

Annual Report & Financial Statements 2020

National Heart Foundation of Australia

ABN 98 008 419 761

For the year ended 31 December 2020



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National Heart Foundation of Australia

Directors and Office Bearers

Patron	His Excellency General the Honourable David Hurley AC DSC (retd) and Her Excellency Mrs Linda Hurley Governor-General of the Commonwealth of Australia
Board of Directors	
National President	Mr C B Leptos AM, BCom (Melb), MBA (Melb), FAICD, FCA, FCPA
Directors	Associate Professor D M Colquhoun MBBS, FRACP, FCSANZ Clinical Professor J A Deague MBBS, FRACP, PHD, FCSANZ, GAICD Mr J Etherington AM, BEc, FCA, FAICD (to 22 Jun 2020) Professor L Kritharides MBBS, PhD, FRACP, FAHA, FCSANZ, FESC, FACC Ms C R Payne RN, DipApSc, BachApSc, MBA Mr T M Roberts BArtsAcc, FCA, FAICD, FGLF Ms A Tay LLB, FGIA, GAICD Ms J L Tucker LLB, BCom, Advanced Diploma Management (Harvard), GDip Marketing, GAICD
Group Chief Executive Officer	Adjunct Professor J G Kelly AM, BA (Hons), LLB, Grad Dip Leg Prac, FACN (DLF), AFAIM, MAICD, MAPS
Chief Medical Advisor	Professor G L Jennings AO, MBBS, MD, MRCP(UK), FRACP, FRCP (London), FAHA, FCSANZ, FMBRCA
Company Secretary	Mr C Miers LLM, LLB, B.Bus, GradDip Corp Gov, AGIA, GAICD
Auditors	KPMG
Registered Office	Level 2, 850 Collins Street, Docklands, Victoria 3008
Preferred Postal Address	Level 2, 850 Collins Street, Docklands, Victoria 3008

National Heart Foundation of Australia

Directors' Report for the year ended 31 December 2020

The Directors present their report together with the financial report for the National Heart Foundation of Australia ("the Foundation"), for the year ended 31 December 2020 and auditors' report thereon. National Heart Foundation of Australia, National Heart Foundation (South Australia), National Heart Foundation (Australian Capital Territory), National Heart Foundation (Tasmania), National Heart Foundation (Queensland), National Heart Foundation (Northern Territory), National Heart Foundation (Western Australia), National Heart Foundation (Victoria) and National Heart Foundation (New South Wales) are collectively referred to in this financial report as "the Group".

Directors

The following Directors of the Group, 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	Meetings Held & Attended	Appointment & resignation
Mr J Etherington AM BEc, FCA, FAICD	Mr John Etherington AM, Chair Finance Committee Chartered Accountant; 28 years in public practice, including 16 years as a partner of Deloitte. Currently a non-executive director on a range of public, private and not-for-profit organisations.	6/14	Appointed 15-May-2014 Resigned 22-Jun-20
Assoc. Professor D M Colquhoun MBBS, FRACP, FCSANZ, PLD, GAICD	Associate Professor David Colquhoun is a cardiologist in private practice, he is also actively involved in research and preventative cardiology, reflected in his role on the Heart Foundation's Heart Health and Research Committees. His specific interests include preventative cardiology, nutrition and psychosocial factors for heart disease. David is a member of the Scientific Committee of the National Institute of Complementary Medicine (NICM); a member of the Scientific Committee of the Gallipoli Medical Research Foundation; and the Co-President of the Clinical and Preventive Cardiology Council of the Cardiac Society of Australian and New Zealand (CSANZ). He holds an MBBS from the University of New South Wales.	11/14	Appointed 23-Oct-2017
Clinical Professor J A Deague MBBS, FRACP, PHD, FCSANZ, GAICD	Clinical Professor Jenny Deague is Chair of the Heart Health Committee for the Heart Foundation Board. Originally trained at the University of Melbourne and the Royal Melbourne Hospital, she holds a MBBS and PhD from Melbourne University, a Fellowship of the Royal Australasian College of Physicians and Cardiac Society of Australia and New Zealand, and an Imaging Fellowship from Massachusetts General Hospital and Harvard University, Boston, USA. Jenny is Director of Cardiology and Member of the Head of Department Medical Advisory Committee at Joondalup Health Campus, in Perth, Western Australia since 2012 and a Clinical Professor of Health Sciences at Curtin University, Western Australia.	12/14	Appointed 28-Apr-17
Professor L Kritharides MBBS, PhD, FRACP, FAHA, FCSANZ, FESC, FACC	Professor Kritharides is a Consultant and Interventional Cardiologist. He is Senior Staff Specialist and Head of the Department of Cardiology at Concord Repatriation General Hospital (CRGH) in Sydney, conjoint Professor in Medicine at the University of Sydney, Head of the Atherosclerosis Research Laboratory at the ANZAC Research Institute, Clinical Director of the Cardiovascular Stream of the Sydney Local Health District, and Chairman of the Board of Governors of the Heart Research Institute Sydney. Len is the immediate Past-President of the Cardiac Society of Australia and New Zealand.	12/14	Appointed 24-May-13
Mr C B Leptos AM, BCom (Melb), MBA (Melb), FAICD, FCA, FCPA (President)	Chris Leptos AM is the President of the Heart Foundation and Chair of the Board. He is an advisor to a range of corporate and not-for-profit organisations, holding several appointments including deputy chairman of SEA Electric, non-executive director of IDP Education (ASX:IEL), and senior adviser to Flagstaff Partners. In 2020, Chris was appointed by the Commonwealth Government to conduct a statutory review of the National Housing Finance and Investment Corporation Act. In his earlier career Chris was a Senior Partner with KPMG, Managing Partner Government at Ernst & Young where he had national responsibility for leading the public sector practice, and General Manager of Corporate Development for Western Mining Corporation. Chris is currently a Governor of The Smith Family and a member of the Board for the Faculty of Business & Economics at the University of Melbourne.	14/14	Appointed 28-May-18

National Heart Foundation of Australia

Directors' Report (continued) for the year ended 31 December 2020

Name and qualifications	Experience and special responsibilities	Meetings Held & Attended	Appointment & resignation
Ms C R Payne RN, DipApSc, BachApSc, MBA	<p>Cynthia Payne is a Director of the Heart Foundation, a position she has held since 2017. She is also a board advisor to Total Constructions (2018) and Managing Director of Anchor Excellence, her executive and management consulting firm. Cynthia is the past Chair of Arts Health Institute (2011- 2015) and The Australian Organisational Excellence Foundation (2015-2016).</p> <p>Originally educated as a registered nurse, she holds a Bachelor of Applied Science (Nursing) from the University of Sydney and an MBA from the University of New England, with majors in Human Resource Management and Association Management. She holds professional memberships, including Member of the Australian Institute of Company Directors, Fellow of the Governance Institute of Australia, Member of Australian Organisation for Quality, Member of the Australian College of Nursing and Member of Business Excellence Australia.</p>	11/14	Appointed 29-May-17
Mr T M Roberts BArtsAcc, FCA, FAICD, FGLF	<p>Todd Roberts joined Credit Union SA in June 2020 as the Chief Executive Officer having spent over 13 years as an Executive at the Commonwealth Bank of Australia.</p> <p>With over 25 years working in finance and professional services across Australia and the UK, Todd has developed a strong understanding of a wide range of financial and commercial disciplines from accountancy, audit and insolvency to Institutional Corporate, Commercial and Retail banking.</p> <p>Todd holds a Bachelor of Arts in Accountancy from the University of South Australia and is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand, Australian Institute of Company Directors and the Governor's Leadership Foundation.</p> <p>Todd has held a significant number of Chair and Director roles with various not-for-profit organisations and charities throughout his career including the National Heart Foundation of Australia where he is both currently a Director and Chair of the Investment Committee.</p>	13/14	Appointed 25-May-12
Ms A Tay LLB, FGIA, GAICD	<p>Alice Tay was a corporate and commercial lawyer for over 30 years. Since leaving legal practice, Alice has concentrated on her board and committee positions.</p> <p>For the Heart Foundation of Australia, she is the Chair of the Risk Audit and Governance Committee and a member of the Investment Committee.</p> <p>Alice is the Deputy Chair of the ACT Gambling and Racing Commission and a Director of Molonglo Financial Services Ltd which operates 4 branches of the Bendigo Community Bank in the Canberra Region.</p> <p>In 2020, she was appointed by the ACT Chief Minister to the University of Canberra Council where she also chairs the Audit and Risk Management Committee and is a member of the Finance Committee.</p> <p>Alice is a graduate of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.</p>	13/14	Appointed 29-May-17
Ms J Tucker LLB, BCom, Advanced Diploma Management (Harvard), GDip Marketing, GAICD	<p>Jennifer Tucker has more than 20 years of experience across a range of senior marketing, sales and business leadership roles in the consumer products sector. She is the Chair of the Revenue Committee on the Heart Foundation Board.</p> <p>Jennifer has degrees in Commerce and Law, is a graduate of the Harvard Business School AMP and Australian Institute of Company Directors Course and is a member of the Mission for Cardiovascular Research Expert Advisory Panel and Chief Executive Women.</p> <p>Jennifer's career covers developing consumer centric marketing, innovation and organizational change programs. She is the Executive General Manager at Yates, a division of DuluxGroup Ltd.</p>	13/14	Appointed 29-May-17

