

# ANNUAL REPORT + FINANCIAL STATEMENTS 2016

National Heart Foundation of Australia  
(**Western Australian Division**) Incorporated  
ABN 99 863 968 377  
For the year ended 31 December 2016

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## Directors and Office Bearers

### Patron

Her Excellency The Governor of Western Australia  
Kerry Sanderson AO

### Board of Directors

President

Mr G Robson BCom MEd FACA FFSIA

Vice President

Ms E Frankish BAgSc (Hons) FAIFST MASM MIAFP  
Mr I Rowe MA (Hons) Psychology

Honorary Treasurer

Mr C Serjeant BAsC(Pharm), GradDip Applied Finance & Investment

Honorary Secretary

Mr A Raiter B Juris, LLB, GAICD

Other Directors appointed by Members

Dr M Ammerer MBBS FRACP  
Mr W Ford BEng(ChemEng) MAICD  
Ms L Nelson BCom, MAppEp  
Ms K Oliver DipHlthSc(Nurs), BHlthSc(Nurs), GradDipHlthAdmin  
Dr J Rankin MBBS FRACP  
Prof C Schultz MBChB DPhil MRCP FRACP FCANZ  
Dr R Weerasooriya MBBS BMedSc FRACP  
Dr L Wood BCom (Hons) PGradDip Health Promotion PhD (to Dec 2016)

Director appointed by the Cardiac Society  
of Australia and New Zealand

Dr R Weerasooriya MBBS BMedSc FRACP

### Senior Staff

Chief Executive

Mr M Swanson BSc GradDip Nutrition & Dietetics GradDipHlthSci MPH

Director, Cardiovascular Health Programs

Mr T Shilton BEd GradDipHlthSci MHP FAHPA

Director, Finance, HR and Administration

Ms J Bolton BCom MBA (Dist) FCPA MAICD

Director, Fundraising

Ms W Mathews BBus EMFIA (to September 2016)  
Ms Linda Bolton BA (Acting from October 2016)

### Solicitors

Norton Rose

### Auditors

KPMG Australia

### Registered Office

334 Rokeby Road, Subiaco WA 6008

### Preferred Postal Address

PO Box 1133, Subiaco WA 6904

## National Heart Foundation of Australia (WA Division)

### Directors' Report

for the year ended 31 December 2016

The directors present their report together with the financial report of National Heart Foundation of Australia (Western Australian 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, held office at any time during or since the end of the financial year:

Name and qualifications	Experience and special responsibilities	Meetings held and attended #	Appointment and resignation
Dr M Ammerer MBBS FRACP	General and Interventional Cardiologist with Western Cardiology. Extensive experience in acute coronary care, outpatient cardiology management and cardiac rehabilitation. Fellowships with the Brigham and Women's Hospital (Harvard Medical School) and the Royal Australasian College of Physicians.	6 held 4 attended	Appointed June 2005
Mr Warren Ford BEng(ChemEng) MAICD	Warren Ford is an oil and gas professional with over 30 years' experience across technical, commercial, managerial and leadership roles in Australia and internationally. Mr Ford was Deputy Managing Director for Apache Energy Limited in Perth and is a former Vice Chair and Board Member of the Australian Petroleum and Exploration Association (APPEA), the peak national body representing Australia's oil and gas exploration and production industry. Mr Ford is a member of the Society of Petroleum Engineers and the Australian Institute of Company Directors.	6 held 4 attended	Appointed December 2013
Ms E Frankish BAgSc (Hons) FAIFST MASM MIAFP	Consultant Food Microbiologist with 30 years' experience in broad range of food science and environmental microbiology in government and private enterprise in Tasmania, NSW and Western Australia. Twelve years managing own diagnostic consulting laboratory. Wide committee experience including executive positions.	6 held 6 attended	Appointed December 2009
Ms Kylie Oliver, DipHlthSc(Nurs), BHlthSc(Nurs), GradDipHlthAdmin	Kylie Oliver is a health professional with 25 years' experience in clinical, education, managerial, administrative and executive roles in the tertiary and country sectors in Western Australia and Queensland. Kylie's visionary approach to improving patient outcomes has seen initiatives not only succeed within local organisations but been accepted across the State with significant impact.	6 held 3 attended	Appointed April 2015
Mr Andrew Raiter B Juris, LLB, GAICD	Group Legal Counsel at HBF with 26 years' experience as a lawyer in both private practice and in house roles, in commerce, banking and finance. Expertise in board support and secretarial functions in not for profit organisations and a graduate of the AICD.	6 held 6 attended	Appointed June 2011
Dr Jamie Rankin, MBBS FRACP	Head of Cardiology at Royal Perth Hospital. Participates in the 24-hour on-call angioplasty service for the treatment of acute myocardial infarction offered at Royal Perth Hospital and Hollywood Private Hospital. Dr Rankin is also the Director of clinical trials in Cardiology at Royal Perth Hospital.	6 held 0 attended	Appointed October 2015
Mr G Robson BCom MEc FACA FFSIA	Partner in Sharyn Long Chartered Accountants. Lectured in accounting and finance for the University of Western Australia, RMIT and the Financial Services Institute of Australasia. Held senior executive positions in banking institutions and public companies. Chairman of the Heart Foundation's Investment Committee since 2009.	6 held 6 attended	Appointed June 2005

