

ANNUAL REPORT + FINANCIAL STATEMENTS 2017

National Heart Foundation of Australia
(Victorian Division)

ABN 25 004 463 334

For the year ended 31 December 2017



Contents

<u>Directors and Office Bearers</u>	<u>2</u>
<u>Financial Members, Bequest and Major Supporters</u>	<u>3-7</u>
<u>Directors' Report</u>	<u>8-14</u>
<u>Directors' Declaration</u>	<u>15</u>
<u>Statement of surplus or deficit and other comprehensive income</u>	<u>16</u>
<u>Statement of financial position</u>	<u>17</u>
<u>Statement of changes in equity</u>	<u>18</u>
<u>Statement of cash flows</u>	<u>19</u>
<u>Notes to the financial statements</u>	<u>20-37</u>
<u>Independent Audit Report to the Members</u>	<u>38-40</u>
<u>Lead Auditor's Independence Declaration</u>	<u>41</u>

Directors and Office Bearers

Patron-in-Chief

The Honourable Linda Dessau AM, Governor of Victoria

Patron

The Honourable Daniel Andrews MP, Premier of Victoria

Board of Directors

President

Mr John Etherington, BEc, FCA, FAICD (retired May 2017)
Ms Diana Heggie, MCSP, MAICD, Grad. Dip. Human Services Research
(since May 2017)

Directors

A/Prof Nicholas Cox, MBBS, FRACP, FCSANZ (since May 2017)

Mrs Leonie Fryar

Mr Chris Gardner, BEc/LLB

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

Professor Brian Oldenburg, BSc, MPsycho, PhD

Professor Alistair Royse, MBBS, MD, FRACS, FCSANZ (retired May 2017)

Ms Jyoti Singh LLB, BEc (Hons)

Prof Andrew Taylor, MBBS, PhD, FRACP, FCSANZ

Chief Executive Officer

Ms Kellie-Ann Jolly, GradDipAppSci (OralHealth Therapy); MHLthSci
(Health Promotion)

Company Secretary

Ms Jade Lemmens, BHLthSc, CAPM

Senior Staff

Cardiovascular Health Programs Director

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

Fundraising Director

Mr Rob Daly, MBA, BA, PGDip (until May 2017)
Mr Andy Scobie, BA, Grad Dip (Rec), MFIA (July 2017 – January 2018)

Finance Manager

Ms Roanna Khor, BBus (Accounting), CPA

Solicitors

Norton Rose Fulbright

Auditors

KPMG

Registered Office

Level 12
500 Collins Street
Melbourne VIC 3000 (Until 24 November 2017)

Level 2
850 Collins Street
Docklands VIC 3008 (Since 27 November 2017)

Financial Members

Mr T Adam
Mr K D Barry
Mr D J Brydon
Ms R Charlwood
Mr I Collins AM
Mrs A M L Court
A/Prof Nicholas Cox
Mr B J Davies OAM
Mr J Etherington
Dr E T Fagan
Mrs L Fryar
Mr C Gardner
Mr A W Gorrie
Mr P J Griffin
Prof R Harper
Ms D Heggie
Mr W H Hodgson
Dr M Jelinek
Prof G Jennings
Dr J Johns
Mrs D Krongold

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

Honorary Life Members

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

Bequest and Major Supporters

New Bequestors in 2017

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

Estates that distributed in 2017

John D Adams	Ursula Heller	Robert J Stock
Rae D Anderson	Gunter Herrgesell	Barbara F Sutton
Joan M Apps	Joyce Heymanson	Anthony P Tamburro
John N Ashford	Margaret R Holec	Jennifer Taplin
Jack R Asphinall	Gordon J Horsley	John Thirsk
Joy L Babidge	Daryl G Howard	Bessie M Thompson
Arthur B R Barlow	Russell W Hunter	Anton Tolgyesi
Jean A Barry	John C Kelly	Kryn Van de Vreede
Elizabeth M Bayliss	Keith T Knuckey	Robert Wakeman
Kenneth Beagley	Peter Krafel	Lawrence P Wallace
Agnes C (Nancy) Berechree	Mavis J Lay	Marjorie Walsh
Leonard E Bergemann	William G Little	Daphne J Wilkinson
Colleen L Bowden	Daniel F McCarthy	Jack Williams
Valerie M Bracher	John W McCarthy	Jean M Williams
Ronald J Bracken	Bettine P McCaughan	Andrew J Wilson
Bernard Breakspear	Constance E McDonald	Patricia L Wilson
Margaret F Briggs	Margaret J McKenzie	
Clasina A Bronkhorst	Thomas McKenzie	
Russell M Brown	Betty I McLear	
Evelyn V Bryan	Alan Michael	
Robert W Burden	Werner J Michaelsen	
Patricia R Castles	Victor M Miller	
Laurence E Chadwick	John A Mole	
Nancy H Charles	Joyce M Moore	
Judith E Clarke	Greta Nelson	
Patricia M Cochrane	Geraldine N Nicoll	
Allan W Collier	Roma Norcott	
John E Cornhill	Leo O'Brien	
Richard Cornish	Lorna M O'Neill	
Samuel C Courtney	Kenneth B Owen	
Reginald A Craig	Domenico R Pertile	
Herbert L Cumberbatch	Violet D Pollock	
Attilio A De Marchi	Lilian M Ramsay	
Sharda Devarajan	Nihal M Ranasinghe	
Violet J Down	Doris M Reichelt	
Ruth V Edwards	Alan E Reicher	
Gary K Efron	Jack Reid	
James Fitzpatrick	Margery Rix	
Donald E Ford	Lena J Ross	
Pamela M Fowler	Edwarda Rottell	
Catherine Freeman	Luciano Saina	
Irene A Freeman	Alberto Schiavone	
Helen E Gadsden	Elaine A Schreiber	
Betty R C Gates	Ethel E Scott	
Joyce C Gilbert	Ian Searle	
Sydney W Green	Robert S Sinnatt	
Domenica M Grosso	Margaret Skehan	
James Hague	Solomon H Solomon	
Jean Harper	Marion Spence	
Pamela Harper	Winifred D Stevens	
Hedvig M Hazy	Annie Stock	