National Heart Foundation of Australia

Directors' Report (continued) for the year ended 31 December 2020

A summary of meetings held and attendances of Board Members up to 31 December 2020 is set out below:

	Heart Health Committee	Finance Committee	Risk, Audit and Governance Committee	Development & Brand / Revenue Committee	Research Strategy Committee	Investment Committee
	#	#	#	#	#	#
Mr J Etherington AM		5/5	4/4			4/5
Prof L Kritharides	3/4				4/4	
Ms A Tay			4/4			4/5
A/Prof D M Colquhoun	4/4		2/4			
Dr J A Deague	4/4					
Mr C B Leptos AM (ex officio)	0/4	3/5	2/4	3/3	3/4	4/5
Ms C R Payne		5/5				
Mr T M Roberts				2/3		5/5
Ms J L Tucker				3/3	4/4	

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 role of the Board is to provide strategic oversight and direction for the Foundation's activities and ensure that those organisational activities are directed towards achieving its vision of an Australia free of heart disease and its mission to prevent heart disease and improve the heart health and quality of life of all Australians through our work in prevention, support and care and research. The Board must ensure that the vision and mission are achieved in the most efficient and effective way.

Oversight by the Board

The Board oversees and monitors the performance of management by:

- > Meeting at least 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 Risk, Audit and Governance, Heart Health, Research Strategy, Finance, Investment, Development and Brand / Revenue and Executive committees the responsibility to oversee particular aspects and provide advice on the operations and administration of the Foundation.

Each Board Committee operates under its own terms of reference approved by the Board and is chaired by a Director of the Foundation and comprises at least two other Board members, and where appropriate, other relevant technical experts and consumer representatives.

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")
- > Developing the strategic plan of the Group in conjunction with the CEO and management
- > Approving operating and capital budgets developed by the CEO and management
- > Monitoring the progress of management in achievements against 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 Group from government, industry and other groups in determining health and other policies and recommendations
- > Ensuring the Group complies with relevant legislation and regulations
- > Acting as an advocate for the Group whenever and wherever necessary

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

National Heart Foundation of Australia

Directors' Report (continued) for the year ended 31 December 2020

Responsibilities of management

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

Board members

All Directors are non-executive, serving in an honorary capacity without compensation. The Constitution of the Foundation specifies:

- > The Directors of the Group shall be the President, and up to a maximum of ten additional Directors appointed in accordance with the Constitution.
- > No person who is an employee of the Group is eligible for nomination or appointment as an office bearer or director.
- > That at each annual general meeting any director elected as a casual director since the previous annual general meeting and a minimum of one third of the remaining Directors retire from office, but each is eligible for re-election.
- > That no director may serve more than a maximum of nine consecutive years before they become ineligible for re-election.

The Board is the final authority on the operations of the Group and has complete responsibility for the control and the overall management of the affairs, funds and property of the Group. It oversees corporate strategy, policy and performance, thus helping protect the rights and interests of the Group, its employees, donors and stakeholders. The Board ensures it is well equipped with skills and expertise relevant to the Group's activities to make it a stable and effective governing body. The current Board's qualifications, skills, experience and responsibilities appear on pages 4-5. Management presentations to the Board enable Directors to maintain knowledge of the business and operations of the Group. New Board members receive written advice of the terms and conditions of their appointment and are provided with an induction when first appointed. A formalised *Board Performance Evaluation* process is undertaken.

Risk management

The Board oversees the establishment, implementation, monitoring and regular review of the risk management system of the Group, 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 Group are subject to independent, external audit. Guidelines for internal controls have been adopted and the Group has also appointed an external body to undertake the internal audit function.

Ethical standards and code of conduct

Board members, all staff and volunteers are expected to comply with relevant laws, regulations 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 vision and mission of the Group. Board members, all staff and volunteers are provided with a copy of the Group's Code of Conduct policy during their induction to the organisation.

Involving stakeholders

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

Principal Activities and Achievement of Objectives

The primary activities of the Group 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.

National Heart Foundation of Australia

Directors' Report (continued) for the year ended 31 December 2020

Short and Long-Term Objectives and Strategies for Achieving These Objectives

The Group has a three-year strategic plan, "One Heart" 2018-2020, aligned directly with the Foundation's 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 "One Heart", the Group is focused on five pillars;

- Ø Prevention
- Ø Support & Care
- Ø Research
- Ø Strengthening our Organisation
- Ø Our People

The pillars will focus on reducing the prevalence and impact of risk factors for heart disease, improve the outcomes for Australians living with heart disease, fund the highest impact research into heart disease, ensure that we are financially viable, scaleable, sustainable and ethical and working as one team across all the Group's programs.

Review of Group Results and Operations for Current Year (in 000's)

The Group's financial result for the year is a surplus of \$3,194k (2019: \$3,729k deficit) despite the impacts on operations due to COVID-19. The Group took several steps to protect our organisation, our employees and the funds generously donated by the Australian public. These steps included a reprioritisation of activities aligned to restrictions imposed as part of the National COVID response and a reduction to employee working hours for a three-month period. We were also eligible for the Jobkeeper allowance which we received April through to September.

Total revenue from operating activities returned \$56,851k (2019: \$57,996k). Bequest and non-bequest income performed strongly (\$34,135k and \$18,721k respectively), however the year-on-year decrease in total revenue reflected a one-off legal settlement in 2019, for the recovery of lost investment capital from the Global Financial Crisis. The Group is primarily supported by generous donations from the Australian public and is continuing to review and renew its fundraising efforts and programs to develop new initiatives and refresh existing activities to enable the growth of non-bequest income.

Total operating expenditure was \$58,426k (2019: \$71,454k). As noted above, the main reason for the year on year decrease was the impact on operations due to COVID-19 restrictions. This saw decreases in expenditure across all functional areas, most significantly communications and health awareness campaigns which decreased by \$2,682k reflecting a refocus of our campaigns to COVID-19 associated Cardiovascular risk. Fundraising costs decreased by \$1,730k reflecting a different approach to fundraising due to COVID-19 restrictions. There was also an offset to administration expenditure as a result of our eligibility for the Jobkeeper subsidy.

Research expenditure was \$16,877k (2019: \$18,038k). The Group funded a total of 247 Fellowships, Scholarships and Project Grants with the commencement of 55 new research awards in 2020. Due to the generous bequests received in the past few years the Group has committed to increasing its research commitments over the 2021 to 2023 years to \$60 million (up from \$50 million over the 2018 - 2020 period). Financial support for previously awarded grants requiring payment in future periods totals \$34.5 million over the next four years.

Net finance income decreased by \$4,959k from the 2019 result. 2019 had been an outstanding year in the financial markets, which was followed by the COVID-19 investment fallout from March 2020. This resulted in a decrease in fair value of our international equities, lower dividend income and losses on disposal of bonds.