**National Heart Foundation of Australia (WA Division)**

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

Mr Iain Rowe MA (Hons) Psychology	Marketing Consultant, having held a number of senior executive roles in leading Perth Advertising Agencies. Extensive experience in Health and other social marketing campaigns. Member of the National Heart Foundation Marketing Advisory Panel.	6 held 6 attended	Appointed April 2010
Prof Carl Schultz, MBChB, DPhil, MRCP, FRACP, FCSANZ	Professor of Cardiology at Royal Perth Hospital.	6 held 4 attended	Appointed April 2015
Mr Craig Serjeant, BAsc (Pharmacy), Grad Dip Applied Finance & Investment	Trained as a pharmacist and worked in a teaching hospital for the first 12 years of his professional career. This was followed by a year with the Health Department of Western Australia so he has a good insight into health related matters. He has also been associated with another not for profit organisation for over 8 years. This background has been helpful in his role as a Director of the Heart Foundation of WA.	6 held 6 attended	Appointed April 2015
Dr R Weerasooriya MBBS BMedSc FRACP GAICD	Consultant Cardiologist and Cardiac Electrophysiologist at Royal Perth Hospital since 2003. Clinical Professor of Medicine at the University of Western Australia. Board member of RPH Medical Research Foundation.	6 held 3 attended	Appointed February 2007
Dr L Wood BCom (Hons) GradDip Health Promotion PhD	Research Fellow with the Centre for the Built Environment and Health, School of Population Health, The University of Western Australia; health promotion consultant. Commenced as Chair of the Heart Foundation (WA) Cardiovascular Health Program Committee in October 2007.	6 held 6 attended	Appointed August 2007  Resigned December 2016
Ms L Nelson BCom, MAppEp	Director of Indigenous Banking Solution for WA with Westpac Bank. Lesley has over 25 years' experience in Aboriginal health. Current member on the Cardiovascular Health Network Executive Advisory group.	6 held 4 attended	Appointed October 2012

# meetings attended and meetings held while the director held office.

**Meetings of Board Committees**

There were six Executive Committee Meetings held in 2016.

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

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### Corporate Governance Statement

The Foundation is an Incorporated Association, incorporated under the Associations Incorporations Act 1987. Ultimate responsibility for the governance of the organisation 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.

### Federation Agreement

The Foundation entered into a new 5 year Federation agreement on the 23<sup>rd</sup> November 2012. This agreement replaced the previous Memorandum of Understanding and took effect from 1 January 2013. Shared Services which were the responsibility of and hosted by various divisions in other States and Territories continue to be hosted by those divisions but are now the responsibility and under the direct control of the National Heart Foundation of Australia ("National"). All costs associated with these renamed "Group Services" are held and accounted for in the National Heart Foundation of Australia ("National") accounts unless there is a requirement at law for them to be recognised in the Foundations in which case they are recovered.

