</u>	<u>475,948</u>

### Nature and purpose of reserves Specific or restricted purposes.

Funds and bequests received for specific or restricted purposes or funds set aside for non-recurring expenditure to be incurred in subsequent years are accounted for separately so as to maintain their identity. All revenue and expenses relating to these funds are recorded initially through the Statement of Surplus or Deficit and Other Comprehensive Income, with their net effect then transferred from retained earnings to this reserve.

**Notes to the Financial Statements** (continued)

for the year ended 31 December 2016

**13 Retained earnings (continued)**

Each year when budgets for the following year are being formulated, an estimate is made of an optimum level of retained earnings. That optimum level takes into account a solvency buffer and the necessary funding of the basic infrastructure of the foundation. Basic infrastructure includes receivables, inventories, property, equipment and vehicles. The excess of actual retained earnings over the optimum level so calculated is remitted to the National Heart Foundation of Australia ("National") as a contribution towards national health programs and research.

**14 Operating leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

Less than one year

Between one and five years

Later than five years

	2016 \$	2015 \$
Less than one year	927,820	990,414
Between one and five years	-	942,913
Later than five years	-	-
	927,820	1,933,326
Expenditure in the period was as follows:		
Office equipment	13,932	13,107
Office space	733,390	735,039
	747,322	748,146

Expenditure in the period was as follows:

Office equipment

Office space

**15 Provisions**

Obligations arising as a result of the Foundation's adherence with the prescribed treatment of leases outlined in the accounting standards are shown as follows:

	Operating lease expense obligations \$	Office lease incentives deferred \$	Make good of leased premises \$	Onerous lease provision \$	Total \$
Balance at 1 January 2015	425,925	273,998	109,776	-	809,699
Future obligations incurred	-	-	1,647	-	1,647
Incentives offset against lease rental expense	-	(93,942)	-	-	(93,942)
Onerous provision	-	-	-	65,083	65,083
Straight lining of lease	(111,592)	-	-	-	(111,592)
Balance at 31 December 2015	314,333	180,056	111,423	65,083	670,895
Current	-	93,942	-	-	93,942
Non-Current	314,333	86,114	111,423	65,083	576,953
	314,333	180,056	111,423	65,083	670,895

	Operating lease expense obligations \$	Office lease incentives deferred \$	Make good of leased premises \$	Onerous lease provision \$	Total \$
Balance at 1 January 2016	314,333	180,056	111,423	65,083	670,895
Future obligations incurred	-	-	1,449	-	1,449
Incentives offset against lease rental expense	-	(93,943)	-	-	(93,943)
Unwind of provision	-	-	-	(32,833)	(32,833)
Straight lining of lease	(149,150)	-	-	-	(149,150)
Balance at 31 December 2016	165,183	86,113	112,872	32,250	396,418
Current	165,183	86,113	112,872	32,250	396,418
	165,183	86,113	112,872	32,250	396,418

The carrying value of make good of leased premises is equal to fair value. The Foundation's and consolidated entity's exposure to liquidity risk related to the make good provision is disclosed in note 20.

**Notes to the Financial Statements** (continued)

for the year ended 31 December 2016

**16 Contingencies**

The directors are of the opinion that provisions are not required in respect of these matters as it is not probable that a future sacrifice of economic benefits will be required.

Contingent liabilities considered remote

*Performance guarantees Vic Division*

2016	2015
\$	\$
365,112	365,112
365,112	365,112

The Foundation has guaranteed, as a party to its operating leases, the payment of rentals in accordance with the signed agreements for the specified lease terms. The terms of the lease agreements required the Foundation to secure bank guarantees of \$365,112 as minimum compensation payments to the lessor in the event of default. The Foundation's lease term is due to expire by 30 November 2017. The directors considered no liability is required to be recognised in respect of these guarantees as the Divisions are in compliance with the lease agreements.