Other comprehensive losses from sale and revaluation of investments were \$2,973k (2019: \$6,251k gain). This reflects the significant market adjustment that occurred in March as a result of COVID-19, which was not fully recovered by year end. As a result of these losses the total comprehensive surplus for the year was \$221k (2019: \$2,522k surplus).

Overall, the Group performed to the Boards expectations in 2020 delivering significant programs while at the same time operating within the scope of its financial capacity and maintaining its overall equity at \$106,503k allowing future investment towards achieving its mission.

A comprehensive discussion about the activities of the Group can be found in the 2020 Annual Review.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs during 2020.

National Heart Foundation of Australia

Directors' Report (continued) for the year ended 31 December 2020

Conditions under Section 60 of the ACNC Act-2018 onwards

The Financial statements are consolidated with prior year comparison to the previous financial statements which were of the same form. All of the State and Territory entities as noted in this Directors' Report as well as the National Heart Foundation have Deductible Gift Recipient status. The Financial statements only includes information relating to registered ACNC entities and their financial results are fully included in the financial statements for 2019 and 2020. The ACNC has also granted group financial reporting which allows the Annual Financial Statement and Annual Financial Report to be lodged on a joint basis removing the requirement for each entity to lodge these documents separately.

Likely Developments

In the opinion of the Directors there are no likely developments that will change the nature of the operations of the National Heart Foundation.

Environmental Regulation

The Group's operations are not subject to any significant environmental regulations under both Commonwealth and State legislation. However, the Directors believe that the Group 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 Group.

Rounding Off

The Foundation and the Group is of a kind referred to in ASIC Class Order 2016/191 dated 1 April 2016, and in accordance with that Class Order, amounts in the consolidated financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Events Subsequent to Reporting Date

There are no items, transactions or events of a material and unusual nature that have occurred since 31 December 2020 which are likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the group, in future financial years.

Insurance Premiums

Since the end of the previous financial year the Group has paid insurance premiums of \$38,452 (2019: \$28,839) in respect of Directors' and officers' liability and legal expenses insurance contracts, for current and former officers, including executive officers, of the Group and Directors and executive officers of the State and Territory Divisions. 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 Group listed in this report, and do not contain details of premiums paid in respect of individual Directors or officers.

Indemnification

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

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 39 and forms part of the Directors' report for financial year 2020. Signed in accordance with a resolution of the Directors.



Mr Chris Leptos AM
President
Dated at Melbourne this 4th day of May 2021

National Heart Foundation of Australia

Directors' Declaration for the year ended 31 December 2020

In the opinion of the Directors of National Heart Foundation of Australia ("the Group"):

- (a) the financial statements and notes, set out on pages 11 to 35, are in accordance with the Australian Charities and Not-For-Profits Commission Act 2012, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Australian Charities and Not-For-Profits Regulations 2013; and
- (b) there are reasonable grounds to believe that the Group 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 Chris Leptos AM
President

Dated at Melbourne this 4th day of May 2021

National Heart Foundation of Australia

Statement of Surplus or Deficit and Other Comprehensive Income for the year ended 31 December 2020

	Notes	2020 \$ '000s	2019 \$ '000s
Revenue			
Revenue from operating activities	4	56,851	57,996
Total Revenue		56,851	57,996
Net gain on sale of property, plant and vehicles		34	29
Research expenditure		(16,877)	(18,038)
Grant funded health programs		(3,632)	(5,905)
Health programs		(13,048)	(14,559)
Fundraising expenditure		(11,250)	(12,980)
Communications and health awareness campaigns		(9,532)	(12,214)
Administration		(4,120)	(7,787)
Total Expenditure		(58,426)	(71,454)
Results from operating activities		(1,576)	(13,458)
Finance Income	6	4,971	9,893
Finance Costs	6	(201)	(164)
Net Finance Income	6	4,770	9,729
Surplus/(Deficit) for the year before tax		3,194	(3,729)
Income tax expense	3c	-	-
Surplus/(Deficit) for the year after tax		3,194	(3,729)
Other comprehensive income			
Items that will not be reclassified to surplus or deficit			
(Losses)/Gains on sale and revaluation of equities	6, 18	(2,973)	6,251
Items that may be reclassified subsequently to surplus or deficit		-	-
Total other comprehensive (deficit)/income		(2,973)	6,251
Total comprehensive income/(deficit) for the year		221	2,522

The notes on pages 15 to 35 are an integral part of these financial statements

National Heart Foundation of Australia

Statement of Financial Position as at 31 December 2020

	Notes	2020 \$ '000s	2019 \$ '000s
Current Assets			
Cash and cash equivalents	7a	16,578	16,368
Investments	9	2,582	2,455
Trade and other receivables	8	3,648	3,265
Inventories		75	63
Total Current Assets		22,883	22,150
Non-Current Assets			
Investments	9	96,152	94,513
Property, equipment and vehicles	10	10,069	11,421
Intangibles	11	893	1,054
Total Non-Current Assets		107,114	106,988
Total Assets		129,996	129,138
Current Liabilities			
Trade and other payables	12	7,615	4,740
Contract Liability	13	4,944	6,396
Employee benefits	14	2,355	1,796
Provisions	17	-	-
Loans and Borrowings	15	1,254	1,454
Total Current Liabilities		16,168	14,386
Non-Current Liabilities			
Employee benefits	14	177	137
Provisions	17	440	386
Loans and Borrowings	15	6,707	7,947
Total Non-Current Liabilities		7,324	8,470
Total Liabilities		23,492	22,856
Net Assets		106,503	106,282
Equity			
Reserves	18	20,077	35,354
Retained Earnings		86,426	70,928
Total Equity		106,503	106,282

The notes on pages 15 to 35 are an integral part of these financial statements

National Heart Foundation of Australia

Statement of Changes in Equity as at 31 December 2020

	Notes	Fair Value Reserve \$ '000s	Specific / Restricted Reserve \$ '000s	Retained Earnings \$ '000s	Total Equity \$ '000s
Balance as at 1 January 2019		3,432	27,347	72,981	103,760
Comprehensive income for the year					
(Deficit) for the year		-	-	(3,729)	(3,729)
Other comprehensive income					
Net losses on sale of equities/managed funds	6	-	-	(60)	(60)
Net change in fair value of financial assets	6	6,311	-	-	6,311
Transfer (from)/to retained earnings	18	-	(1,736)	1,736	-
Total other comprehensive income		6,311	(1,736)	1,677	6,251
Total comprehensive income for the year		6,311	(1,736)	(2,053)	2,522
Balance as at 31 December 2019		9,743	25,611	70,928	106,282
Balance as at 1 January 2020		9,743	25,611	70,928	106,282
Comprehensive income for the year					
Surplus for the year		-	-	3,194	3,194
Other comprehensive income					
Net losses on sale of equities/managed funds	6	-	-	(432)	(432)
Net change in fair value of financial assets	6	(2,540)	-	-	(2,540)
Transfer (from)/to retained earnings	18	-	(12,737)	12,737	-
Total other comprehensive income		(2,540)	(12,737)	12,305	(2,973)
Total comprehensive income for the year		(2,540)	(12,737)	15,499	221
Balance as at 31 December 2020		7,203	12,874	86,426	106,503

The notes on pages 15 to 35 are an integral part of these financial statements

National Heart Foundation of Australia

Statement of Cash Flows

for the year ended 31 December 2020

	Notes	2020 \$ '000s	2019 \$ '000s
Cash flows from operating activities			
Cash receipts in the course of operations		57,628	59,046
Cash payments in the course of operations		(57,621)	(72,679)
Net financial income		<u>3,058</u>	<u>5,394</u>
Net cash from/(used in) operating activities	7b	<u>3,065</u>	<u>(8,239)</u>
Cash flows from investing activities			
Proceeds from sale of property, equipment and vehicles		43	40
Acquisition of property, equipment, vehicles and computer software		(657)	(1,468)
Proceeds from sale of investments		40,825	29,075
Acquisition of investments		<u>(41,094)</u>	<u>(27,518)</u>
Net cash (used in)/from investing activities		<u>(883)</u>	<u>129</u>
Cash flows from financing activities			
Payment of principal on lease liabilities		(1,441)	(1,286)
Payment of interest on lease liabilities		<u>(531)</u>	<u>(555)</u>
Net cash used in financing activities		<u>(1,972)</u>	<u>(1,841)</u>
Net increase/(decrease) in cash and cash equivalents		<u>210</u>	<u>(9,951)</u>
Cash and cash equivalents at 1 January		<u>16,368</u>	<u>26,319</u>
Cash and cash equivalents at 31 December	7a	<u>16,578</u>	<u>16,368</u>