### Oversight by the Board

The Board oversees and monitors the performance of management by:

- > Meeting six times during the year
- > Receiving detailed financial and other reports from management at those meetings
- > Receiving additional information and input from management when necessary
- > Assigning to the Cardiovascular Health Advisory Committee; the National Finance Advisory Committee; and the Audit, Governance and Ethics Committee responsibility to oversee particular aspects of the operations and administration of the Foundation.

### 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 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 Chief Executive 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 13 directors, of whom up to four may be appointed by the Cardiac Society of Australia and New Zealand (WA branch) - ("CSANZ")
- > No employees of the Foundation, including the Chief Executive, can be a director of the Foundation
- > Directors, other than those appointed by CSANZ, are re-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 page 4 and 5.

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.

### 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 every second year by independent staff from another Division.

The Foundation has also appointed an external body to undertake the internal audit function.

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

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***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.

**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:

- > 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 revenue from operating activities was 32% higher (\$3,791,512) compared to last year. Revenue from fundraising activities was 74% higher than last year due to a significant individual bequest received for \$6.2m. Bequest income was well above the historical average annual donation, and this source of income continues to vary from year to year as evident between 2016 (\$7,065,265) and 2015 (\$1,821,083). Revenue from other operating activities was 10% lower than last year due to decreased external grants received.

Charitable support from the general public continued to be strong in 2016 although bequest income fluctuates from year to year. Income from non-bequest fundraising is obtained in an increasingly competitive charity climate. Fluctuations in the fundraising costs can sometimes occur when new funding initiatives are at a development stage and the benefits only become evident in the following year.

Total operating expenditure was 9.5% lower (\$929,567) compared to last year due to decreased fundraising expenditure and decreased media activity conducted by external grants.

Overall, the financial performance of the Foundation continues to highlight the innovative and efficient actions of management and staff.

A comprehensive discussion about the activities of the Foundation and the Federation can be found in the 2016 Annual Review.

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

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**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 Foundation.

**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**

The lead auditor's independence is set out on page 32 and forms part of the auditor's report for financial year 2016.

Dated at Perth this 8<sup>th</sup> day of March 2017  
Signed in accordance with a resolution of the Directors.



Mr G Robson  
President



## 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 (Western Australian Division) ("the Foundation"):

- (a) the Foundation is not publicly accountable;
- (b) the financial statements and notes, set out on pages 10 to 28, are in accordance with the Associations Incorporations Act 1987 and the Australian Charities and Not-For-Profits Commission Act 2012, including:
  - (i) giving a true and fair view of the financial position of the Foundation as at 31 December 2016 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Australian Charities and Not-For-Profits Regulations 2013; and
- (c) there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

Dated at Perth this 8<sup>th</sup> day of March 2017

Signed in accordance with a resolution of the Directors.



Mr G Robson  
President

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

for the year ended 31 December 2016

	Notes	2016 \$	2015 \$
<b>Revenue</b>			
Revenue from operating activities	4	15,536,062	11,744,550
<b>Total revenue</b>		15,536,062	11,744,550
Net gain/(loss) on sale of property, plant and equipment		15,915	7,907
Health programs (including those funded by grants)		(6,467,871)	(7,066,020)
Fundraising		(2,240,306)	(2,549,614)
Cost of goods sold		(2,685)	(826)
Communications and publicity		(149,024)	(163,272)
Administration		1,248	(466)
<b>Results from Operating activities</b>		6,693,338	1,972,259
Finance income		53,336	48,377
<b>Net Finance income/(cost)</b>	6	53,336	48,377
<b>Net Surplus/(deficit)</b>		6,746,674	2,020,635
<b>Net Grants to National Heart Foundation of Australia</b>		(6,882,300)	(2,124,827)
<b>Surplus/(deficit) for the year before tax</b>		<b>(135,626)</b>	<b>(104,192)</b>
Income tax expense	3c	0	0
<b>Surplus/(deficit) for the year after tax</b>		<b>(135,626)</b>	<b>(104,192)</b>
<b>Total comprehensive income for the year</b>		<b>(135,626)</b>	<b>(104,192)</b>

