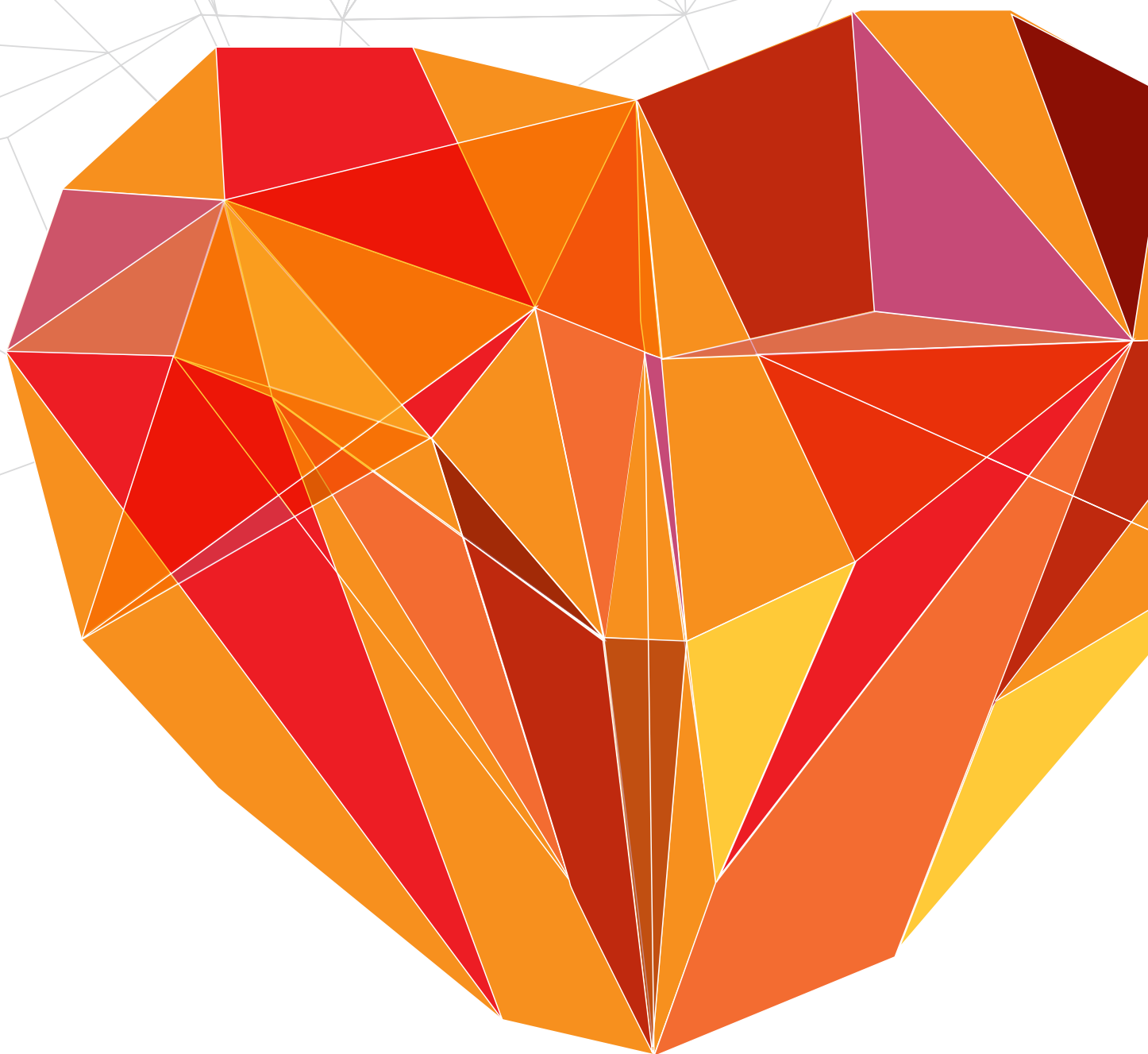


ANNUAL REPORT **2015**

+ FINANCIAL STATEMENTS



National Heart Foundation of Australia
(Australian Capital Territory Division) ABN 32 008 507 328
For the year ended 31 December 2015

Australian Capital Territory

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Directors and Office Bearers