The notes on pages 15 to 35 are an integral part of these financial statements

National Heart Foundation of Australia

Notes to the financial statements for the year ended 31 December 2020

1 Reporting entity

The National Heart Foundation of Australia (the "Foundation") (ABN: 98 008 419 761) is a company domiciled in Australia. The address of the Foundation's registered office is Level 2, 850 Collins Street, Docklands, Victoria 3008. The Foundation is a not for profit charity, registered under the Australian Charities and Not-For-Profits Commission (ACNC), devoted to reducing suffering and death from heart, stroke and blood vessel disease in Australia. The financial statements of the Foundation are as at and for the year ended 31 December 2020.

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 4th of May 2021.

(b) Basis of measurement

The financial report is prepared on a cost basis except for equity and bond instruments which are measured at fair value.

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Foundation's functional currency. The Foundation is of a kind referred to in ASIC Class Order 2016/191 dated 1 April 2016, and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(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 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) Leased assets and liabilities

The Group has entered into leases of premises as disclosed in note 16. Management has applied the incremental borrowing rates to this calculation based with reference to the Groups credit rating and reasonably certain lease terms.

(ii) 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 17.

(iii) 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(k). Refer to note 14.

(iv) Valuation of investments

Investments in listed equity securities are classified as fair value through other comprehensive income and movements in fair value are recognised directly in equity. The fair value of listed securities has been determined by reference to published price quotations in an active market. Investments in debt instruments (bonds) and managed unit trusts are classified at fair value through profit and loss and movements in fair value are recognised directly in the Statement of Surplus or Deficit. The fair value of debt instruments has been determined by reference to published price quotations in an active market.

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

2 Basis of preparation (continued)

(e) Basis of consolidation

The State and Territory Divisions in Queensland, New South Wales, Victoria, South Australia, Western Australia, Tasmania, Australian Capital Territory and Northern Territory ("the Divisions") are separately incorporated. The consolidated financial statements comprise the financial statements of the Foundation and the Divisions.

From 1st January 2019, the State and Territory Divisions in Queensland, New South Wales, Victoria, South Australia, Western Australia, Tasmania, Australian Capital Territory and Northern Territory ("the Divisions") did not operate. All operations were performed under the National entity.

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(f) Changes in accounting policies

The Group has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidated financial statements.

3 Significant accounting policies

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

(a) Revenue recognition

(i) Charitable support

Revenue is received from appeals, donations, fundraising events and is brought to account on a cash received basis, in accordance with AASB 1058 *Income for Not-For-Profit Entities*. When assets, such as cash, investments or properties, are received from a bequest, an asset and corresponding revenue is recognised, at fair value, when the Group gains control of such assets and the value of the asset can be reliably measured.

(ii) Interest and dividend revenue and distributions from managed funds

Interest revenue is recognised as it accrues on a daily basis. Dividend revenue is recognised when the right to receive payment is established. Where dividends are franked the dividend is recognised inclusive of imputation credits, which are refunded by the ATO. Distributions from managed investment funds are recognised as revenue in the period to which they relate.

(iii) Grants for health programs and research (contract liability)

Grants received for specific health programs or research are captured in accordance with AASB 15 *Revenue from Contracts with Customers*, meaning they 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 a contract liability as recognised in note 13. 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.

(iv) Services of volunteers

A number of volunteers, including Directors and members of committees, donate an amount of their time to the activities of the Group across Australia and also supported the Group by participating and raising funds through the Walking programs. However, as no objective basis exists for recording and assigning market values to these volunteer services, they are not reflected in the financial statements as either revenue or expenses.

Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
<i>Charitable support:</i> Funding from philanthropic sources (non-bequest)	Revenue is recognised upon receipt.
<i>Charitable support:</i> Bequests	Revenue is recognised upon receipt.
<i>Sale of Goods:</i> Jump Rope, Walking merchandise and Heart Foundation publications	Revenue is recognised when earned.
<i>Interest and dividend revenue and distributions from managed funds</i>	Revenue is recognised when earned.
<i>Grant funding contracts with funds paid in advance:</i> The Company's grant funding agreements are enforceable contracts with specific outcome and performance obligations. Invoicing is based on contractual milestones and usually payable within 30 days.	Revenue is recognised in proportion to the stage of completion of the transaction as at the reporting date and in connection to costs incurred. The remaining amount is recognised as a contract liability.

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

3 Significant accounting policies (continued)

(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.

(c) Income tax

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

(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(j)(ii)). Cost includes expenditure directly attributable to the acquisition of the asset. Such assets are recognised/derecognised by the Group 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.

(ii) Depreciation

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

> 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.

(iii) Reclassification to assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, property, equipment and vehicles are no longer depreciated.

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

3 Significant accounting policies (continued)

(f) Leased assets including property and equipment

The Group has applied AASB 16 to account for its Leases.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At the lease commencement, the Foundation recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives. The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment at each reporting date in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Group's incremental borrowing rate is used. Generally, the Foundation uses its incremental borrowing rate as the discount rate.

The Foundation determines its incremental borrowing rate by obtaining its credit rating from an external financial institution and applying this to a rate table provided by its auditors. Certain adjustments are made to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- > fixed payments;
- > variable lease payments that depend on an index or a rate, initially measured using the index or rate at commencement date;
- > amounts expected to be payable under a residual value guarantee; and
- > the exercise price under a purchase option that the Foundation is reasonably certain to exercise, lease payments in an optional renewal period if the Foundation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Foundation is reasonably certain not to terminate early.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured if there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (eg. CPI). Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or, if this is zero, is recorded in profit and loss.

The Foundation presents right-of-use assets that do not meet the definition of investment property in 'property, equipment and vehicles' and lease liabilities in 'loans and borrowings' in the Statement of Financial Position.

Short-term leases and leases of low-value assets

The Group has elected to apply the exceptions to lease accounting for leases of low-value assets. For these leases, the company recognises the payments associated with these leases as an expense on a straight line basis over the lease term.

(ii) As a lessor

At the inception or on modification of a contract that contains a lease component, the Foundation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Foundation acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Foundation makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Foundation considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Foundation applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Foundation applies AASB 15 to allocate the consideration in the contract.

The Foundation recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Foundation as a lessor in the comparative period were different from AASB 16 as it was required to classify the sub-lease as a finance lease.

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

3 Significant accounting policies (continued)

(g) Intangible assets

(i) Computer software

Significant items of computer software are stated at cost less accumulated amortisation and impairment losses. Minor expenditure on computer software is expensed as incurred.

(ii) Amortisation

Amortisation 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 computer software from the date it is acquired and is ready for use. Estimated useful lives are deemed to be 2-3 years. Remaining useful lives are reassessed annually. No residual value is assumed.

(h) Non-derivative financial assets

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. On initial recognition, the Group classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(i) Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost, using the effective interest method and net of any impairment loss, if:

- > the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- > the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

The Group's policy on impairment of financial assets measured at amortised cost is the same as that applied in its consolidated financial statements as at and for the year ended 31 December 2019 for loans, receivables and investments.