**Statement of Financial Position**

for the year ended 31 December 2016

	Notes	2016 \$	2015 \$
<b>Current assets</b>			
Cash and cash equivalents	7a	4,445,013	5,004,465
Trade and other receivables	8	505,955	432,419
Investments	9	450,000	450,000
<b>Total current assets</b>		<b>5,400,968</b>	<b>5,886,884</b>
<b>Non-current assets</b>			
Property, Plant, equipment and vehicles	10	1,847,586	1,974,526
<b>Total non-current assets</b>		<b>1,847,586</b>	<b>1,974,526</b>
<b>Total assets</b>		<b>7,248,554</b>	<b>7,861,411</b>
<b>Current liabilities</b>			
Trade and other payables	11	283,897	836,432
Grants income deferred	12	3,960,965	3,930,990
Employee benefits	13	469,836	411,638
<b>Total current liabilities</b>		<b>4,714,698</b>	<b>5,179,061</b>
<b>Non-current liabilities</b>			
Employee benefits	13	55,564	68,433
<b>Total non-current liabilities</b>		<b>55,564</b>	<b>68,433</b>
<b>Total liabilities</b>		<b>4,770,262</b>	<b>5,247,494</b>
<b>Net assets</b>		<b>2,478,291</b>	<b>2,613,916</b>
<b>Equity</b>			
Reserves		450,000	450,000
Retained earnings		2,028,291	2,163,916
<b>Total equity</b>	14	<b>2,478,291</b>	<b>2,613,916</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>	2,613,916	2,718,108
<b>Comprehensive income for the period</b>		
Surplus/(Deficit)	(135,626)	(104,192)
<b>Total comprehensive income for the period</b>	<b>(135,626)</b>	<b>(104,192)</b>
<b>Balance of Equity as at 31 December</b>	<b>2,478,291</b>	<b>2,613,916</b>

**Statement of Cash Flows**

for the year ended 31 December 2016

	Notes	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		15,745,395	13,269,296
Cash payments in the course of operations		(9,261,213)	(10,347,025)
Net grants made to National Heart Foundation of Australia		(7,082,373)	(2,124,827)
Net financial income		53,336	48,377
<b>Net cash (used in)/from operating activities</b>	7b	<b>(544,856)</b>	<b>845,820</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, equipment and vehicles		42,000	28,500
Acquisition of property, equipment, vehicles and computer software		(56,596)	(40,603)
<b>Net cash (used in)/from investing activities</b>		<b>(14,596)</b>	<b>(12,103)</b>
<b>Cash flows from financing activities</b>			
<b>Net cash from financing activities</b>		<b>0</b>	<b>0</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(559,452)</b>	<b>833,718</b>
Cash and cash equivalents at 1 January		5,004,465	4,170,747
<b>Cash and cash equivalents at 31 December</b>	7a	<b>4,445,013</b>	<b>5,004,465</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 (WA Division) (the "Foundation") (ABN: 99 968 863 377) is an incorporated association domiciled in Australia. The address of the Foundation's registered office is 334 Rokeby Road, Subiaco WA 6053. 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 (AASB's) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), the Associations Incorporation Act 1987 and the Australian Charities and Not-For-Profits Commission Act 2012. The financial report was authorised for issue by the directors on 8 March 2017.

#### (b) Basis of measurement

The financial report is prepared on the historical cost basis.

#### (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 estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### 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:

#### 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(h). The amount of these provisions would change should any of these factors change in the next 12 months.

#### (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.

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### 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 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.

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

for the year ended 31 December 2016

**3 Significant accounting policies (continued)**

(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.

(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. The Foundation's big heart doorknock appeal successfully recruited 8,494 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 fall under item 1 of the table in section 30-15 of the Income Tax Assessment Act 1997.

**(d) 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 3g(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 comprehensive income.

(ii) Depreciation

Depreciation is charged to the statement of surplus or deficit and 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:

> buildings	40 years
> 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.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2016

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### 3 Significant accounting policies (continued)

#### (e) Non-derivative financial assets

The Foundation early adopted AASB9 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 is discussed in note 3(k).