31 December 2015

Directors and Office Bearers

Patron	Mr Richard Rolfe, OAM, BEc
Board of Directors	
President	Mr Bruno Yvanovich, BSc, MPA, FFIA
Vice President	Ms Anne-Marie Perret, LLB, Grad Dip SIA, GAICD, AIMM
Honorary Treasurer	Ms Melanie Andrews, BComm, MBA, FCPA, GAICD
Honorary Secretary	Mr Keith Bradley, AM, BA, LLB
Directors	Prof Walter Abhayaratna, MBBS, DrPH, AFRACMA, FACC, FRACP Prof Rachel Davey, BSc (Hons), MMedSci, PhD Ms Kylie Dennis Mr Mark North, LLB, GDLP, Barrister and Solicitor of the ACT Supreme Court (from 25 May 2015) Dr Paresh Dawda, MB, BS, DRCOG, DFRSH, FRACGP, FRCGP(UK) (from 23 November 2015) Dr Peter French, BS (Med), FRACP (up until 25 May 2015) Dr Andrew Boyden, B Rural Sc (Hons), BMBS (Hons), MPH, FRACGP (up until 25 May 2015) Assoc Prof Fiona Lithander, BSc (Hons), PhD (Cambridge), RNutr, AFHEA (up until 10 August 2015)
Chief Executive Officer And Company Secretary	Mr A Stubbs, BAsC (Health), GAICD
Solicitors	Bradley Allen Love
Auditors	KPMG
Registered Office	Unit 1, Level 1, 17-23 Townshend St, Phillip, Australian Capital Territory, 2606
Preferred Postal Address	PO Box 373, Mawson, Australian Capital Territory, 2607

National Heart Foundation of Australia (ACT Division)

Directors' Report

for the year ended 31 December 2015

The directors present their report together with the general purpose financial report for the National Heart Foundation of Australia (ACT Division) ("the Foundation") for the year ended 31 December 2015 and auditors' report thereon.

Directors

The following directors of the Foundation, all of whom are independent, non-executive 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 and resignation
Mr Bruno Yvanovich BSc, MPA, FFIA (President)	Senior fundraiser in higher education and environment as well as executive positions in a large national HR company, an industry association and the ACT and Federal Governments.	5/5	Appointed 23 September 2013
Ms Anne-Marie Perret LLB, Grad Dip SIA, GAICD, AIMM (Vice President)	An advisor to clients on R&D funding and governance. Has over 14 years' experience with Big 4 accounting firms advising on GST and R&D tax incentives and grant funding. Clients include Commonwealth Government, Territory Government and the Private Sector entities.	5/5	Appointed 16 December 2013
Ms Melanie Andrews BComm, MBA, FCPA, GAICD (Treasurer)	Chief Financial Officer and Company Secretary of a national property group with strategic, accounting, corporate finance, governance, compliance, risk and HR background and experience.	5/5	Appointed 16 February 2015
Mr Keith Bradley AM, BA, LLB (Honorary Secretary)	Lawyer; 30 years in private practice. Legal Director, Bradley Allen Love.	4/5	Appointed 1982
Prof. Walter Abhayaratna MBBS, DrPH, AFRACMA, FACC, FRACP	Consultant Cardiologist and Senior Staff Specialist with Canberra Hospital and National Capital Private Hospital. Clinical Director in the Division of Medicine, and Director of the Clinical Trials Unit, Canberra Hospital and Health Services. Professor of Cardiology in the College of Medicine, Biology & Environment, Australian National University.	5/5	Appointed 14 May 2012
Prof. Rachel Davey BSc (Hons), MMedSci, PhD	Director of the Centre for Research & Action in Public Health at the University of Canberra. Over 20 years research experience in physical activity for health and chronic disease prevention.	5/5	Appointed 14 May 2012
Ms Kylie Dennis	Media career spanning 32 years including 11 years as a journalist and editor. Advertising Sales Director of The Canberra Times for more than 10 years. Direct Sales Director for the metropolitan group of Fairfax from July 2013, responsible for six teams encompassing about 90 staff across Sydney and Melbourne.	5/5	Appointed 16 February 2015
Mr Mark North LLB, GDLP, Barrister and Solicitor of the ACT Supreme Court	Director & Practice Leader – Corporate and Commercial at Chamberlains Law Firm. Experienced advisor to private clients and not-for-profits on matters including Corporations Act compliance, governance, intellectual property and commercial contracting. Clients include investment banking firms, media companies, industry associations and other commercial entities.	2/3	Appointed 25 May 2015

National Heart Foundation of Australia (ACT Division)