(ii) Financial assets measured at fair value

For investments in equity instruments that are not held for trading, the Group elected at initial recognition to present gains and losses in other comprehensive income. For instruments measured at fair value through other comprehensive income, gains and losses are never reclassified to surplus or deficit and no impairments are recognised in surplus or deficit. Dividends earned from such investments are recognised in profit or loss unless the dividends clearly represent a repayment of part of the cost of the investment. The fair value of equity instruments is their post distribution 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 Group on the date it commits to purchase/sell the investments. All financial assets not classified as measured at amortised cost or Fair Value Other Comprehensive Income (FVOCI) are measured at Fair Value Through Profit Loss (FVTPL). This includes all non-equity financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets that are non-equity instruments are measured at FVTPL.

(iii) Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- > the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- > how the performance of the portfolio is evaluated and reported to the Group's management; —the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- > how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- > the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the asset.

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

3 Significant accounting policies (continued)

(h) Non-derivative financial assets (continued)

(iv) Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- > contingent events that would change the amount or timing of cash flows;
- > terms that may adjust the contractual coupon rate, including variable-rate features;
- > prepayment and extension features; and
- > terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features). A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(v) Financial assets – Subsequent measurement and gains and losses

- > Financial assets at FVTPL. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit & loss. The Group holds managed funds measured using this method. Financial assets at amortised cost. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- > Debt investments at FVOCI. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
- > Equity investments at FVOCI. These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. The Group holds equity share investments using this method.

(vi) Share capital

The Foundation has no issued capital and is a company limited by guarantee. If the Foundation is wound up each member would have a liability of an amount not exceeding \$20. Refer note 21.

(vii) 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. Bonds and term deposits maturing beyond 90 days are classified as investments.

(viii) 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(j)(i).

(i) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group 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. Research grants and fellowships are payable generally by quarterly instalments over a period of up to three years. Liabilities are recognised for these payments as they become due and payable, with the balance of the approved grants and fellowships recorded as unenforceable commitments.

(j) Impairment

(i) Non-derivative financial assets including receivables

Each financial asset not classified at fair value through surplus or deficit is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset and can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount by the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. An impairment loss in respect of amortised cost investments is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at an appropriate effective interest rate and is recognised directly in the 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.

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

3 Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than inventory, are reviewed at each reporting date to determine whether there is any objective evidence that they are impaired. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss for an individual asset measured under the cost model is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income, whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income to the extent that an impairment loss was previously recognised in the Statement of Surplus or Deficit and Other Comprehensive Income. The recoverable amount of an asset is the greater of its depreciated replacement cost and its fair value less costs to sell. Depreciated replacement cost is defined as the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Impairment losses are recognised in Surplus or Deficit. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would

(iii) Calculation of recoverable amount

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

(k) 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 Group expects to pay at each reporting date. Short term employee benefits are expensed as the related service is provided.

(ii) Other long term benefits

The provisions for employee entitlements to long service leave represent legal and constructive 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 Group expects to pay at each reporting date using:

> assumed rate of future increases in wage and salary rates: 2020: 2.0% (2019: 3.0%)

> discount rate based on corporate securities which most closely match the terms to maturity of the related liabilities: 2020: 1.97% (2019: 2.0%)

> expected settlement dates: 2020: 2 years (2019: 2 years)

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to reporting date. The provision is calculated using the following weighted averages:

> assumed rate of future increases in wage and salary rates: 2020: 2.0% (2019: 3.0%)

> discount rate based on corporate securities which most closely match the terms to maturity of the related liabilities: 2020: 1.97% (2019: 2.0%)

> expected settlement dates based on turnover history: 2020: 10 years (2019: 10 years)

(l) Provisions

A provision is recognised if, as a result of a past event, the Group 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 cash flows 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 make good of leased premises.

(m) Segment reporting

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

(n) Finance income and finance costs

Finance income comprises interest income, dividend income, fair value movement of managed funds and gains on disposal of financial assets.

Finance costs comprise management fees, losses on disposal, fair value movement of bonds and impairment of financial assets.

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

3 Significant accounting policies (continued)

(o) Financial risk management

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

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

Further details in respect of each of these risks are set out in note 24 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 Group, 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 Group activities. The Group, 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. 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 Groups approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

(p) Determination of fair values

A number of the Group's 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.

(q) New standards and interpretations

A number of new standards are effective for the annual period beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

- > Onerous contracts (Amendments to IAS 37)
- > Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- > COVID-19 Related Rent Concessions (Amendment to IFRS 16)
- > Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- > Reference to Conceptual Framework (Amendments to IFRS 3)
- > Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- > AASB 17 Insurance Contracts

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

4 Revenue from operating activities	2020	2019
Revenue from contracts and customers - AASB 15 Revenue	\$ '000s	\$ '000s
Charitable support - bequests	34,135	31,281
Charitable support - non-bequests	18,721	17,669
Sale of goods	175	215
<i>Total revenue from fundraising activities</i>	<u>53,032</u>	<u>49,165</u>
Revenue under AASB 1058 - Income for NFP entities		
Grants for specific health programs and research - Government	2,689	2,784
Grants for specific health programs and research - other	943	3,120
Other	188	2,926
<i>Total revenue from operating activities</i>	<u>3,820</u>	<u>8,831</u>
Total revenue from operating activities	<u>56,851</u>	<u>57,996</u>
All revenue is raised for the information, education, research and advocacy programs of Heart Health. All revenue is raised within Australia.		
5 Auditors' remuneration		
KPMG Australia: Audit services	90	97
KPMG Australia: Other services	18	11
Total Auditors' remuneration	<u>107</u>	<u>108</u>
6 Finance income and costs		
Recognised in surplus/(deficit)		
Interest income	738	938
Dividend income and distributions from managed funds	2,889	4,044
Fair Value Market movement/amortisation of managed funds	(445)	4,879
Realised gain on disposal of bonds	94	32
Realised gain on disposal of managed funds	1,694	-
Finance income	<u>4,971</u>	<u>9,893</u>
Fair Value Market movement/amortisation of bonds	137	21
Fees of external investment managers	(146)	(149)
Realised loss on disposal of bonds	(192)	(36)
Finance costs	<u>(201)</u>	<u>(164)</u>
Net finance income and costs recognised in surplus/(deficit)	<u>4,770</u>	<u>9,729</u>
Recognised in other comprehensive income		
Realised gain on disposal of shares	2,243	1,055
Realised loss on disposal of shares	(2,675)	(1,115)
Net deficit taken directly to retained earnings	(432)	(60)
Net fair value (decrements)/increments of financial assets	(2,540)	6,311
Net finance income and costs recognised in Other Comprehensive Income	<u>(2,973)</u>	<u>6,251</u>

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

	2020	2019
	\$ '000s	\$ '000s
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% to 0.70% (2019: 0% to 0.75%)	<u>16,578</u>	<u>16,368</u>
	<u>16,578</u>	<u>16,368</u>
The Foundation's exposure to interest rate risk for financial assets and liabilities are disclosed in Note 24. The carrying value of cash and cash equivalents is equal to cost.		
7b Reconciliation of cash flows from operating activities		
Net surplus/(deficit) from ordinary activities	3,194	(3,729)
Adjustments for:		
Depreciation / Amortisation	2,048	1,873
Make good / Restoration	54	45
Investments acquired for nil consideration via bequests	(3,270)	(3,607)
Unrealised net gain on bonds & other investment assets	(1,249)	(4,897)
Net gain on disposal of property, equipment and vehicles	(34)	(28)
ROU Interest	531	554
Sub lease receivable recognised on transition	-	769
Lease provisions reversed as part of AASB 16	-	381
Net cash from operating activities before changes in working capital and provisions	<u>1,275</u>	<u>(8,639)</u>
Movement in receivables	(274)	(306)
Movement in grants income accrued	-	114
Movement in inventories	(13)	24
Movement in payables	2,875	2,533
Movement in grants income deferred	(1,452)	(483)
Movement in employee benefits	599	(1,087)
Movement in provisions	54	(395)
Net cash from/(used in) operating activities	<u>3,065</u>	<u>(8,239)</u>
 8 Trade and other receivables		
Other receivables and prepayments	<u>3,648</u>	<u>3,265</u>
	<u>3,648</u>	<u>3,265</u>
The carrying value of trade and other receivables is equal to cost. The Foundation's exposure to credit risk related to trade and other receivables is disclosed in note 24.		
 9 Investments		
	2020	2019
	\$ '000s	\$ '000s
Current investments		
Term deposits maturing over 90 days	21	21
Bonds paying interest rates of 2.9% to 7.5% (2019: 3% to 5.25%)	<u>2,561</u>	<u>2,433</u>
	<u>2,582</u>	<u>2,455</u>
Non-current investments		
Listed shares	35,745	29,608
Unlisted units in managed funds	41,878	47,062
Bonds paying interest rates of 1.25% to 6% (2019: 1.5% to 6%)	<u>18,530</u>	<u>17,843</u>
	<u>96,152</u>	<u>94,513</u>
	<u>98,735</u>	<u>96,967</u>
The carrying value of investments is equal to fair value. The Foundation's exposure to interest rate risk and equity/unit price risk is disclosed in note 24.		