Bequest and Major Supporters (continued)

Perpetual trusts that distributed in 2017

Lindsay James Baldy Trust
 Thomas H and Marjorie B Barnard Donation
 Arthur Edwin & Anne Edith Barry Trust
 William Batt Donation
 Edith Jean Elizabeth Beggs Trust
 The William and Georgena Bradshaw Trust
 Charitable
 Margaret Jean Bumpstead Trust
 Betty May Caccamo Trust
 Mabel Edna Cardwell Charitable Trust
 The Jean May Carey Donation
 Florence Grace Clark Trust
 Paula & Betty Clements Memorial Trust
 B & S Colee Trust
 Mabel Kathleen Corless Trust
 Mary Theresa Cromie Trust
 Madeline Crump & Madeline Williams Trust
 Gregory Joseph & Zig Dickson Trust
 The Drury Trust
 G & H Foulkes Charitable Trust
 DJ & LM Fox Foundation
 Jean & Gerrard Harper Bequest
 Joyce Adelaide Healey Trust
 The Isabel E & Francis J Hickmott Trust
 N J Horton & Grace Horton Charitable
 Funds
 Lorna Muriel Jenkins Trust
 Kenneth Martin Trust
 Joseph Norman Mason Trust
 Annie Gladys Matthews Trust
 Ellen Jean Matthews Trust
 Hilda Emily McNee Trust
 Margaret Lillian Merrifield Memorial Trust
 Florence Mitten Trust
 Fay Lorraine Nelson Trust
 Mona Isobel Paul Trust
 MA & VL Perry Foundation
 Victor Russ Pittman Charitable Trust
 Marion Popplewell Charitable Trust
 Bruce Leslie Powell Trust
 Ethelwyn Elsbeth Richardson Trust
 Danuta Rogowski Trust
 Russell Charitable Trust
 The Katrina May Russell Foundation
 Andrew James Schreuder Foundation
 William Arthur Shipperlee Trust
 Yvonne Patricia Stevens Family Trust
 Elise Louise Thomas Memorial Fund
 Phyllis Nerelle Turner Trust (1) & (2)
 William C K Warden Trust
 Price Coulsell Wilson Fund
 Brian Linton Wright Perpetual Trust

Private Supporters (over \$1000)

Anonymous
 After Dark Canopy Cleaners Pty Ltd
 Mr D Arlet
 Ausmel Building Development Pty Ltd
 The Will and Dorothy Bailey
 Charitable Trust, managed by Equity
 Trustees
 The RC & EM Bennett Fund, a
 Charitable fund account of the Lord
 Mayor's Charitable Foundation
 Mr W D Bowness AO
 Mrs J Bradshaw
 Ms N Brown
 Mr E Buckton
 Mr H Cheng
 Mr K Christian
 Miss L Coles
 Mr G Crew
 Miss M Crothers
 Mr R A Curry
 Dr P Curtis
 Dr R L Dickens
 The late Mrs J Drury
 Dr D and Dr E Ebert
 Mr C J Egan
 Mr J Etherington
 Mr G Shalit and Dr M Faine
 Mrs S J Fraser
 Mr D Fraser
 Mr D Fraser & Mrs M Fraser
 Mr G A Garner
 Gaunt Family Foundation
 Mr L F Gill
 Mr and Mrs Gjergja
 Mr B H Goddard
 Gringlas Family Charitable Fund
 Mr R B Heslop
 The HMA Foundation Pty Ltd
 Mr D Hooley
 Mr R B Howard
 Mr & Mrs P Hui
 JB Were Charitable Endowment
 Fund
 Ms R Johnston
 Mr J and Mrs J Khalid
 Mrs C Kirby
 Mr Al & Mrs D Knipping
 Mr T Knowling
 Mr J Lam
 Mrs D Lau
 The Stuart Leslie Foundation
 Mr J B Little
 The Loftus-Hill Fund, a charitable
 fund account of the Lord
 Mayor's Charitable Foundation
 Mrs T T Loi
 Mr T D Maclean
 Mr R & Mrs R Malivindi

Mrs J Manins
 Mr J McCartney
 Mr D and Mrs C McConnell
 Mr D McEvoy
 Mrs MI P McLaren
 Mr G and Mrs M Meggs
 Mr E J Miller
 The Muffin Foundation
 Mrs S L Muir
 Mr A and Mrs P Murdoch
 Murlid Family Endowment
 Mrs A Neil
 Mrs M Nolan
 Prof R K Norris and Mrs M Norris
 Prof B Oldenburg
 Mr S T Phillipson
 Mr B Moore and Ms M Pittard
 Dr A Price
 Mr L and Mrs L Reed
 Mr D von Richter
 Mr R Renard
 Mr J S Rogers
 Mr L Rogers
 Mr P and Mrs S Samuel
 Mr J and Mrs G Santa Maria
 Mr J and Mrs E Schiller
 Ms M Schoormans
 Ms K Schulze
 Mrs L Shapiro
 Mrs G Shelley
 Mr and Mrs S Shnyder
 Ms K Shu
 Miss B M Smith
 Mrs J F M Smith
 Mr N Spitzer
 Mr M Steven
 Swan Foundation
 Mrs R Syme
 Ms J Tatchell
 Mr K and Mrs A Thomson
 Dr W E Tom
 Mr I J Tyler
 Mr N Vink
 Mr H H Walker
 Mr and Mrs N Walliss
 Mr R and Mrs B Ward-Ambler
 Mr M Wozniak
 Dr E Xipell