Directors' Report

for the year ended 31 December 2015

Dr Paresh Dawda MB, BS, DRCOG, DFRSH, FRACGP, FRCGP(UK)	A practicing GP with extensive clinical experience in the UK and Australia. Currently holds a number of senior clinical leadership and advisory positions and academic affiliations. Has expertise in clinical leadership, quality and patient safety improvement and a special interest in primary health care service design, particularly in the areas of health promotion, chronic disease management and integrated care.	0/0	Appointed 23 November 2015
Dr Peter French BS (Med), FRACP	Cardiologist in Private Practice. VMO at Calvary Hospital, Canberra.	0/3	Appointed 1998 Resigned 25 May 2015
Dr Andrew Boyden B Rural Sc (Hons), BMBS (Hons), MPH, FRACGP	Medical adviser, part - time general practitioner. Currently clinical adviser for NPS MedicineWise.	2/3	Appointed 20 May 2013 Resigned 25 May 2015
Assoc Prof Fiona Lithander BSc (Hons), PhD (Cambridge), RNutr, AFHEA	Associate Professor in Nutrition Science, University of Canberra. Visiting Academic: Trinity College Dublin and Australian National University Editorial Board member: Proceeding of Nutrition Society (UK) and Nutrition and Dietetics (Australia). Registered Nutritionist, Association for Nutrition (UK). Expert Nutrition Advisor to government at national (Ireland) and state level (ACT, Australia) on public health issues.	1/4	Appointed 28 July 2014 Resigned 10 August 2015

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 with the 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 five times 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

Directors' Report (continued)
for the year ended 31 December 2015

- > 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:

- No employees of the Foundation, including the CEO, can be a Director of the Foundation,
- Directors are appointed annually.

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 pages 4 to 5. Management presentations to the Board enable directors to maintain knowledge of the business and operations of the Foundation.

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.

Directors' Report (continued)
for the year ended 31 December 2015

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 its vision for Australians to have the best cardiovascular health in the world and its mission to reduce suffering and death from heart, stroke and blood vessel disease in Australia. Through For All Hearts, the focus is on four main goals:

- > Healthy hearts
- > Heart care
- > Health equity
- > Research

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

Local ACT Division strategy

The strategy for the ACT Board is to focus on increasing local community engagement and awareness of heart disease in the areas of cardiovascular research (via the establishment and promotion of the ACT research network and symposium), obesity, GP heart checks, active planning policy and improved hospital services. To sustain our work we look at other opportunities to expand and engage our local donor base and partner with organisations to grow our revenue.

Performance Measures and Key Achievements in 2015

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

- > Finance and Operations
- > Fundraising and Donor Engagement
- > Research
- > Community Engagement and Awareness

Some key Achievements against some of these performance measures included significant increases in:

- > personal relevance of the Heart Foundation to Australians aged 30 - 65
- > the Foundation's effectiveness in raising the community's awareness/knowledge of heart health;
- > awareness of heart disease as a leading cause of death for Australian women;
- > unprompted awareness of the Tick brand;
- > awareness of risk factors by women; and
- > awareness of atypical heart attack symptoms.

Review of Results and Operations for Current Year

Total fundraising revenue for 2015 increased by \$147,741 compared to 2014. Significant increases in Bequest income of \$31,273 and Non-Bequest income of \$116,468 were recorded. This result is partially offset by an increase in fundraising expenditure during 2015 of \$49,653, resulting in an increase in net fundraising revenue of \$98,088.

Receipts from government and other funding bodies for specific health programs remained steady during 2015 with \$482,237 recorded as revenue. Total health program expenditure increased slightly by \$15,587 (or 2%) from 2014 to 2015.

The \$19,103 net deficit for 2015 is an improvement on the net deficit for 2014 (\$87,478). Under the terms of the Federation agreement between the Foundation and National, as described in Note 18 – Related Parties, a grant payment is made between the Foundation and National based on the net operating surplus adjusted for capital expenditure and non-cash expenditure items. The grant paid by National in 2015 was \$20,519, compared to \$14,792 paid in 2014. This results in a reported surplus for 2015 of \$1,416, which is more favourable than the reported deficit for 2014 of \$72,687.

National Heart Foundation of Australia (ACT Division)