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

10 Property, equipment and vehicles

	Freehold land	Buildings	Leasehold improvement s	Office furniture & equipment	Motor Vehicles	Total
	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s	\$ '000s
Cost						
Balance at 1 January 2019	1,660	1,760	331	1,055	212	5,018
Acquisitions	-	9,479	32	325	77	9,913
Disposals	-	-	-	-	(57)	(57)
Balance at 31 December 2019	1,660	11,239	363	1,380	232	14,873
Balance at 1 January 2020	1,660	11,239	363	1,380	232	14,873
Acquisitions	-	-	273	274	-	547
Disposals	-	-	-	(2)	(85)	(87)
Balance at 31 December 2020	1,660	11,239	636	1,652	147	15,333
Depreciation & impairment losses						
Balance at 1 January 2019	-	565	160	795	153	1,673
Depreciation charge for the year	-	1,576	61	159	31	1,827
Disposals	-	-	-	(1)	(46)	(46)
Balance at 31 December 2019	-	2,141	221	953	139	3,454
Balance at 1 January 2020	-	2,141	221	953	139	3,454
Depreciation charge for the year	-	1,571	62	227	27	1,888
Disposals	-	-	-	-	(77)	(77)
Balance at 31 December 2020	-	3,712	284	1,180	89	5,264
Carrying Amounts						
At 1 January 2019	1,660	1,195	171	260	59	3,345
At 31 December 2019	1,660	9,098	142	427	93	11,421
At 1 January 2020	1,660	9,098	142	427	93	11,421
At 31 December 2020	1,660	7,527	352	472	58	10,069

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Notes to the financial statements (continued) for the year ended 31 December 2020

11 Intangibles	2020 \$ '000s	2019 \$ '000s
Computer Software		
Cost		
Balance at 1 January	1,440	406
Acquisitions	-	1,034
Disposals	-	-
Balance at 31 December	<u>1,440</u>	<u>1,440</u>
Amortisation		
Balance at 1 January	386	342
Amortisation charge for the year	161	44
Disposals	-	-
Balance at 31 December	<u>547</u>	<u>386</u>
Carrying amounts		
1 January	1,054	64
31 December	893	1,054
12 Trade and other payables		
Payables and accrued expenses	<u>7,615</u>	<u>4,740</u>
	<u>7,615</u>	<u>4,740</u>
<p>The carrying value of trade and other payables is equal to cost. The Foundation's exposure to liquidity risk that relates to trade and other payables is disclosed in note 24.</p>		
13 Contract liability		
Balance at 1 January	6,396	6,879
Amounts received	2,681	7,191
Income recognised as revenue	<u>(4,133)</u>	<u>(7,674)</u>
Balance at 31 December	<u>4,944</u>	<u>6,396</u>
<p>The carrying value of contract liabilities is equal to cost. The Foundation's exposure to liquidity risk relating to contract liabilities is disclosed in note 24.</p>		
14 Employee benefits		
Aggregate liability for employee benefits including on-costs:		
Current - long service leave and annual leave	2,355	1,796
Non-current - long service leave	<u>177</u>	<u>137</u>
Total employee benefits	<u>2,532</u>	<u>1,933</u>
<i>Personnel expenses:</i>		
Wages and salaries	22,381	25,669
Contributions to superannuation plans	<u>2,002</u>	<u>2,209</u>
Total personnel expenses	<u>24,383</u>	<u>27,878</u>
Number of employees at year end (full time equivalents)	226	226
<p>The wages and salaries amount disclosed above has been offset by \$4.523 million of Jobkeeper payments received between April and September 2020.</p>		

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

15 Loans and Borrowings	2020 \$ '000s	2019 \$ '000s
Current Liabilities		
Lease Liabilities	1,254	1,454
	1,254	1,454
Non-Current Liabilities		
Lease Liabilities	6,707	7,947
	6,707	7,947

Terms and repayment schedule

The terms and conditions of outstanding loans are as follows.

	Nominal Interest Rate	Year of maturity	2020		2019	
			Face Value	Carrying amount	Face Value	Carrying amount
Lease liabilities (2019: lease liabilities)	3.0% - 7.2%	2022 - 2029	10,359	7,960	12,317	9,401
Total interest-bearing liabilities			10,359	7,960	12,317	9,401

Information on the Foundation's exposure to liquidity and interest rate risk relating to loans and borrowings is disclosed in note 24.

16 Leases

A. Leases as lessee

The Group leases offices around Australia. These leases run for between 4 and 17 years, including renewal options. Lease payments are generally subject to an annual percentage increase and periodic market rent reviews.

The Group leases IT equipment which have been classified as leases of low value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these.

	2020 \$ '000s
(i) Right-of-use assets	
Balance at 1 January 2020	7,949
Depreciation charge for the year	(1,525)
Additions to right-of-use	-
Derecognition of right-of-use assets	-
Balance at 31 December 2020	6,424
(ii) Amounts recognised in profit and loss	
2020 - Leases under AASB 16	
Interest on lease liabilities	531
Income from sub-leasing right-of-use assets presented in 'other income'	73
Expenses relating to short-term leases	-
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	54
2019 - Leases under AASB 16	
Interest on lease liabilities	555
Income from sub-leasing right-of-use assets presented in 'other income'	141
Expenses relating to short-term leases	-
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	76
(iii) Amounts recognised in statement of cash flows	
2020 - total cash outflow for leases	1,972

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Notes to the financial statements (continued) for the year ended 31 December 2020

16 Leases (continued)

(iv) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

B. Leases as lessor

(i) Finance lease

During 2020, the Group has sub-leased part of a building which has been presented as part of a right-of-use asset - property, equipment and vehicles.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2020 \$ '000s
Less than one year	323
One to two years	-
Two to three years	-
Three to four years	-
Total undiscounted lease receivable	323
Unearned finance income	(15)
Net investment in the lease	308

17 Provisions

	Operating lease expense obligations \$ '000s	Office lease incentives deferred \$ '000s	Make good of lease premises \$ '000s	Total \$ '000s
Balance at 1 January 2019	426	14	341	781
Future obligations incurred	-	-	45	45
Write back on adoption of AASB 16	(426)	(14)	-	(440)
Expenditure recognised in the Statements of Surplus or Deficit and Other Comprehensive Income	-	-	-	-
Balance at 31 December 2019	-	-	386	386
Current	-	-	-	-
Non-current	-	-	386	386
	-	-	386	386

	Operating lease expense obligations \$ '000s	Office lease incentives deferred \$ '000s	Make good of lease premises \$ '000s	Total \$ '000s
Balance at 1 January 2020	-	-	386	386
Future obligations incurred	-	-	54	54
Write back on adoption of AASB 16	-	-	-	-
Expenditure recognised in the Statements of Surplus or Deficit and Other Comprehensive Income	-	-	-	-
Balance at 31 December 2020	-	-	440	440
Current	-	-	-	-
Non-current	-	-	440	440
	-	-	440	440

The carrying value of make good for leased premises is equal to fair value. The Foundation's exposure to liquidity risk related to the make good provision is disclosed in note 24.