Bequest and Major Supporters (continued)

Corporate Supporters (Over \$1000)

Telstra
B M Investments Pty Ltd
Chair Solutions Vic Pty Ltd
DBM Consultants Pty Ltd
Deakin University
ISPT
Orora Ltd
Ritchies Stores
TDJ Australia

Honorary Fundraisers

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

Charitable Trust and Foundations (over \$1000)

William Angliss Charitable Fund
The Cassidy Bequest
Henzell Family Bequest,
Gandel Philanthropy
William Angliss Charitable Fund
The Isabel & John Gilbertson
Charitable Trust
GWA Griffiths Estate
James and Vera Lawson
Trust, managed by Equity
Charles Bruce Logan Account,
managed by Equity Trustees
Eirene Lucas Foundation
The Lionel and Yvonne Spencer
Trust
The Syd and Ann Wellard
Trust, managed Equity Trustees

Clubs &/Community Fundraising (Over \$1000)

Sandie Alexander
Angela Bernaldo
B M Investments Pty Ltd
Charlene Boeren
Diane Broad
Hannah Busse
The Butel Family
Calvino Coffee
Sharon Cann
Wayne and Margaret Chapman
Sumathi Chatna
Crane Tech Cranes
Croydon City Arrows Soccer Club
Fiona Dalglish
Andrew Dick
Charly Duffy
Antonio and Matilde Filippini
Chris Gardner
Kate Riley Geraldene
Sandeep Gupta
John Haralabakos
Ken & Sarah Hickey
Ms Emily Hobson
Cory Hull
Elizabeth Humphries
Alistair Jack
Anna Jacobson
Mr Ron Jacobson
Roy John
Catherine Kemp
Felicity Kemp
Wayne Lee
Shannon Lewis
Lions Club of Reservoir Inc
Dominique Maclou
Kobie Mallia
Geoff and Gayle Marriott
Whitley McKerrow
Michael McMahon
Laura McVeigh
Daisy Micheluzzi
Moke Owners Association of
Inc
Moreland Maltese Elderly Citizens
Association
Mr Stan Papayianneris
Janelle Pileggi
Elizabeth Porter
Jasmin Prewett
Providence Pty Ltd
Troy Rat
Ritchies Stores
Robert Bird Group
Adam Rose
Rotary Club of Bentleigh
Lucy Roze
Paul Sheahan

Rebekah Spencer
Sally Stevens
Frances Storer
Sthraithcona Baptist
Grammar School
Swire Cold Storage
Tamvakologos Family
Julie Thomas
Helena Tong
Traralgon Vineyard
Craig Wood

Bequest and Major Supporters (continued)

Schools

The Heart Foundation Jump Rope for Heart campaign motivated more than 88,177 children to be physically active and to raise funds to fight heart disease. 352 schools were involved throughout Victoria in 2017 raising \$643,806.

Highest Fundraising Schools for their region.

Barwon - Colac Otway:

Sacred Heart School
\$7,215

Colac Primary School
\$5,589

St Mary's School
\$4,969

Barwon - Greater Geelong:

St Thomas Primary School
\$6,110

Barwon - South Grampians:

Tarrington Lutheran School
\$6,000

Barwon - Surf Coast:

Highton Primary School
\$5,808

Gippsland - Latrobe:

Kosciuszko Street Primary School
\$6,355

Gippsland - South Gippsland:

Mirboo North Primary School
\$6,469

Grampians - Ballarat:

Buninyong Primary School
\$6,671

Ballarat Grammar Junior School
\$5,964

Grampians - Moorabool:

Bacchus Marsh Primary School
\$14,239

Bacchus Marsh Grammar School
\$8,135

Hume - Alpine:

Mount Beauty Primary School
\$4,902

Loddon Mallee - Greater

Glenvale School - Bendigo
\$10,101

Metro East:

Holy Trinity Primary School
\$6,299

Wesley College
\$6,994

Oakleigh Grammar
\$5,017

Ashburton Primary School
\$4,931

Blackburn Lake Primary School
\$5,077

Metro North:

Rosanna Golf Links Primary
\$11,035

Ivanhoe East Primary School
\$8,116

Wales Street Primary School
\$10,944

Coburg West Primary School
\$7,563

Epping Views Primary School
\$7,458

Metro South:

Cheltenham East Primary
\$6,732

Beaumaris North Primary
\$6,032

Beaconhills College - Pakenham
\$26,266

Chairo Christian School -
\$16,179

St Catherine's Primary School
\$6,044

East Bentleigh Primary
\$5,269

St Macartan's School
\$10,587

Christ Church Grammar
\$13,241

Wesley College
\$9,405

Lloyd Street Primary
\$9,863

Metro West:

Sunbury Heights Primary
\$6,041

Niddrie Primary School
\$5,348

St Mary's School
\$5,168

Directors' Report

for the year ended 31 December 2017

The directors present their report together with the general purpose financial reports of National Heart Foundation of Australia (Victorian Division) ("the Foundation") for the year ended 31 December 2017 and the auditors' report thereon.