Directors' Report (continued)
for the year ended 31 December 2015

	2015	2014	2013	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000
Income & Expenditure					
Charitable support - bequests	144	112	21	13	19
Charitable support - non-bequests	964	843	970	1,230	884
Fundraising income	1,108	955	991	1,243	903
Investment income	4	0	0	0	0
Government non-reciprocal grants	0	0	0	0	0
Grants for specific health programs	482	487	581	508	566
Grants for specific fundraising & communications programs	0	0	0	0	0
Other income	9	23	29	22	27
Total cash income	1,603	1,465	1,601	1,773	1,496
Restatement of investments to fair value			0	0	0
Total income	1,603	1,465	1,601	1,773	1,496
Less: Fundraising expenditure	(719)	(670)	(661)	(844)	(486)
Communications & administration	(151)	(147)	(213)	(220)	(225)
Surplus available for health programs & research	733	648	727	709	785
Health programs conducted locally	(751)	(736)	(793)	(789)	(855)
Contributions to National health programs & research	21	15	86	95	36
Balance added to/(deducted from) equity	3	(73)	20	15	(34)
Ratios:	%	%	%	%	%
Fundraising expenditure to fundraising income	65%	70%	67%	68%	54%
Surplus from fundraising to fundraising income	35%	30%	33%	32%	46%
Surplus available for health programs & research to total income	46%	44%	45%	40%	52%
Expenditure on health programs and research to total income	46%	49%	44%	39%	55%
Expenditure on health programs and research to total expenditure	46%	47%	45%	39%	54%
Annual increase in expenditure on health programs & research	1%	2%	2%	(15%)	(9%)

	2015	2014	2013	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000
Assets & Liabilities					
Cash & investments	159	345	390	232	203
Freehold Land & Properties	0		0	0	0
Computers, cars & equipment	32	44	57	61	105
Other assets	218	132	51	333	222
Total assets	409	521	498	626	530
Total liabilities	(328)	(441)	(345)	(494)	(412)
Total equity	81	80	153	132	118

Commentary on 5 year performance

Set out above is a comparative table of Income & Expenditure and Assets & Liabilities for the past 5 years.

2014 and 2015 have seen a significant growth in bequest income. However, there is no assurance that this growth will continue. Non-bequest revenue has increased by 9% from 2011 to 2015. The large increase in non-bequest income and expenditure in 2012 is attributable to the Raffle program which was successfully undertaken in 2012 but which was discontinued during 2013.

The increase in fundraising expenditure from 2011 to 2015 is offset by a reduction in communications and administration expenditure as some staffing positions have been re-aligned to reflect a greater emphasis on growing the revenue base.

Contributions to National health programs and research is determined by the calculation set out in the Federated agreement between the National Heart Foundation of Australia and the Divisions. The annual variation in expenditure on health programs and research over the years is determined by the outcome of this annual calculation.

Directors' Report (continued)
for the year ended 31 December 2015

The fundraising expenditure to fundraising income ratio includes expenditure incurred and income received by the National company on behalf of the ACT Division. The fundraising expenditure to fundraising income ratio across the Heart Foundation Federation's consolidated statements is 30%.

Events Subsequent to Reporting Date

No matter or circumstances have arisen in the interval between the 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.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 10 and forms part of the directors' report for financial year 2015.

Signed in accordance with a resolution of the Directors.

Mr Bruno Yvanovich
President

Ms Melanie Andrews
Director

Dated at Canberra this 4th day of April 2016



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 of Australia (ACT Division)

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2015 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.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'Don Cross'.

Don Cross
Partner

Canberra

4 April 2016

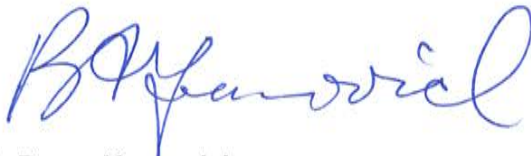
Directors' Declaration

for the year ended 31 December 2015

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

- (a) the financial statements and notes, set out on pages 12 to 26, are in accordance with the Australian Charities and Not-For-Profits commission ACT 2012, including:
 - (i) giving a true and fair view of the Foundations financial position as at 31 December 2015 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Australian Charities and Not-For-Profits Regulations 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.



Mr Bruno Yvanovich
President



Ms Melanie Andrews
Director

Dated at Canberra this 4th day of April 2016

National Heart Foundation of Australia (ACT Division)

Statement of Surplus or Deficit and Other Comprehensive Income
for the year ended 31 December 2015

	Notes	2015 \$	2014 \$
Revenue			
Revenue from operating activities	4	1,598,336	1,458,298
Total revenue		<u>1,598,336</u>	<u>1,458,298</u>
Net gain/(loss) on sale of property, equipment and vehicles		124	(6)
Health programs (including those funded by grants)		(751,257)	(735,670)
Fundraising		(718,946)	(669,293)
Cost of goods sold		(10)	(877)
Communications and publicity		(68,000)	(52,548)
Administration		(83,516)	(94,013)
Results from Operating activities		<u>(23,269)</u>	<u>(94,109)</u>
Finance income		4,166	6,630
Finance costs		0	0
Net Finance income	6	<u>4,166</u>	<u>6,630</u>
Net Surplus/(deficit)		<u>(19,103)</u>	<u>(87,479)</u>
Net Grants from National Heart Foundation of Australia		20,519	14,792
Surplus/(deficit) for the year before tax		<u>1,416</u>	<u>(72,687)</u>
Income tax expense	3c	0	0
Surplus/(deficit) for the year after tax		<u>1,416</u>	<u>(72,687)</u>
Total comprehensive income/(loss) for the year		<u>1,416</u>	<u>(72,687)</u>