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Notes to the financial statements (continued) for the year ended 31 December 2020

18 Reserves and Equity	2020 \$ '000s	2019 \$ '000s
Movements in reserves during the year:		
Fair Value (related to investments)		
Balance at beginning of year	9,743	3,432
Net change in fair value of equities/managed investments	(2,540)	6,311
Balance at end of year	<u>7,202</u>	<u>9,743</u>
Specific or restricted purposes		
Balance at beginning of year	25,611	27,347
Transfer to retained earnings	(12,737)	(1,736)
Balance at end of year	<u>12,873</u>	<u>25,611</u>
Total Reserves balance at year end	<u>20,077</u>	<u>35,354</u>
Reserves at beginning of year	35,354	30,779
Retained earnings at beginning of year	70,928	72,981
Total equity at beginning of year	<u>106,282</u>	<u>103,760</u>
Operating surplus/(deficit) for the year	3,194	(3,729)
Other comprehensive income	(2,973)	6,251
Total comprehensive income	<u>221</u>	<u>2,522</u>
Total Equity at end of year	<u>106,503</u>	<u>106,282</u>

Nature and purpose of reserves

Fair value

The fair value reserve includes the cumulative net change in the fair value of investments until the investment is derecognised through sale.

Specific or restricted purposes

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

Of the \$12.74m transferred to retained earnings during the 2020 year, \$11.54m relates to a transfer from the General Research Reserve back to retained earnings as the Group no longer required it to be accounted for separately. The value of committed research funding is disclosed in Note 19.

19 Capital and other commitments	2020 \$ '000s	2019 \$ '000s
Research grants and fellowships		
Board approved future commitments for existing research grants and fellowships as per agreements are payable as follows:		
2020	-	15,553
2021	16,603	12,349
2022	11,191	7,080
2023	4,306	2,362
2024	2,375	-
	<u>34,475</u>	<u>37,344</u>

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Notes to the financial statements (continued) for the year ended 31 December 2020

20 Contingencies

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

	2020 \$ '000s	2019 \$ '000s
Contingent liabilities considered remote		
Performance guarantees	842	872
	842	872

The Group has guaranteed as party to its operating leases in Melbourne, Canberra, Sydney and Brisbane, the payment of rentals in accordance with the signed agreements for the specified lease terms. The terms of the lease agreements required the Group to secure bank guarantees of the below minimum compensation payments to the lessor in the event of default:

Melbourne lease	Lease expiry 31 Oct 2024	602,023
Canberra lease	Lease expiry 31 Jul 2023	21,964
Sydney lease	Lease expiry 30 Jun 2021	149,131
Brisbane lease	Lease expiry 31 Dec 2023	69,011
		842,129

The Directors considered no liability is required to be recognised in respect of these guarantees as the Group is in compliance with the lease agreements.

21 Company limited by guarantee

The National Heart Foundation of Australia ("the Foundation") is a company incorporated in Australia under the Corporations Act 2001 as a company limited by guarantee. Every member of the Foundation undertakes to contribute to the assets of the Foundation 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 Foundation 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 \$20. There are 22 members as at 31 December 2020.

22 Related parties

Key management personnel and director related parties.

The following were Key management personnel of the Group at any time during the reporting period, and, unless otherwise indicated were Directors or executive staff of the Group for the entire period:

Non-executive Directors

Associate Professor D M Colquhoun MBBS, FRACP, FCSANZ

Ms A Tay LLB, FGIA, GAICD

Clinical Professor J A Deague MBBS, FRACP, PHD, FCSANZ, GAICD

Mr J Etherington AM, BEc, FCA, FAICD (to 22 June 2020)

Mr T M Roberts BArtsAcc, FCA, FAICD, FGLF

Professor L Kritharides MBBS, PhD, FRACP, FAHA, FCSANZ, FESC, FACC

Mr C B Leptos AM, Bcom, MBA, FAICD, FCA, FCPA

Ms C R Payne RN, DipApSc, BachApSc, MBA

Ms J L Tucker LLB, BCom, Advanced Diploma Management (Harvard), GDip Marketing, GAICD

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

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

22 Related parties (continued)

Key Management Personnel

Adjunct Professor J G Kelly AM, CEO National Heart Foundation of Australia
 Mr P Lynch - Chief Financial Officer - Group
 Mr G Heathcote - Chief Operating Officer
 Mr B Stavreski - General Manager Heart Health & Research
 Mr D Bremner - General Manager Advocacy (from 10 Feb 2020)
 Ms J Tauber - Chief Development Officer (to 09 Nov 2020)
 Ms K Jolly - Acting Chief Development Officer (from 9 Nov 2020)
 Mr C Taylor - Chief Marketing Officer (to 1 Dec 2020)
 Ms C Elton - Acting Chief Marketing Officer (from 1 Dec 2020)
 Mr C Miers - General Counsel
 Ms K Jacques - General Manager People & Culture

	2020	2019
	\$ '000s	\$ '000s
The compensation of key management personnel was as follows:		
Short term employee benefits	2,133	1,911
Termination benefits	102	285
Other long term benefits	10	74
Total	2,245	2,270

The 2019 comparative split for compensation of key management personnel have been updated for consistency.

DGR Entities and ACNC Registered Charities

All entities included in Note 2(e) are DGR and ACNC Registered Charities. The Financial statements are consolidated with prior year comparison to the previous financial statements which were of the same form. All of the State and Territory entities as noted in the Directors' Report as well as the National Heart Foundation have Deductible Gift Recipient status. The Financial statements only include information relating to registered ACNC entities and their financial results are fully included in the financial statements for 2019 and 2020. The ACNC has also granted group financial reporting which allows the Annual Financial Statement and Annual Financial Report to be lodged on a joint basis removing the requirement for each entity to lodge these documents separately.

23 Subsequent events

There are no items, transactions or events of a material or unusual nature that have occurred since 31 December 2020 which are likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the group, in future financial years.

24 Financial instruments

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

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables and investment securities. The Group does not require collateral in respect of financial assets. Exposure to credit risk is monitored by management on an ongoing basis. The credit risk relating to the Group'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 Group's investment policy. Management does not expect any counterparty to fail to meet its obligations as the Group'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.

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

24 Financial instruments (continued)

Credit Risk (continued)

At the reporting date, there were no significant concentrations of credit risk apart from the performance guarantees referred to in note 20 relating to the Melbourne, Canberra, Brisbane and Sydney office lease agreements.

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	2020 \$ '000s	2019 \$ '000s
Financial Assets			
Cash*		1,936	2,150
Cash at call accounts *		13,436	13,020
Term deposits under 90 days *		1,206	1,198
Total cash and cash equivalents *	7a	16,578	16,368
Income accrued *	8	-	-
Trade and other receivables *	8	3,648	3,265
Investments - listed shares #	9	35,745	29,608
Investments - unlisted units in managed funds #	9	41,878	47,062
Investments - bonds ## (**)	9	21,090	20,276
Term deposits over 90 days *	9	22	21
		118,960	116,600
<i>(**) maturity profile of bonds</i>			
Less than one year		2,532	2,434
Between one and five years		18,558	17,842
Later than five years		-	-
		21,090	20,276

* Financial assets held at cost/amortised cost

Financial assets held at fair value through other comprehensive income or surplus/(deficit)

Financial assets held at fair value through surplus/(deficit)

Impairment loss from trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2020 \$ '000s	2019 \$ '000s
Balance at 1 January of provision for doubtful debts	-	-
Realisation of impairment (loss)/recovery previously provided	-	-
Balance at 31 December of provision for doubtful debts	-	-
Impairment loss/(recovery) recognised in surplus or deficit	-	-

Based on receivables history, the Group 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 Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

Trade and other payables, and contract liabilities have contractual cash flows which are 5 years or less. Provisions relating to obligations for office leases have contractual cash flow obligations until lease expiry, which are all between 1 and 9 years.