Directors

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

Name and qualifications	Experience and special responsibilities	Board Meetings attended & held#	Appointment & resignation
Mr J Etherington, BEc, FCA, FAICD (President)	Chartered Accountant; 28 years in public practice, including 16 years as a partner of Deloitte. Currently a non executive director on a range of public, private and not for profit organisations. He is a director of the National Heart Foundation of Australia and Chair of the National Audit and Governance Committee.	1/1	Retired May 2017
A/Prof Nicholas Cox, MBBS, FRACP, FCSANZ	Director of Cardiology Western Health, Clinical Associate Professor Melbourne University. Fellow Royal Australian College of Physicians, Fellow Cardiac Society Of Australia and New Zealand	2/3	Director since 2017
Mrs L Fryar	Sales & Marketing; 34 years working across Government's and Corporate Australia. Recently retired. Currently providing mentoring and support to a number of not for profit organisations across Victoria.	4/4	Director since 2014
Mr C Gardner	Over 20 years' experience as a workplace relations lawyer. Chris also has experience in professional services marketing & brand development, has been actively involved in fundraising for the Heart Foundation and currently sits on the fund raising sub-committee.	3/4	Director since 2016
Ms D Heggie MCSP, MAICD, Grad. Dip. Human Services Research (President)	Over 25 years working in the Not For Profit sector with 10 years experience in executive roles. Current directorships include Chair of the Heart Foundation (Vic), Chair of Peninsula Health, Director of Toorak College, the National Heart Foundation and the Abbotsford Convent Foundation, and a Foundation Board Member of the Heide Museum of Modern Art.	4/4	Director Since 2016 (President since May 2017)
Ms D Lee, MA; BusMgmt & DipFinPlan CFTP (Senior)	Over 25 years in setting up and managing Treasury division as Treasury Manager, including Pacific Dunlop Group of Asia & Australia; China Int'l Trust & Investment Group of Australia and the major banks in Hong Kong. Currently with Baillieu Holst as Investment & Strategic Portfolios Advisor for self-managed superfund, corporate and family trust clients.	4/4	Director since 2015
Prof B Oldenburg, BSc, MPsychol, PhD	Professor of Noncommunicable Disease Control and Director of the Centre for Health Equity in the School of Population and Global Health, University of Melbourne, Australia.	2/4	Director since 2014
Prof A Royse, MBBS, MD, FRACS, FCANZ	Prof of Surgery, Deputy Head of Surgery, The University of Melbourne Director, Ultrasound Education Group, The University of Melbourne Cardiothoracic Surgeon, Royal Melbourne Hospital.	1/1	Retired May 2017
Ms J Singh, LLB, BEc (Hons)	Partner practising in the area of mergers and acquisitions and corporate law at Norton Rose Fulbright.	2/4	Director since 2015
Prof Andrew Taylor, MBBS, PhD, FRACP, FCSANZ	Director of Cardiac MRI, Heart Centre, Alfred Hospital. Honorary Scientist, Baker IDI Heart and Diabetes Institute, Adjunct Professor, Department of Medicine, Central Clinical School, Monash University.	3/4	Director since 2012

#meetings attended and meetings held while the director held office

Directors' Report (continued)

for the year ended 31 December 2017

Corporate Governance Statement

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

Role of the Board

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

Oversight by the Board

The Board oversees and monitors the performance of management by:

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

Specific responsibilities of the Board

The Board fulfils its primary role by:

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

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

Responsibilities of management

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

Board members

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

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

Board members are appointed to ensure a breadth of skill and knowledge across all areas of the work of the Foundation. The current Board's qualifications, skills, experience and responsibilities appear on page 8.

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

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

Directors' Report (continued)

for the year ended 31 December 2017

Risk management

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

Ethical standards and code of conduct

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

Involving stakeholders

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

PRINCIPAL ACTIVITIES AND ACHIEVEMENT OF OBJECTIVES

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

SHORT AND LONG TERM OBJECTIVES AND STRATEGIES FOR ACHIEVING THESE OBJECTIVES

Alignment to strategic plan "For All Hearts"

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

- Healthy hearts
- Heart care
- Health equity
- Research

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

Performance Measures and Key Achievements in 2017

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

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

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

Directors' Report (continued)

for the year ended 31 December 2017

Highlights in Cardiovascular Health in 2017

1. Salt – raising awareness through our “Unpack the Salt” campaign

Making Victorians aware of the dangers of consuming too much salt, including the longer-term effects that salt can have on the body such as increasing blood pressure, are two key messages highlighted in our public awareness campaign implemented in Victoria. The campaign is funded by VicHealth under the auspices of the Victorian Salt Reduction Partnership. The second phase of the campaign is under the banner of "If it's Packed - chances are it's packed with Salt". One particularly encouraging result is that 62% of those who were exposed to the campaign reported having taken at least one action as a result of seeing the advertisements. Other program activities include engaging industry and advocating for sodium targets within processed foods.

2. Active Living and Walking – a key preventative measure particularly in high risk communities

Delivery of an expanded Men's Health Program with a major focus on Walking through the Western Bulldogs, Sons of the West Program was undertaken. This saw us reach over 1000 men across 10 different local government areas in Melbourne's West and regional Victoria. The Men's Health program is now in its fourth year and has delivered health messages and programs to thousands of men in Melbourne's most disadvantaged and culturally diverse communities.

3. Healthy Active by Design (HAbD) – encouraging planners to adopt healthier design elements

Healthy Active by Design is a 'one stop' online platform that outlines the evidence and connection between health and the built environment. This work delivers guidance to planners who work in the built environment and provides valuable advice on how to incorporate health considerations into urban planning. Initially developed in Western Australia in 2014, we expanded the content to include evidence from Victoria in 2017. This work allows us to continue to influence and shape how we design and build our neighbourhoods in Victoria to ensure people can be more active, more often.