**17 Company limited by guarantee**

The Foundation is a company incorporated in Australia under the Corporations Act 2001 as a company limited by guarantee. Every member of the company undertakes to contribute to the assets of the company in the event of the same being wound up during the time that they are a member, or within one year afterwards for payment of the debts and liabilities of the company contracted before the time at which they cease to become a member and of the costs, charges and expenses of winding up the same, and for the adjustment of the rights of the contributories amongst themselves such an amount as may be required not exceeding the sum of \$4.

**18 Related parties****Key management personnel and director related parties**

The following were key management personnel of the Foundation at any time during the reporting period, and, unless otherwise indicated were directors or executive staff of the entity for the entire period:

**Non executive directors**

Mr John Etherington, BEc, FCA, FAICD

Mr Ronald Fairchild, BHK (Hons), CFRE (retired May 2016)

Mrs Leonie Fryar

Mr Chris Gardner, BEc/LLB (since March 2016)

Ms Diana Heggie MCSP, MAICD, Grad. Dip. Human Services Research (since August 2016)

Ms Daphne Lee, MA; BusMgmt & DipFinPlan (Snr CFTP)

Professor Ian Meredith AM, MBBS(Hons), BSc(Hons), PhD, FRACP, FACC, FCSANZ, FAHA, FSCAI (retired May 2016)

Professor Brian Oldenburg, BSc, MPsychoI, PhD

Professor Alistair Royse, MBBS, MD, FRACS, FCSANZ

Ms Jyoti Singh LLB, BEc(Hons)

A/Prof Andrew Taylor, MBBS, PhD, FRACP, FCSANZ

Non executive directors did not receive any remuneration from the Foundation during the current financial year. Apart from details disclosed in this note, no director has entered into a material contract with the Foundation since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end.

**Executive Staff**

Mr Rob Daly, MBA, BA, PFDip

Ms Diana Heggie MCSP, MAICD, Grad. Dip. Human Services Research (until 31 July 2016)

Ms Kellie-Ann Jolly, GradDipAppSci (OralHealth Therapy); MHIthSci (Health Promotion) (since 1 August 2016)

Dr Susan Forrest, DPhil (Oxon), BBus, BSc (Hons), GAICD (since 8 August 2016)

Ms Roanna Khor, BBus (Accounting), CPA

**Notes to the Financial Statements** (continued)

for the year ended 31 December 2016

**18 Related Parties (continued)**

The compensation of key management personnel was as follows:

Short term employee benefits

Other long term benefits

Total

	2016 \$	2015 \$
	655,458	652,039
	10,063	12,063
	665,521	664,102

**Other related parties**

Classes of other related parties are the National Heart Foundation of Australia ("National") and all other state and territory divisions ("Divisions") and directors of related parties and their director-related entities. The Foundation makes grants to National Heart Foundation of Australia ("National") primarily to fund research and other health programs conducted on an Australia-wide basis. Such grants are payable under the terms of the Federation Agreement between the Foundation and the National Heart Foundation of Australia ("National"). The grant payable by the Foundation is equal to its net operating surplus (payable monthly in arrears) representing the excess of income received less capital expenditure and operating expenditure (excluding depreciation). If there is a deficit from application of the above arrangement, a grant is paid by the National Heart Foundation of Australia ("National") to the Foundation. Transactions made between the Foundation to National were as follows:

The aggregate amounts included in the profit from ordinary activities that resulted from transactions with non-director related parties are :

Contributions received from sale of services

Contributions paid for purchase of services

Grants for research and other national initiatives

	2016 \$	2015 \$
	587,997	690,844
	(2,237,439)	(2,607,982)
	(9,096,017)	(6,875,756)

**19 Subsequent events**

The Foundation is not aware of any subsequent event that has occurred since the balance date that could materially affect these financial statements.

**20 Financial instruments**

Exposure to credit, liquidity, market, interest rate, other market price and operational risks arises in the normal course of the Foundation's business.

**Credit risk**

Credit risk is the risk of financial loss to the Foundation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Foundation's receivables.