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

24 Financial instruments (continued)

Liquidity Risk (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:

Non derivative financial liabilities	Notes	2020 \$ '000s	2019 \$ '000s
Lease liabilities	15	7,960	9,401
Contract liability	13	4,944	6,396
Trade and other payables	12	7,615	4,740
		<u>20,519</u>	<u>20,536</u>

2020 \$ '000s	Contractual Cash Flows						
	Carrying amount	Total	2 months or less	2 - 12 months	1 - 2 years	2 - 5 years	5 + years
Lease liabilities	(7,960)	(10,359)	(290)	(1,448)	(1,417)	(4,355)	(2,850)
Contract liability	(8,944)	(8,944)	(13)	(3,495)	(951)	(4,485)	
Trade payables	(3,615)	(3,615)	(3,615)	-	-	-	-
	<u>(20,519)</u>	<u>(22,917)</u>	<u>(3,917)</u>	<u>(4,943)</u>	<u>(2,368)</u>	<u>(8,840)</u>	<u>(2,850)</u>

Contracted cash flows for the contract liability were classified above based on the expiry date of the contract. Therefore the classification of the cash flows above does not align with the current non-current classification within the statement of financial position.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices or foreign exchange movements will affect the Group'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 Group 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 Group'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 in the Sensitivity Analysis Disclosure as noted below.

Fair value sensitivity analysis for fixed rate instruments

The Surplus or Deficit would be affected by changes in the fixed interest rate as shown in the Sensitivity Analysis Disclosure. The analysis assumes all other variables remain constant. The analysis is performed using a change 1% on page 35. The analysis is performed on the same basis as that used in 2019.

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 2019.

Equity/Unit Price Risk

Equity/unit price risk arises from fair value securities held by the Group as part of managing the investment of available funds. The Group's exposure to this risk is controlled by investing with several investment managers who must meet the stringent investment guidelines of the Group.

Equity securities are designated at fair value through other comprehensive income and their performance is actively monitored and managed on a fair value basis. There would be no impact on surplus/(deficit) due to valuation changes as the resultant gain or loss is recognised directly in other comprehensive income.

National Heart Foundation of Australia

Notes to the financial statements (continued) for the year ended 31 December 2020

24 Financial instruments (continued)

Equity/Unit Price Risk (continued)

Managed funds are designated at fair value through the surplus/(deficit) and their performance actively monitored and managed on a fair value basis.

Fair value sensitivity analysis - listed shares

A change of 10% in market price at the reporting date would have increased/(decreased) equity by the amounts shown below in the Sensitivity Analysis Disclosure as noted below. This analysis assumes all other variables remain constant. The analysis is performed on the same basis as that used in 2019.

Investments in fair value equities are designated at fair value through equity and their performance is actively monitored and managed on a fair value basis. There would be no impact on surplus/(deficit) due to valuation changes as the resultant gain or loss is recognised directly in other comprehensive income.

Fair value sensitivity analysis - unlisted units in managed funds

A change of 10% in market price at the reporting date would have increased/(decreased) equity by the amounts shown in the Sensitivity Analysis Disclosure as noted below. This analysis assumes all other variables remain constant. The analysis is performed on the same basis as that used in 2019. Investments in unlisted units in managed funds are designated at fair value through equity and their performance is actively monitored and managed on a fair value basis. There would be no impact on surplus/(deficit) due to valuation changes as the resultant gain or loss is recognised directly in other comprehensive income.

Fair value sensitivity analysis - bonds

A change of -10% in market price at the reporting date would have decreased profit by the amounts shown in the Sensitivity Analysis Disclosure as noted below. This analysis assumes all other variables remain constant. Investments in bonds are designated and carried at fair value through Surplus or Deficit and their performance/market price is actively monitored and managed to ensure they meet the Group's investment policy. A significant change in market price may be an indication of

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the Group's operations. The Group's objective is to manage operational risk so as to prevent financial losses and damage to the Group's and/or Group's reputation. The primary responsibility for the development and implementation of controls to address operational risk is assigned to the management of the Group. This responsibility is supported by the development of guidelines for the management of risk in the following areas:

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

Compliance with the Group's 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 Group's management and submitted to the Audit and Governance Committee.

Sensitivity Analysis Disclosure

The Group'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 Group believes the following movements are 'reasonably

> A parallel shift of +1%/-1% in market interest rates (AUD) from year end rates of 0.10%

> Proportional other market price risk movement of equity securities listed on the ASX index of +10%/-10%

National Heart Foundation of Australia

Notes to the financial statements (continued)
for the year ended 31 December 2020

24 Financial instruments (continued)
Operational Risk (continued)

Interest rate risk

Financial assets

Fixed rate instruments

Term deposits - maturing within 90 days	1,206	(12)	(12)	12	12	1,198	(12)	(12)	12	12
Term deposits - maturing beyond 90 days	22	-	-	-	-	21	0	0	0	0
Investments - bonds	21,090	(211)	(211)	211	211	20,276	(203)	(203)	203	203

Variable rate instruments

Cash at bank	1,936	(19)	(19)	19	19	2,150	(22)	(22)	22	22
Cash call accounts	13,436	(134)	(134)	134	134	13,020	(130)	(130)	130	130
Total increase/(decrease)	37,689	(377)	(377)	377	377	36,666	(366)	(366)	366	366

Other market price risk

Financial assets

Investments - listed shares	35,745	-	(3,574)	-	3,574	29,608	-	(2,961)	-	2,961
Investments - unlisted units in managed funds	41,878	-	(4,188)	-	4,188	47,062	-	(4,706)	-	4,706
Investments - bonds	21,090	(2,109)	-	2,109	-	20,276	(2,028)	-	2,028	-
Total increase/(decrease)	98,713	(2,109)	(7,762)	2,109	7,762	96,946	(2,028)	(7,667)	2,028	7,667

Measurement of fair values

> When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

> Level 1: Quoted prices unadjusted in active markets for identical assets or liabilities

> Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). These Level 2 financial instruments are valued using the market comparison technique, by basing fair values on quoted prices. In respect of level 2 financial instruments, there are no significant unobservable inputs.

> Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Notes	Level 1 \$ '000s	Level 2 \$ '000s	Level 3 \$ '000s	Total \$ '000s	
31 December 2019					
Fair Value	9	29,608	67,360	-	96,967
31 December 2020					
Fair Value	9	35,745	62,990	-	98,735

25 Parent Entity

As at, and throughout, the financial year ended 31 December 2020 the parent entity of the Group was the National Heart Foundation of Australia. At the end of the period 31 December 2020 as well as 31 December 2019 period, the result of the parent entity, financial position of the parent entity and total equity of the parent entity is equal to the Group disclosed within the financial statements.

At the end of the period 31 December 2020 as well as 31 December 2019 period, the capital and other commitments of the parent entity equal those of the Group disclosed in note 19.

At the end of the period 31 December 2020 as well as 31 December 2019 period, contingent liabilities of the parent entity equal those of the Group disclosed in note 20.



Independent Auditor's Report

To the members of National Heart Foundation of Australia

Qualified Opinion

We have audited the **Financial Report**, of the National Heart Foundation of Australia and its controlled entities (the Group).

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 Group is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- i. giving a true and fair view of the Group's financial position as at 31 December 2020, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with Australian Accounting Standards and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

The **Financial Report** comprises

- i. Statement of financial position as at 31 December 2020.
- ii. Statement of surplus or deficit and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration the Company.

The Group consists of the National Heart Foundation of Australia and each of the State and Territory Member Foundations at the year end or from time to time during the financial year.

Basis for Qualified opinion

Charitable fundraising of \$18,721,000 is a significant source of fundraising revenue for the National Heart Foundation of Australia. The Group has determined that it is not practicable to maintain controls over the collection of 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 fundraising revenue, mainly comprising of cash donations, was 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 Group, are not appropriate given the size and nature of the Group.

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 Group 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 (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Other information

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

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. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iii. Assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 Group 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.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.



We also:

- i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Obtain an understanding of internal control relevant to the Audit 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 registered Group's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- iv. Conclude 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 Group'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 registered Company to cease to continue as a going concern.
- v. Evaluate 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.

We communicate with the Directors of the Group regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Amanda Bond

Partner

Melbourne

4 May 2021



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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2020 there have been:

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

KPMG

Amanda Bond

Partner

Melbourne

4 May 2021

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