4. GP practice engagement to determine heart health risk

Following consultations with Gippsland Primary Health Network that identified a gap in knowledge and capability, the Heart Foundation sought expressions of interest from nurses working in the community to participate in a Primary Health Care Nurse Ambassador Program, to be jointly delivered by both organisations. Our pilot program supports 5 nurses to undertake a 6 - month workplace-based activity to aid with improving systems and processes around heart risk assessments for patients within their practice populations.

5. Advocating for change

After years of advocacy by the Heart Foundation and other stakeholders, we welcomed the Victorian Parliament passing new laws which will provide for a kilojoule labelling scheme in Victoria. In keeping with the Heart Foundation's advocacy for healthy built environments, we also welcomed the Victorian Government amending the State Planning Policy Framework to include a new Healthy Neighbourhoods clause which supports new Urban Design Guidelines.

6. Heart Health Checks in the Aboriginal community – addressing inequity

Working in partnership with the Victorian Aboriginal Community Controlled Health Organisation (VACCHO) and the Rumbalara Aboriginal Health Cooperative, the Heart Foundation continues to deliver on its goal to address disparities in health equity. In partnership, we have worked to raise the Shepparton Aboriginal Community's awareness of the importance of heart health. This work also involved training and upskilling 5 Aboriginal Health Workers around Absolute cardiovascular risk assessments to help instil the approach into everyday clinical practice.

7. Chain of survival– reducing the rate of out of hospital cardiac arrest

We have established the Chain of Survival Program, a best practice approach to improving survival from out of hospital cardiac arrest, in close partnership with Ambulance Victoria. We are implementing a Heart Safe Community approach to engage local community members to be aware and informed about how they can themselves play a critical role in increasing the survival from out of hospital cardiac arrest. Recently received participant feedback and evaluation data is very positive and demonstrates an increase in confidence to act in an emergency.

8. Getting to the heart of the matter – Emotional wellbeing in younger people

The Supporting Young Hearts project focuses on support, information, connection and sustainability. This year, workshops around emotional wellbeing have been held that address concerns and knowledge gaps for a group of young people aged 25 to 40, to support them to manage these issues. Forty young people attended the workshop with feedback showing that participants greatly appreciated connecting with others just like them and looking at issues that are at times confronting but vital to their quality of life.

9. Heart Failure – a growing need for improved management

Since 2015, the Heart Foundation has provided central support and coordination for 7 individual health services innovative projects as part of the Heart Failure Model of Care Program and to facilitate collaborative approaches between the services to address common heart failure service gaps and issues. Achievements have been considerable, not least being that the Heart Failure specialty team's input in coordinating care has a clear impact on improving the patient journey. Oversight by Heart Failure nurses has streamlined and reduced variation in care leading to improved overall outcomes.

Directors' Report (continued)

for the year ended 31 December 2017

10. PROMETHEUS (Heart Failure) Project, inclusion of patient recorded outcomes

In 2016, a Heart Failure Toolkit was developed with the support of the Victorian Cardiac Clinical Network, to help hospitals reduce heart failure readmission rates. In 2017, the Heart Foundation has worked with staff at the Austin and Bendigo hospitals to use the toolkit in a way that can improve patient's access to timely and appropriate heart failure care.

Review of Results and Operations for Current Year

The Foundation achieved an operating surplus of \$7.272 million in 2017, which was a 20% decrease from the surplus of \$9.068 million achieved in 2016. This decrease was largely due to a 16% decrease in Bequest income to \$8.138 million (2016: \$9.688 million). Income from the State government, trusts and foundations, and major gifts remained strong at \$2.070 million (2016: \$2.130 million). These funds have enabled us to accomplish the strategic objectives we have set for the Foundation.

The Foundation continues to achieve efficiencies and savings across our business units. Total expenditure was \$6.842 million, which was down from \$6.943 million in 2016. The Foundation also contributed strongly to the National company in support of cardiovascular research and local health programs in the sum of \$7.175 million in 2017 (2016: \$9.096 million).

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

Review of Results and Operations for Past Five Years

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

	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
Income & Expenditure					
Charitable support - bequests	8,138	9,688	7,562	7,884	4,759
Charitable support - non-bequests	3,616	3,958	4,591	4,422	4,993
Fundraising income	11,754	13,646	12,153	12,306	9,752
Grants for specific health programs - Government	1,450	1,316	1,249	758	276
Grants for specific health programs and research - Other	620	814	422	81	6
Other income	290	235	125	158	147
Total income	14,114	16,011	13,949	13,303	10,181
Less: Fundraising expenditure	(2,857)	(2,994)	(3,187)	(3,114)	(3,132)
Communications & administration	(494)	(629)	(663)	(558)	(685)
Health programs conducted locally	(3,491)	(3,320)	(3,273)	(2,618)	(2,366)
Net Surplus/(deficit)	7,272	9,068	6,826	7,013	3,998
Contributions to National health programs & research	(7,175)	(9,096)	(6,876)	(7,154)	(4,195)
Balance added to/(deducted from) equity	97	(28)	(50)	(141)	(197)
Ratios:	%	%	%	%	%
Fundraising expenditure to fundraising income	24%	22%	26%	25%	32%
Surplus from fundraising to fundraising income	76%	78%	74%	75%	68%
Surplus available for health programs & research to total income	76%	77%	72%	72%	63%
Expenditure on health programs and research to total income	76%	78%	73%	73%	64%
Expenditure on health programs and research to total expenditure	76%	77%	72%	73%	63%
Annual increase in expenditure on health programs & research	(14%)	22%	4%	49%	3%
	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
Assets & Liabilities					
Cash & investments	1,853	3,294	2,096	2,367	1,791
Computers, cars & equipment	12	267	516	733	988
Other assets	685	269	268	207	153
Total assets	2,550	3,830	2,880	3,307	2,932
Total liabilities	(2,006)	(3,383)	(2,404)	(2,781)	(2,266)
Total equity	544	447	476	526	666

Directors' Report (continued) for the year ended 31 December 2017

State of Affairs

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

Events Subsequent to Reporting Date

At 30 June 2018 the Federation Agreement will expire, subsequent to this date the National Heart Foundation of Australia Federation Agreement will not be renewed, and National Heart Foundation of Australia is currently in the process of unifying into a National entity.