##### *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 3g(i).

#### (f) 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.

#### (g) 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 owed to the Foundation and/or a Division on terms that the Foundation and/or Division 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/(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

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### 3 Significant accounting policies (continued)

#### (ii) Non-financial assets

The carrying amounts of non-financial assets 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 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 comprehensive income to the extent that an impairment loss was previously recognised in the statement of surplus or deficit and 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.

### (h) 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.

#### (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.

The Foundation's net obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

#### (iii) Defined contribution plans

The Foundation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

## Notes to the Financial Statements (continued)

for the year ended 31 December 2016

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### 3 Significant accounting policies (continued)

#### (i) 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.

#### (j) Segment reporting

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

#### (k) Finance income

Finance income comprises interest income. Interest income is recognised using the effective interest method.

#### (l) 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 19 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 Heart Foundation of Australia ("National") 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.

#### (m) 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 consolidated financial statements. Except for AASB 9 Financial Instruments (2010) which the Foundation early adopted with a date of initial application of 1 January 2011, the Foundation has not elected to early adopt any other new Australian Accounting Standards. Those which may be relevant to the Foundation are:

- 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;
- 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; and

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

for the year ended 31 December 2016

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**3 Significant accounting policies (continued)**

**(m) New standards and interpretations not yet adopted (continued)**

- AASB 1058 Income for Not-for-profit Entities addresses 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.

The Foundation has reviewed the requirements of these standards and they are not expected to have a significant impact on the Foundations financial statements.

**(n) 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 replacement cost. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

**(o) Reserve**

The reserve represents monies received from a trust for a travel scholarship. The monies gifted are accounted for as income in the current period and transferred to the reserve from accumulated reserves as the use of the monies is restricted to providing a travel scholarship to a medical research awardee.

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

for the year ended 31 December 2016

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>4 Revenue from operating activities</b>		
Charitable support - bequests	7,065,265	1,821,083
Charitable support - non-bequests	3,197,934	4,093,871
Sale of goods	44,796	3,778
<i>Total revenue from fundraising activities</i>	<u>10,307,995</u>	<u>5,918,732</u>
Grants for specific health programs - Government	4,066,260	5,383,507
Grants for specific health programs and research - other	1,143,781	436,586
Other	18,026	5,725
<i>Total revenue from other operating activities</i>	<u>5,228,067</u>	<u>5,825,818</u>
<b>Total revenue from operating activities</b>	<u>15,536,062</u>	<u>11,744,550</u>
<b>5 Auditors' remuneration</b>		
KPMG Australia: Audit services	28,517	28,152
KPMG Australia: Other services	20,700	18,042
	<u>49,217</u>	<u>46,194</u>
<b>6 Finance income and costs</b>		
<b>Recognised in Surplus/(Deficit)</b>		
Interest income	53,336	48,377
<b>Finance income</b>	<u>53,336</u>	<u>48,377</u>
<b>Net finance income and costs recognised in Surplus/(Deficit)</b>	<u>53,336</u>	<u>48,377</u>
<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 2.42% (2015: 0.01% to 2.93%)	4,445,013	5,004,465
	<u>4,445,013</u>	<u>5,004,465</u>
The Foundation's exposure to interest rate risk for financial assets and liabilities are disclosed in note 19. The carrying value of cash and cash equivalents is equal to fair value.		