The Foundation does not require collateral in respect of financial assets. The credit risk relating to the Foundation's financial assets which are recognised in the statement of financial position is the carrying amount of such assets, net of any allowances for impairment in respect of trade receivables and investments. Investments are allowed only in liquid securities and equity securities in Australian shares that are in compliance with the Foundation's investment policy. Management does not expect any counterparty to fail to meet its obligations as the Foundation's financial assets have high credit quality. The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was only Australia.



**Notes to the Financial Statements** (continued)

for the year ended 31 December 2016

**20 Financial instruments (continued)**

At the reporting date there were no significant concentrations of credit risk apart from a bank guarantee referred to in note 20 relating to the Foundation office lease agreement.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as summarised below:

**23 Financial Instruments****Financial assets**

	Notes	2016 \$	2015 \$
Cash *		501,547	849,975
Cash call accounts *		2,792,250	1,245,667
Total cash and cash equivalents	7a	3,293,797	2,095,642
Trade and other receivables *	8	268,885	267,431
Grants income accrued *	8	270	-
		3,562,952	2,363,073

\* Financial assets held at cost/amortised cost

**Impairment losses from trade receivables**

Of the Foundation's trade receivables balance of \$269,155, \$220 is past due (2015: \$12,061).

Based on receivables history, the Foundation believes that no further impairment allowance is necessary in respect of trade receivables, as trade and other receivables predominately relate to inter divisional accounts and grants income accrued.

**Liquidity risk**

Liquidity risk is the risk that the Foundation and/or Divisions will not be able to meet its financial obligations as they fall due. The entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the entity's reputation.

Trade and other payables, and grants income deferred have contractual cashflows which are 6 months or less. Provisions relating to obligations for office leases have contractual cashflow obligations until lease expiry, which are all between 5 and 10 years.

The maximum exposure to liquidity risk is represented by the carrying amount of each financial liability in the statement of financial position as summarised below:

	Notes	2016 \$	2015 \$
<b>Non derivative financial liabilities</b>			
Trade and other payables	10	1,815,892	698,271
Grants income deferred	11	814,961	698,479
		2,630,853	1,396,750

## Notes to the Financial Statements (continued)

for the year ended 31 December 2016

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### 20 Financial instruments (continued)

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the Board.

#### Interest rate risk

The Foundation has limited exposure to interest rate risk as it does not have borrowings or fixed rate debt securities that would change in their fair value due to changes in interest rates.

The Foundation's exposure to this risk is controlled by ensuring that cash securities are limited to short dated bank bills no longer than 90 days.

Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk. The exposure to interest rate risk for financial assets and liabilities at the reporting date are shown below in the Sensitivity Analysis Disclosure on page 33.

#### *Fair value sensitivity analysis for fixed rate instruments*

The surplus/(deficit) would be affected by changes in the fixed interest rate as shown in the Sensitivity Disclosure Analysis. The analysis assumes all other variables remain constant. The analysis is performed using a change of 1% on page 33. The analysis is performed on the same basis as that used in 2015.

#### *Cash flow sensitivity analysis for variable rate instruments*

A change of 1% in interest rates at the reporting date would have increased/(decreased) equity and surplus/(deficit) by the amounts shown in the Sensitivity Analysis Disclosure. This analysis assumes all other variables remain constant. The analysis is performed on the same basis as that used in 2015.

#### Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Foundation's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the Foundation's operations.

The Foundation's objective is to manage operational risk so as to prevent financial losses and damage to the Foundation's reputation. The primary responsibility for the development and implementation of controls to address operational risk is assigned to the management of the Foundation. This responsibility is supported by the development of overall guidelines for the management of risk in the following areas:

- requirements for appropriate segregation of duties including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced and adequacy of controls and procedures
- to address the risks identified
- development of contingency plans
- ethical and high level business standards
- risk mitigation including insurance

Compliance with standards is supported by a programme of periodic reviews of internal controls undertaken by internal audit. The results of these reviews are discussed with the Foundation's management and submitted to the Board of the Foundation.