Statement of Financial Position
for the year ended 31 December 2015

Current assets			
Cash and cash equivalents	7a	137,645	323,177
Trade and other receivables	8	216,065	128,246
Inventories		2,415	3,403
Total current assets		<u>356,125</u>	<u>454,826</u>
Non-current assets			
Investments	9	21,516	21,516
Property, Plant, equipment and vehicles	10	32,031	44,568
Total non-current assets		<u>53,547</u>	<u>66,084</u>
Total assets		<u>409,672</u>	<u>520,910</u>
Current liabilities			
Trade and other payables	11	38,995	113,489
Grants income deferred	12	169,055	219,973
Employee benefits	13	77,829	62,786
Provisions	16	6,330	3,839
Total current liabilities		<u>292,209</u>	<u>400,087</u>
Non-current liabilities			
Employee benefits	13	9,779	8,863
Provisions	16	26,159	31,851
Total non-current liabilities		<u>35,938</u>	<u>40,714</u>
Total liabilities		<u>328,147</u>	<u>440,801</u>
Net assets		<u>81,525</u>	<u>80,109</u>
Equity			
Retained earnings		81,525	80,109
Total equity	14	<u>81,525</u>	<u>80,109</u>

National Heart Foundation of Australia (ACT Division)

Statement of Changes in Equity
as at 31 December 2015

	2015	2014
	\$	\$
Balance of Equity as at 1 January	80,109	152,796
Comprehensive income for the period		
Surplus/(Deficit)	1,416	(72,687)
Other comprehensive income	0	0
Total comprehensive income for the period	<u>1,416</u>	<u>(72,687)</u>
Balance of Equity as at 31 December	<u>81,525</u>	<u>80,109</u>

Statement of Cash Flows
for the year ended 31 December 2015

	2015	2014
	\$	\$
Cash flows from operating activities		
Cash receipts in the course of operations	1,289,434	1,588,873
Cash payments in the course of operations	(1,189,066)	(1,193,921)
Net grants made to National Heart Foundation of Australia	(290,341)	(446,651)
Net financial income	4,166	6,630
Net cash from operating activities	<u>7b (185,807)</u>	<u>(45,069)</u>
Cash flows from investing activities		
Proceeds from sale of property, equipment and vehicles	275	790
Acquisition of property, equipment, vehicles and computer software	0	(623)
Proceeds from sale of investments	0	557
Net cash from investing activities	<u>275</u>	<u>724</u>
Cash flows from financing activities	0	0
Net cash from financing activities	<u>0</u>	<u>0</u>
Net increase in cash and cash equivalents	(185,532)	(44,345)
Cash and cash equivalents at 1 January	323,177	367,522
Cash and cash equivalents at 31 December	<u>7a 137,645</u>	<u>323,177</u>

Notes to the Financial Statements
for the year ended 31 December 2015

1 Reporting entity

The National Heart Foundation of Australia (ACT Division) (the "Foundation") (ABN: 32 008 507 328) is a company domiciled in Australia. The address of the Foundation's registered office is Unit 1, level 1, 17-23 Townshend Street, Phillip, ACT, 2606. 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.

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 11 April 2016.

(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 a lease of the premises as disclosed in Note 15. 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 16.

(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 13.

(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.

Notes to the Financial Statements (continued)
for the year ended 31 December 2015

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.

(ii) Interest and dividend revenue

Interest revenue is recognised as it accrues on a daily basis.

(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 12. 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 the ACT also supported the Foundation by participating and raising funds through the Jump Rope for Heart program. In total this involved over 9,050 children and 27 schools and groups throughout the ACT. The Foundation's door knock program successfully recruited over 2,614 volunteers to collect funds in 2015. 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 2015

(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. 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 16).

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

(i) 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.

(ii) 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. Other non-derivative financial instruments are measured at amortised costs 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 \$10. 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)(i).