Prior to 31 March 2018 each National Heart Division was required to communicate to National Heart Foundation of Australia their intention to recommend their members to unify, or not.

On 31 March 2018 the Foundation directors notified National Heart Foundation of Australia of their decision to recommend to their members to unify into the new National entity.

As a result of the above National Heart Foundation of Australia has provided a legally enforceable irrevocable letter of financial support confirming their intention to financially support the Foundation in such amounts from time to time sufficient to permit the Foundation to pay its debts as and when they fall due, until the Foundation is able to pay its debts as and when they fall due without the support of National Heart Division. The financial support stated above is provided for a minimum of 12 months from the date the 31 December 2017 financial report of the Foundation is signed.

Likely Developments

Should unification proceed the Foundation will alter its Constitution such that the National entity will become the sole member, or one of the requirement minimum number of members.

The operations of the Foundation will continue under the One Heart Strategy 2018-2020 and as part of the transition process all existing permanent staff have been matched to ongoing positions in the unified entity and as such no redundancies are planned.

There is no intention to close any office or wind up any entity within 12 months from the date the 31 December 2017 financial report of Foundation is signed.

Environmental Regulation

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

Insurance Premiums

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

The insurance premiums relate to:

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

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

Indemnification

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

Directors' Report (continued)
for the year ended 31 December 2017

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 41 and forms part of the directors' report for financial year 2017.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'D Heggie', is written in a cursive style.

D Heggie
Director

Dated at Melbourne this 24th day of April 2018

Directors' Declaration

for the year ended 31 December 2017

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

- (a) the financial statements and notes, set out on pages 16 to 37, are in accordance with the Australian Charities and Not-For-Profits Commission ACT 2012, including:
 - (i) giving a true and fair view of the Foundation's financial position as at 31 December 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Australian Charities and Not-For-Profits Regulation 2013; and
- (b) there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



D Heggie
Director

Dated at Melbourne this 24th day of April 2018

Statement of Surplus or Deficit and Other Comprehensive Income

for the year ended 31 December 2017

	Notes	2017 \$	2016 \$
Revenue			
Revenue from operating activities	4	14,009,696	15,915,612
Total revenue		14,009,696	15,915,612
Net gain/(loss) on sale of property, plant and equipment		(10,510)	-
Health programs (including those funded by grants)		(3,490,999)	(3,320,244)
Fundraising		(2,857,417)	(2,992,663)
Cost of goods sold		(399)	(1,358)
Communications and publicity		(278,134)	(283,511)
Administration		(204,861)	(347,805)
Results from Operating activities		7,167,376	8,970,031
Finance income		105,284	97,163
Finance costs		-	-
Net Finance income/(cost)	6	105,284	97,163
Net Surplus/(deficit)		7,272,660	9,067,194
Net Grants to National Heart Foundation of Australia	18	(7,175,318)	(9,096,017)
Surplus/(deficit) for the year before tax		97,342	(28,823)
Income tax expense	3c	-	-
Surplus/(deficit) for the year after tax		97,342	(28,823)
Other comprehensive income			
Items that will not be reclassified to surplus or deficit		-	-
Items that may be reclassified subsequently to surplus or deficit		-	-
Total other comprehensive income		-	-
Total comprehensive income/(loss) for the year		97,342	(28,823)

Statement of Financial Position

as at 31 December 2017

	Notes	2017 \$	2016 \$
Current assets			
Cash and cash equivalents	7a	1,853,272	3,293,797
Trade and other receivables	8	685,158	269,155
Inventories		141	17
Total current assets		2,538,571	3,562,969
Non-current assets			
Property, Plant, equipment and vehicles	9	11,664	267,119
Total non-current assets		11,664	267,119
Total assets		2,550,235	3,830,088
Current liabilities			
Trade and other payables	10	1,083,622	1,815,892
Grants income deferred	11	630,395	814,961
Employee benefits	12	272,440	326,493
Provisions	15	-	396,418
Total current liabilities		1,986,457	3,353,764
Non-current liabilities			
Employee benefits	12	19,311	29,199
Total non-current liabilities		19,311	29,199
Total liabilities		2,005,768	3,382,963
Net assets		544,467	447,125
Equity			
Retained earnings		544,467	447,125
Total equity	13	544,467	447,125

Statement of Changes in Equity

as at 31 December 2017

	2017	2016
	\$	\$
Balance of Equity as at 1 January	447,125	475,948
Comprehensive income for the period		
Surplus	97,342	(28,823)
Other comprehensive income	-	-
Total comprehensive income for the period	97,342	(28,823)
Balance of Equity as at 31 December	544,467	447,125