#### *Sensitivity Analysis Disclosure*

The Foundation's financial instruments subject to changes in market prices include cash and cash equivalents, comprising of cash at bank, cash call accounts and term deposits. Based on historic movements and volatilities in these market variables, and management's knowledge and experience of the financial markets, the Foundation believes the following movements are 'reasonably possible' over a 12 month period:

- A parallel shift of +1%/-1% in market interest rates (AUD) from year end rates of 2%.

**Notes to the Financial Statements** (continued)

for the year ended 31 December 2016

**20 Financial instruments (continued)**

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as:

- Level 1: Quoted prices unadjusted in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie: as prices) or indirectly (ie: derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There are no Level 2 or 3 fair value financial instruments on hand at 31 December 2016 (2015: nil).

	2016					2015				
		-1%		+1%			-1%		+1%	
Interest rate risk	Carrying Amount/ Face Value	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity	Carrying Amount/ Market Price	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>										
<i>Variable rate instruments</i>										
Cash at bank	501,547	(5,015)	(5,015)	5,015	5,015	849,975	(8,500)	(8,500)	8,500	8,500
Cash call accounts	2,792,250	(27,922)	(27,922)	27,922	27,922	1,245,667	(12,457)	(12,457)	12,457	12,457
<b>Total increase/(decrease)</b>		(32,937)	(32,937)	32,937	32,937		(20,957)	(20,957)	20,957	20,957



# Independent Auditor's Report

To the members of the National Heart Foundation of Australia (Victoria Division)

## Qualified Opinion

We have audited the **Financial Report** of the National Heart Foundation of Australia (Victoria Division) (the Foundation).

In our opinion except for the possible effects of the matter described in the Basis for Qualified opinion section of our report, the accompanying **Financial Report** of the Foundation is in accordance with the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- (i) giving a true and fair view of the Foundation's financial position as at 31 December 2016, and of its financial performance and its cash flows for the year ended on that date; and
- (ii) complying with *Australian Accounting Standards* and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- (i) Statement of financial position as at 31 December 2016.
- (ii) Statement of surplus or deficit and other comprehensive income. Statement of changes in equity, and Statement of cash flows for the year then ended.
- (iii) Notes including a summary of significant accounting policies.
- (iv) Directors' declaration of the Foundation.

## Basis for Qualified opinion

Charitable fundraising of \$3,956.214 is a significant source of fundraising revenue for the National Heart Foundation of Australia. The Foundation has determined that it is impracticable to establish controls over the collection of charitable fundraising revenue, mainly comprising of cash donations, prior to entry into its financial records. Accordingly, as the evidence available to us regarding fundraising revenue from this source was limited, our audit procedures with respect to charitable fundraising revenue, mainly comprising of cash donations, had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether charitable fundraising to the National Heart Foundation of Australia (Victoria Division), reported in the accompanying financial report is complete. In respect of the qualification however, based on our understanding of the internal controls, nothing has come to our attention which would cause us to believe that the internal controls over revenue from fundraising appeal activities by the Foundation, are not appropriate given the size and nature of the Foundation.

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.



We are independent of the Foundation in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

## Other information

Other Information is financial and non-financial information in National Heart Foundation of Australia (Victoria Division)'s annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors and Office Bearers, Financial Members, Bequest and Major Supporters and Directors' Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors and Office Bearers, Financial Members, Bequest and Major Supporters and Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report, other than the matter detailed in the Basis for Qualified opinion section above, we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- (i) Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the ACNC.
- (ii) Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- (iii) Assessing the Foundation's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- (i) to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- (ii) 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. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

Undertaking an audit in accordance with *Australian Auditing Standards*, means exercising professional judgment and maintaining professional skepticism.

Our responsibilities include:

- (i) Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.
- (ii) Designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (iii) Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.
- (iv) Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (v) Concluding on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- (vi) Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

  
KPMG

  
Amanda Bond

*Partner*

Melbourne

14 March 2017



**Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012**

To: the directors of National Heart Foundation (Victorian Division)

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2016 there have been:

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

KPMG

Amanda Bond  
*Partner*

Melbourne

14 March 2017

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**For heart health information**

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