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

for the year ended 31 December 2016

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>7b Reconciliation of cash flows from operating activities</b>		
<b>Net (deficit)/surplus from ordinary activities</b>	(135,626)	(104,192)
Adjustments for:-		
Depreciation/Amortisation	157,592	165,065
Net (gain)/loss on disposal of property, equipment and vehicles	(16,056)	(7,931)
<b>Net cash from operating activities before changes in working capital and provisions</b>	5,910	52,942
(Increase)/decrease in receivables	(73,536)	(121,457)
(Decrease)/increase in payables	(552,535)	(55,454)
Increase/(decrease) in grants income deferred	29,975	898,365
Increase/(decrease) in employee benefits	45,329	71,426
<b>Net cash from operating activities</b>	<b>(544,856)</b>	<b>845,822</b>
<b>8 Trade and other receivables</b>		
Trade receivables owing by other National Heart Foundation divisions	500	4,631
Trade receivables owing by National Heart Foundation of Australia (National)	146,797	333,217
Other receivables and prepayments	358,659	94,571
	<b>505,955</b>	<b>432,419</b>

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 19.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>9 Investments</b>		
<b>Current investments</b>		
Restricted cash	450,000	450,000
	<b>450,000</b>	<b>450,000</b>

Investments include term deposits with maturity larger than 3 months and restricted cash received as a gift from a trust to be used for a travel scholarship.

The carrying value of investments is equal to fair value. The Foundation's exposure to interest rate risk and equity price risk are disclosed in note 19.

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

for the year ended 31 December 2016

**10 Property, equipment and vehicles**

	Freehold land	Buildings	Office furniture & equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$

Balance at 1 January 2015	1,110,000	690,000	1,639,834	90,129	3,529,963
Acquisitions	0	0	2,863	37,740	40,603
Disposals	0	0	(67,240)	(37,969)	(105,209)
Balance at 31 December 2015	1,110,000	690,000	1,575,457	89,900	3,465,357

Balance at 1 January 2016	1,110,000	690,000	1,575,457	89,900	3,465,357
Acquisitions	0	0	0	56,596	56,596
Disposals	0	0	(22,209)	(52,160)	(74,369)
Balance at 31 December 2016	1,110,000	690,000	1,553,248	94,336	3,447,584

**Depreciation & Impairment losses**

Balance at 1 January 2015	0	163,993	1,222,735	23,679	1,410,407
Depreciation charge for the year	0	17,250	125,230	22,585	165,065
Disposals	0	0	(66,489)	(18,152)	(84,641)
Balance at 31 December 2015	0	181,243	1,281,476	28,112	1,490,831

Balance at 1 January 2016	0	181,243	1,281,476	28,112	1,490,831
Depreciation charge for the year	0	17,250	116,670	23,672	157,592
Disposals	0	0	(22,209)	(26,216)	(48,425)
Balance at 31 December 2016	0	198,493	1,375,937	25,568	1,599,998

**Carrying amounts**

At 1 January 2015	1,110,000	526,007	417,099	66,450	2,119,556
At 31 December 2015	1,110,000	508,757	293,981	61,788	1,974,526

At 1 January 2016	1,110,000	508,757	293,981	61,788	1,974,526
At 31 December 2016	1,110,000	491,507	177,311	68,768	1,847,586

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

for the year ended 31 December 2016

	2016 \$	2015 \$
<b>11 Trade and other payables</b>		
Trade payables to National Heart Foundation of Australia	12,260	2,100
Trade payables to other National Heart Foundation divisions	0	638
Other payables and accrued expenses	271,637	833,694
	<u>283,897</u>	<u>836,432</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 19.		
<b>12 Grants income deferred</b>		
Balance at 1 January	3,930,990	3,032,626
Amounts received	2,202,311	4,520,813
Income taken to revenue	(2,172,336)	(3,622,449)
Balance at 31 December	<u>3,960,965</u>	<u>3,930,990</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 19.		
<b>13 Employee benefits</b>		
Aggregate liability for employee benefits including oncosts:		
Current - long service leave and annual leave	469,836	411,638
Non-current - long service leave	55,564	68,433
Total employee benefits	<u>525,400</u>	<u>480,071</u>
<i>Personnel expenses:</i>		
Wages and salaries	2,404,473	2,331,447
Contributions to superannuation plans	227,311	207,984
Total personnel expenses	<u>2,631,784</u>	<u>2,539,431</u>
<b>14 Reserves and Equity</b>		
<i>Specific or restricted purpose reserves:</i>		
Balance at beginning of year	450,000	450,000
Total Reserves Balance at year end	<u>450,000</u>	<u>450,000</u>
<i>Reserves at beginning of year</i>		
Retained Earnings at beginning of year	450,000	450,000
Total Equity at beginning of year	2,163,916	2,268,108
Operating Surplus/(deficit)	2,613,916	2,718,108
	<u>(135,626)</u>	<u>(104,192)</u>
Net Grants to National Heart Foundation of Australia	<u>(6,882,300)</u>	<u>(2,124,827)</u>
Total Equity at end of year	<u>2,478,291</u>	<u>2,613,916</u>