Rental Bond

The Foundation has guaranteed, as part to their operating lease, the payment of rentals in accordance with the signed agreement for the specified lease term. The terms of the lease agreement required the Foundation to secure a bank guarantee of \$21,516 as minimum compensation payments to the lessor in the event of

Notes to the Financial Statements (continued)
for the year ended 31 December 2015

g) Non-derivative financial assets (continued)

default. The lease term is due to expire by 17 January 2018. The directors considered no liability is required to be recognised in respect of this guarantee as the Division is in compliance with the lease agreement. A term deposit to secure the bank guarantee has been established.

(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 other comprehensive income 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, 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.

(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 net selling price 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 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.

Notes to the Financial Statements (continued)
for the year ended 31 December 2015

(j) Employee Benefits (continued)

(ii) Long term benefits

The provision for employee entitlements to annual leave and 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 of 3.0% (2014: 2.0%)
- > discount rate based on national government securities which most closely match the terms to maturity of the related liabilities of 2.88% (2014: 2.81%)
- > expected settlement dates for annual leave of 2 years (2014: 2 years)
- > expected settlement dates for long service leave based on turnover history of 15 years (2014: 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 and make good of leased premises. The unwinding of the discount is recognised as a finance cost (refer to note 16).

(l) 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 2015, 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 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.

The following new standards are not expected to have a significant impact on the Foundation's financial statements.

- > Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)

(m) 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) Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

(ii) 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.

(iii) Property, equipment and vehicles

The fair value of items of property, equipment, and vehicles 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.

National Heart Foundation of Australia (ACT Division)

Notes to the Financial Statements (continued)
for the year ended 31 December 2015

	2015	2014
	\$	\$
4 Revenue from operating activities		
Charitable support - bequests	143,746	112,473
Charitable support - non-bequests	950,162	843,321
Sale of goods	13,623	3,996
Total revenue from fundraising activities	1,107,531	959,790
Government non-reciprocal grants	0	0
Grants for specific health programs - Government	482,237	473,857
Grants for specific health programs and research - other	0	13,010
Other	8,568	11,641
Total revenue from other operating activities	490,805	498,508
Total revenue from operating activities	1,598,336	1,458,298

5 Auditors' remuneration

KPMG Australia: Audit services	13,990	13,750
	13,990	13,750

**6 Finance income and costs
Recognised in Surplus/(Deficit)**

Interest income	4,166	6,630
Finance income	4,166	6,630

7a Cash and cash equivalents

Cash and cash equivalents include bank accounts and short term deposits maturing within 90 days paying interest rates of 0.01% to 1.80% (2014: 0.01% to 2.30%)

	137,645	323,177
	137,645	323,177

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.

7b Reconciliation of cash flows from operating activities

Net surplus/ (deficit) from ordinary activities	1,416	(72,687)
Adjustments for:-		
Depreciation/Amortisation	11,551	12,710
Make good / restoration	638	0
Net loss/(gain) on disposal of property, equipment and vehicles	711	6
Office lease incentives deferred	(3,839)	(1,422)
Net cash from operating activities before changes in working capital and provisions	10,476	(61,393)
(Increase) in receivables	(51,058)	(58,466)
(Increase) in grants income accrued	(36,761)	(23,778)
Decrease in inventories	988	1,555
Increase/(Decrease) in payables	(74,494)	65,742
Increase/(decrease) in grants income deferred	(50,918)	24,766
Increase in employee benefits	15,959	6,505
Net cash from operating activities	(185,807)	(45,069)

Notes to the Financial Statements (continued)
for the year ended 31 December 2015

	2015 \$	2014 \$
8 Trade and other receivables		
Trade receivables owing by other National Heart Foundation divisions	250	259
Trade receivables owing by National Heart Foundation of Australia (National)	59,966	42,022
Grants income accrued	60,539	23,778
Other receivables and prepayments	95,310	62,187
	<u>216,065</u>	<u>128,246</u>

The carrying value of trade and other receivables is equal to fair value. The Foundation's exposure to credit risk relates to trade and other receivables is disclosed in note 20.

9 Investments

Non-current investments

Term Deposits maturing over 90 days	21,516	21,516
	<u>21,516</u>	<u>21,516</u>

10 Property, equipment and vehicles

	Leasehold improvements	Office furniture & equipment	Motor vehicles	Total
	\$	\$	\$	\$

Balance at 1 January 2014	10,714	102,296	31,962	144,972
Acquisitions	0	623	0	623
Disposals	0	(11,070)	0	(11,070)
Balance at 31 December 2014	10,714	91,849	31,962	134,525

Balance at 1 January 2015	10,714	91,849	31,962	134,525
Acquisitions	0	0	0	0
Disposals	0	(7,249)	0	(7,249)
Balance at 31 December 2015	10,714	84,600	31,962	127,276