Statement of Cash Flows

for the year ended 31 December 2017

	2017	2016
Notes	\$	\$
Cash flows from operating activities		
Cash receipts in the course of operations	12,913,836	14,253,219
Cash payments in the course of operations	(5,718,462)	(5,552,231)
Net grants made to National Heart Foundation of Australia	(8,733,394)	(7,605,117)
Net financial income	92,646	104,219
Net cash (used in) / from operating activities	7b (1,445,374)	1,200,090
Cash flows from investing activities		
Proceeds from sale of property, equipment and vehicles	4,849	-
Acquisition of property, equipment, vehicles and computer software	-	(1,935)
Net cash from / (used in) investing activities	4,849	(1,935)
Cash flows from financing activities	-	-
Net cash from financing activities	-	-
Net increase in cash and cash equivalents	(1,440,525)	1,198,155
Cash and cash equivalents at 1 January	3,293,797	2,095,642
Cash and cash equivalents at 31 December	7a 1,853,272	3,293,797

Notes to the Financial Statements

for the year ended 31 December 2017

1 Reporting entity

The National Heart Foundation of Australia (Victorian Division) (the "Foundation") (ABN: 25 004 463 334) is a company domiciled in Australia. The address of the Foundation's registered office is Level 2, 850 Collins Street, Melbourne, Victoria 3008. The Foundation is a not for profit charity, registered under the Australian Charities and Not-For-Profits Commission, devoted to reducing suffering and death from heart, stroke and blood vessel disease in Australia.

2 Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-For-Profits Commission Act 2012. The financial report was authorised for issue by the directors on XX April 2018.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, 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 judgements. 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 judgements

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

Significant accounting estimates and assumptions

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

(i) Make good provisions

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

(ii) Provisions for employee benefits

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

(e) Changes in accounting policies

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

(f) Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal trading operations and the realisation of assets and settlement of liabilities in the ordinary course of business.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

2 Basis of preparation (continued)

The net surplus after tax for the Foundation for the year ended 31 December 2017 amounted to \$97,342 (2016: Deficit of \$28,823). At 31 December 2017, the Foundation had net current assets of \$2,550 million (2016: net current assets \$3,830 million) and net assets of \$544,467, (2016: \$447,125). Subsequent to year end the directors agreed to recommend to the members to unify into the new National entity upon 1 July 2018.

Whilst there is no intention to close the Foundation or wind up the Foundation, substantial trading activities, assets and liabilities are expected to be transferred to the unified entity. However, this transition may take some time therefore the Foundation will continue to exist for at least 12 months following unification and will remain active to receive any specific income or meet any contractual obligations under the name of the entity.

Furthermore, in the event the Foundation entity does not proceed with unification (members vote not to unify at the AGM), National Heart Foundation of Australia (National office) acknowledge their commitment to the written financial support issued to the Foundation and will assist in ensuring there is an orderly transition of commercial arrangements between the National Entity and the Foundation.

In the opinion of the directors of the Foundation, the Foundation is a going concern and can pay its debts as and when they fall due to the following factors:

- National Heart Foundation of Australia (National office) have acknowledged they will bear all costs of unification; and
- The Foundation has received confirmation of legally enforceable and irrevocable financial support from National Heart Foundation of Australia (National Office), to provide financial support in such amounts from time to time sufficient to permit the Foundation to pay its debts as and when they fall due. Such financial support can be in the form of cash injections, settlement of liabilities, repayment of related party borrowings, or deferral of payment of related party loans. The financial support stated above is provided for a minimum of 12 months from the date the 31 December 2017 financial report of the Foundation is signed.

3 Significant accounting policies

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

(a) Revenue recognition

- (i) Charitable support
Revenue is received from appeals, donations, fundraising events and bequests and is brought to account on a cash received basis. When assets, such as investments or properties, are received from a bequest or donation, an asset is recognised, at fair value, when the Foundation gains control of such assets and the value of the asset can be reliably measured.
- (ii) Interest and dividend revenue
Interest revenue is recognised as it accrues on a daily basis. 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 Australian Taxation Office ("ATO").
- (iii) Grants for health programs and research (deferred income)
Grants received for specific health programs or research are recognised as income only to the extent of work completed on those projects. Any funds attributable to work still to be completed are carried forward as grants income deferred as recognised in note 11. In the circumstances where the terms of the grants stipulate that any unexpended funds are to be returned to the sponsor these unexpended funds are held as deferred income until such time as they are returned to the funding body. Where the terms of the grant do not stipulate that unexpended funds are to be returned to the funding body they are recognised as revenue once all agreed project outcomes and specified work has been completed.
- (iv) Sale of goods
Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. Revenue from the sale of goods is recognised when control of the goods passes to the customer.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)**(a) Revenue recognition (continued)****(v) Services of volunteers**

A substantial number of volunteers, including directors and members of committees, donate a significant amount of their time to the activities of the Foundation. School children across Victoria also supported the Foundation by participating and raising funds through the Jump Rope for Heart program. In total this involved over 88,177 children and 352 schools and groups throughout Victoria. The Foundation's door knock program successfully recruited over 1858 volunteers to collect funds in 2017. However, as no objective basis exists for recording and assigning values to these services, they are not reflected in the financial statements as either revenue or expenses.