## Notes to the Financial Statements (continued)

for the year ended 31 December 2016

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### 14 Reserves and Equity (continued)

#### Accumulated reserves

Each year when budgets for the following year are being formulated, an estimate is made of an optimum level of accumulated reserves. 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 accumulated reserves 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.

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### 15 Contingencies

The Heart Foundation has a bank guarantee amounting to \$30,000 with LotteryWest which may be payable in the event of a default on any competition or promotion.

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### 16 Incorporated Status

The National Heart Foundation of Australia (Western Australian Division) is an association incorporated in Australia under the Associations Incorporations Act 1987.

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### 17 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 Foundation for the entire period:

#### Non executive directors

Mr G Robson BCom MEc ACA FFSIA ATIA  
Ms E Frankish BAgSc (Hons) FAIFST MASM MIAFP  
Mr I Rowe MA (Hons) Psychology  
Mr C Serjeant BAsc (Pharm) GradDip Applied Finance and Investment  
Mr A Raiter B Juris LLB GAICD  
Dr M Ammerer MBBS FRACP  
Mr W Ford BEng(ChemEng) MAICD  
Ms L Nelson BCom, MAppEp  
Ms K Oliver DipHlthSc(Nurs) BHlthSc(Nurs) GradDip HlthAdmin  
Dr Jamie Rankin MBBS FRACP  
Prof C Schultz MBChB DPhil MRCP FRACP FCSANZ  
Dr R Weerasooriya MBBS BMedSc FRACP  
Dr L Wood BCom (Hons) PGradDip Health Promotion PhD (to December 2016)

Non executive directors did not receive any remuneration from the Foundation during the current financial year. No director has entered into a material contract with the Foundation or any Division since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end.

#### Executive Staff

Mr M Swanson BSc Grad Dip Nutrition & Dietetics Grad Dip Hlth Sc MPH - Chief Executive  
Mr T Shilton BEd Grad Dip Hlth Sc MHP FAHPA - Director Cardiovascular Health  
Ms J Bolton BCom MBA (Dist) FCPA MAICD - Director Finance and Human Resources  
Ms W Mathews BBus EMFIA - Director Fundraising (to September 2016)  
Ms Linda Bolton BA – Director Fundraising (Acting from October 2016)



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

for the year ended 31 December 2016

**17 Related Parties (continued)**

The compensation of key management personnel was as follows:

Short term employee benefits  
Total

2016	2015
\$	\$
585,288	568,902
585,288	568,902

**Net Deficit**

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 by Divisions/National  
Contributions paid for purchase of services to Divisions/National  
Grants for research and other national initiatives

2016	2015
\$	\$
(135,626)	(104,192)
1,129,746	1,203,935
(58,543)	(50,343)
(6,882,300)	(2,124,827)

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

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

Grants for research and other national initiatives

2016	2015
\$	\$
6,882,300	2,124,827

**18 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.

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

for the year ended 31 December 2016

**19 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.

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.

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	2016 \$	2015 \$
<b>Financial assets</b>			
Cash	7a	4,445,013	5,004,465
Restricted cash		450,000	450,000
Total cash and cash equivalents		4,895,013	5,454,465
Trade and other receivables	8	505,955	432,419
		5,400,968	5,886,884

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 will not be able to meet its financial obligations as they fall due. The Foundation'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 Foundation's reputation.

Trade and other payables, and grants income deferred have contractual cashflows which are 6 months or less.

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

for the year ended 31 December 2016

**19 Financial instruments (continued)**

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	11	283,897	836,432
Grants income deferred	12	3,960,965	3,930,990
		<u>4,244,862</u>	<u>4,767,422</u>

**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.

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 28.