Depreciation & Impairment losses

Balance at 1 January 2014	2,049	56,538	28,934	87,521
Depreciation charge for the year	2,143	9,771	796	12,710
Disposals	0	(10,274)	0	(10,274)
Balance at 31 December 2014	4,192	56,035	29,730	89,957

Balance at 1 January 2015	4,192	56,035	29,730	89,957
Depreciation charge for the year	2,143	8,614	794	11,551
Disposals	0	(6,263)	0	(6,263)
Balance at 31 December 2015	6,335	58,386	30,524	95,245

Carrying amounts

At 1 January 2014	8,665	45,758	3,028	57,451
At 31 December 2014	6,522	35,814	2,232	44,568

At 1 January 2015	6,522	35,814	2,232	44,568
At 31 December 2015	4,379	26,214	1,438	32,031

Notes to the Financial Statements (continued)
for the year ended 31 December 2015

	2015 \$	2014 \$
11 Trade and other payables		
Trade payables to National Heart Foundation of Australia	3,836	0
Trade payables to other National Heart Foundation divisions	0	0
Other payables and accrued expenses	35,159	113,489
	<u>38,995</u>	<u>113,489</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.

12 Grants income deferred

Balance at 1 January	219,973	195,207
Amounts received	394,558	487,855
Income taken to revenue	(445,476)	(463,089)
Balance at 31 December	<u>169,055</u>	<u>219,973</u>

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.

13 Employee benefits

Aggregate liability for employee benefits including oncosts:

Current - long service leave and annual leave	77,829	62,786
Non-current - long service leave	9,779	8,863
Total employee benefits	<u>87,608</u>	<u>71,649</u>
<i>Personnel expenses:</i>		
Wages and salaries	693,277	637,503
Contributions to superannuation plans	55,660	53,240
Total personnel expenses	<u>748,937</u>	<u>690,743</u>
Number of employees at year end (full time equivalents)	<u>8.80</u>	<u>8.08</u>

14 Equity

Total Equity at beginning of year	80,109	152,796
Operating (Deficit)	(19,103)	(87,479)
Net Grants to National Heart Foundation of Australia	20,519	14,792
Other Comprehensive Income	0	0
Total Equity at end of year	<u>81,525</u>	<u>80,109</u>

Retained Earnings

Each year when budgets for the following year are 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.

Notes to the Financial Statements (continued)
for the year ended 31 December 2015

	2015 \$	2014 \$
15 Operating leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	85,495	83,005
Between one and five years	88,060	173,555
	<u>173,555</u>	<u>256,560</u>
Expenditure in the period was as follows:		
Office space	80,579	80,701
	<u>80,579</u>	<u>80,701</u>

16 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:

	Office lease incentives deferred \$	Make good of leased premises \$	Total \$
Balance at 1 January 2014	20,485	16,627	37,112
Future obligations incurred	0	0	0
Lease incentives received	(1,422)	0	(1,422)
Incentives offset against lease rental expense	0	0	0
Expenditure recognised in the statement of comprehensive income	0	0	0
Balance at 31 December 2014	<u>19,063</u>	<u>16,627</u>	<u>35,690</u>
Current	3,839	0	3,839
Non-Current	15,224	16,627	31,851
	<u>19,063</u>	<u>16,627</u>	<u>35,690</u>

	Office lease incentives deferred \$	Make good of leased premises \$	Total \$
Balance at 1 January 2015	19,063	16,627	35,690
Future obligations incurred	0	638	638
Lease incentives received	0	0	0
Incentives offset against lease rental expense	(3,839)	0	(3,839)
Expenditure recognised in the Statements of Surplus or Deficit and Other Comprehensive Income	0	0	0
Balance at 31 December 2015	<u>15,224</u>	<u>17,265</u>	<u>32,489</u>
Current	6,330	0	6,330
Non-Current	8,894	17,265	26,159
	<u>15,224</u>	<u>17,265</u>	<u>32,489</u>

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

The Foundation has guaranteed, as a party to their operating lease, 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 guarantee of \$21,615 as minimum compensation payments to the lessor in the event of default. The lease term is due to expire by 17 January 2018. 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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

17 Company limited by guarantee

The National Heart Foundation (ACT Division) 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 \$10.