*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 28. 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 Foundations 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
- 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

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

for the year ended 31 December 2016

**19 Financial instruments (continued)**

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, term deposits and restricted cash. 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 movement is 'reasonably possible' over a 12 month period: a parallel shift of +1%/-1% in market interest rates (AUD).

	2016			2015					
		-1%	+1%		-1%		+1%		
Interest rate risk	Carrying Amount/ Face Value	Surplus/ (Deficit)	Surplus/ (Deficit)	Equity	Carrying Amount/ Market Price	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>									
Restricted cash	450,000	(4,500)	4,500	4,500	450,000	(4,500)	(4,500)	4,500	4,500
<b>Variable rate instruments</b>									
Cash at bank	4,445,013	(44,450)	44,450	44,450	5,004,465	(50,045)	(50,045)	50,045	50,045
<b>Total increase/(decrease)</b>		(48,950)	48,951	48,950		(54,545)	(54,545)	54,545	54,545



# Independent Auditor's Report

To the members of National Heart Foundation (Western Australian Division)

## Report on the audit of the Financial Report

### Qualified Opinion

We have audited the **Financial Report**, of the National Heart Foundation (Western Australian 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*, and the *Associations Incorporations Act* 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 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.

### Basis for Qualified opinion

Charitable fundraising 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, 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 the Foundation's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. 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 Director's 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified opinion section above, we were unable to obtain sufficient appropriate evidence about the completeness of cash donations. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

#### 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) Preparing the Financial Report in accordance with Section 15(1) and 15(2) of the *WA Charitable Collections Act 1946* and Regulations 1947 (the Acts and Regulations).
- (iii) Preparing the Financial Report in accordance with the Associations



Incorporations Act.

- (iv) 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.
- (v) 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.

In addition we have:

- (i) Obtained an understanding of the internal control structure for fundraising appeal activities.
- (ii) Examined on a test basis of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Acts and Regulations

We have not audited on a continuous basis the accounting records relied upon for reporting on fundraising appeal activities. These do not necessarily reflect accounting adjustments after the event or normal year-end financial adjustments required for the preparation of Financial Report such as accruals, prepayments, provisioning and valuations.

## Report on Other Legal and Regulatory Requirements

### Opinion pursuant to the Charitable Collections Act (WA) 1946 and Charitable Collections Regulations (WA) 1947

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph the Foundation has complied, in all material respects, with the requirements of the *Charitable Collections Act (WA) 1946* and *Charitable Collections Regulations (WA) 1947* for the year ended 31 December 2016.



  
Grant Robinson

Partner

Perth

8 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 of Australia (West Australian 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.



  
Grant Robinson  
*Partner*

Perth  
8 March 2017

## **Australian Capital Territory**

### **Canberra**

Unit 1, Level 1, 17–23 Townshend Street  
Phillip ACT 2606  
T: (02) 6282 5744

## **New South Wales**

### **Sydney**

Level 3, 80 William Street  
Sydney NSW 2011  
T: (02) 9219 2444

## **Northern Territory**

### **Darwin**

Darwin Central Offices  
Level 3, 21 Knuckey Street  
Darwin NT 0800  
T: (08) 8982 2700

## **Queensland**

### **Brisbane**

557 Gregory Terrace  
Fortitude Valley QLD 4006  
T: (07) 3872 2500

## **South Australia**

### **Adelaide**

155–159 Hutt Street  
Adelaide SA 5000  
T: (08) 8224 2888

## **Tasmania**

### **Hobart**

Level 1, 89 Brisbane Street  
Hobart TAS 7000  
T: (03) 6224 2722

## **Victoria**

### **Melbourne**

Level 12, 500 Collins Street  
Melbourne VIC 3000  
T: (03) 9329 8511

## **Western Australia**

### **Perth**

334 Rokeby Road  
Subiaco WA 6008  
T: (08) 9388 3343

**For heart health information**

**1300 36 27 87**

**[heartfoundation.org.au](http://heartfoundation.org.au)**