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 Bruno Yvanovich BSc, MPA, FFIA
 Ms Anne-Marie Perret LLB, Grad Dip SIA, GAICD, AIMM
 Ms Melanie Andrews BComm, MBA, FCPA, GAICD (from 16 February 2015)
 Mr Keith Bradley AM, BA, LLB
 Prof Walter Abhayaratna MBBS, DrPH, AFRACMA, FACC, FRACP
 Prof Rachel Davey BSc (Hons), MMedSci, PhD
 Ms Kylie Dennis (from 16 February 2015)
 Mr Mark North, LLB, GDLP, Barrister and Solicitor of the ACT Supreme Court (from 25 May 2015)
 Dr Paresh Dawda MB, BS, DRCOG, DFRSH, FRACGP, FRCGP(UK) (from 23 November 2015)
 Dr Peter French BS (Med), FRACP (up until 25 May 2015)
 Dr Andrew Boyden B Rural Sc (Hons) BMBS (Hons), MPH, FRACGP (up until 25 May 2015)
 Assoc Prof Fiona Lithander BSc (Hons), Phd (Cambridge), RNutr, AFHEA (up until 10 August 2015)

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 Anthony Stubbs BAsc (Health), GAICD – Chief Executive Officer
 Mr Anthony Burton BA – Cardiovascular Health Manager (from 27 April 2015)
 Mr Kevin Kelly BComm, CPA – Finance Manager
 Mrs Ann Ronning AA (Comms) – Fundraising Manager

	2015	2014
	\$	\$
The compensation of key management personnel was as follows:		
Short term employee benefits	370,340	387,302
Other long term benefits	6,980	8,961
Total	<u>377,320</u>	<u>396,263</u>

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. Net Grants made by the Foundation to National were as follows:

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

18 Related parties (continued)

	2015	2014
	\$	\$
Net Surplus/(Deficit)	1,416	(72,687)
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	52,638	56,812
Contributions paid for purchase of services	(481,949)	(491,051)
Grants for research and other national initiatives	20,519	14,792

Amounts receivable and payable to non-director related parties are shown in notes 8 and 11 respectively.

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 and/or Divisions 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.

At the reporting date there were no significant concentrations of credit risk apart from a bank guarantee referred to in note 16 relating to the 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:

	Notes	2015	2014
		\$	\$
Financial assets			
Total cash and cash equivalents	7a	137,645	323,177
Trade and other receivables *	8	155,526	104,468
Grants income accrued *	8	60,539	23,778
Term deposits over 90 days *	9	21,516	21,516
		<u>375,226</u>	<u>472,939</u>

* Financial assets held at cost/amortised cost

Of the Foundation's trade receivables balance of \$155,526, \$83,672 is past due (2014, \$10,700).

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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

20 Financial instruments (continued)**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 due to expire within 5 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	2015 \$	2014 \$
Non derivative financial liabilities			
Trade and other payables	11	38,995	113,489
Grants income deferred	12	169,055	219,973
		208,050	333,462

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Foundation's and/or Divisions 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 26.

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 26. The analysis is performed on the same basis as that used in 2014

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 2014.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Foundations and/or Divisions 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 Foundations operations.

The Foundations objective is to manage operational risk so as to prevent financial losses and damage to the Foundations 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

Notes to the Financial Statements (continued)

for the year ended 31 December 2015

20 Financial instruments (continued)

- 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 Foundations 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 1.80%

	2015			2014				
	-1%	+1%			-1%	+1%		
	Equity	Surplus/ (Deficit)	Equity	Carrying Amount	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
Interest rate risk								
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets								
Term deposits-maturing beyond 90 days	(215)	215	215	21,516	(215)	(215)	215	215
Variable rate instruments								
Cash at bank	(1,376)	1,376	1,376	323,177	(3,232)	(3,232)	3,232	3,232
Total increase/(decrease)	(1,591)	1,592	1,591		(3,447)	(3,447)	3,447	3,447



Independent auditor's report to the members of the National Heart Foundation of Australia (ACT Division)

Report on the financial report

We have audited the accompanying financial report of the National Heart Foundation of Australia (ACT Division) (the Foundation) , which comprises the statement of financial position as at 31 December 2015, and the statement of surplus and deficit and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

This audit report has also been prepared for the members of the Foundation in pursuant to *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC) (collectively the Act and Regulations).

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances , but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the ACNC and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Foundation's financial position and of its performance.



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

Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Basis for qualified audit opinion

Within the charitable fundraising income of \$1,093,908 is a significant source of fundraising revenue from cash donations for the Foundation. The Foundation has determined that it is impractical to establish control over the collection of cash donations received as charitable fundraising income prior to the 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 income has been restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether the charitable fundraising income of the Foundation 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.

Auditor's opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial report of the Foundation is 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 2015 and of its performance 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*.

KPMG

Don Cross
Partner

Canberra

5 April 2016

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