(b) Goods and services tax

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

(c) Income Tax

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

(d) Inventories

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

(e) Property, equipment and vehicles**(i) Recognition and measurement**

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

(ii) Depreciation

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

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

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

(f) Leased assets including property and equipment

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)**(f) Leased assets including property and equipment (continued)**

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

Determining whether an arrangement contains a lease

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

(g) Non-derivative financial assets

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

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

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

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

(i) Fair Value through Other Comprehensive Income

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

(ii) Amortised Cost

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)

(g) Non-derivative financial assets (continued)

(iii) Other financial instruments

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

Share capital

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

Cash and cash equivalents

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

Trade and other receivables

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

(h) Non-derivative financial liabilities

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

(i) Impairment

(i) Non-derivative financial assets including receivables

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

(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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

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

Depreciated replacement cost is defined as the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Impairment losses are recognised in Surplus or Deficit. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Calculation of recoverable amount

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

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

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

(ii) Long term benefits

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

- assumed rate of future increases in wage and salary rates: 2017: 3.0% (2016: 3.0%)
- discount rate based on the bond rate which most closely match the terms to maturity of the related liabilities: 2017: 3.81% (2016: 2.76%)
- expected settlement dates for annual leave 2017: 2 years (2016: 2 years)
- expected settlement dates for long service leave based on turnover history: 2017: 15 years (2016: 15 years)

(k) Provisions

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

(l) Segment reporting

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

(m) Finance income and finance costs

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)

(n) Financial risk management

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

Financial instruments

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

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

Capital management

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

Economic dependency

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

(o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

Not-for-profit (NFP) entities will account for income under either AASB 15 or the new NFP specific standard.

AASB 15 Revenue from Contracts with Customers

AASB 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The application of AASB 15 for not-for-profit entities is for financial years beginning 1 January 2019.

Where such a transaction meets the requirements of AASB 15 Revenue from Contracts with Customers, revenue will be recognised in accordance with the requirements of this standard. To assist NFPs apply AASB 15 to their circumstances, specific implementation guidance and illustrative examples have been inserted into AASB 15.

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 replaces the income recognition requirements relating to private sector NFP entities, as well as the majority of income recognition requirements relating to public sector NFP entities previously reflected in AASB 1004 Contributions for financial years beginning 1 January 2019 onwards.

AASB 1058 establishes principles for NFP entities that apply specifically to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a NFP entity to further its objectives and to volunteer services received.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)

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

The accounting guidance applied is driven by whether the agreement is enforceable and contains performance obligations. NFP entities will assess which standard is applicable for each individual agreement.

AASB 16 Leases

AASB 16 removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements.

There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. Early adoption will be permitted for entities that also adopt AASB 15.

AASB 9 Financial instruments

AASB 9 applies for all companies. It brings big changes to the classification of impairment of financial assets. Also, it introduces a new hedge accounting model and extensive new disclosure requirements.

This new standard is effective for annual reporting periods beginning on or after 1 January 2018 and available for early adoption.

AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of AASB 9, 15, 1058 and 16.

(p) Determination of fair values

A number of the Foundation'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) Trade and other receivables

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

(ii) Property, plant and equipment

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017	2016
	\$	\$
4 Revenue from operating activities		
Charitable support - bequests	8,138,002	9,687,650
Charitable support - non-bequests	3,615,907	3,956,214
Sale of goods	661	2,185
<i>Total revenue from fundraising activities</i>	<u>11,754,570</u>	<u>13,646,049</u>
Grants for specific health programs - Government	1,450,285	1,316,223
Grants for specific health programs and research - other	620,473	813,636
Other	184,368	139,704
<i>Total revenue from other operating activities</i>	<u>2,255,126</u>	<u>2,269,563</u>
Total revenue from operating activities	<u>14,009,696</u>	<u>15,915,612</u>
5 Auditors' remuneration		
KPMG Australia: Audit services	22,091	21,700
KPMG Australia: Other services	2,973	-
	<u>25,064</u>	<u>21,700</u>
6 Finance income and costs		
Recognised in Surplus/(Deficit)		
Interest income	40,590	47,426
Dividend income	64,694	49,737
Finance income	<u>105,284</u>	<u>97,163</u>
Net finance income and costs recognised in Surplus	<u>105,284</u>	<u>97,163</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017	2016
	\$	\$
7a Cash and cash equivalents		
Cash and cash equivalents include bank accounts and short term deposits maturing within 90 days paying interest rates of 1.5% to 2.04% (2016: 1.5% to 2.29%)	1,853,272	3,293,797
	<u>1,853,272</u>	<u>3,293,797</u>
The Foundation's exposure to interest rate risk for financial assets and liabilities are disclosed in note 20. The carrying value of cash and cash equivalents is equal to fair value.		
7b Reconciliation of cash flows from operating activities		
Net surplus / (deficit) from ordinary activities	97,342	(28,823)
Adjustments for:-		
Depreciation/Amortisation	240,095	250,608
Make good / restoration	(112,871)	1,449
Operating lease expense obligations incurred	(197,434)	(181,982)
Net loss/(gain) on disposal of property, equipment and vehicles	10,510	-
Office lease incentives deferred	(86,114)	(93,943)
Net cash from operating activities before changes in working capital and provisions	(48,471)	(52,691)
(Increase)/decrease in receivables	(416,272)	(1,454)
(Increase)/decrease in grants income accrued	270	(270)
(Increase)/decrease in inventories	(124)	822
Increase/(decrease) in payables	(732,270)	1,117,620
Increase/(decrease) in grants income deferred	(184,566)	116,482
Increase/(decrease) in employee benefits	(63,941)	19,581
Net cash from operating activities	<u>(1,445,374)</u>	<u>1,200,090</u>
8 Trade and other receivables		
Trade receivables owing by other National Heart Foundation divisions	10	142,577
Trade receivables owing by National Heart Foundation of Australia (National)	89,035	28,962
Grants income accrued	-	270
Other receivables and prepayments	596,113	97,346
	<u>685,158</u>	<u>269,155</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

9 Property, equipment and vehicles

	Leasehold improvements	Office furniture & equipment	Motor vehicles	Total
	\$	\$	\$	\$
Balance at 1 January 2016	1,469,301	698,003	37,870	2,205,174
Acquisitions	-	1,935	-	1,935
Balance at 31 December 2016	1,469,301	699,938	37,870	2,207,109
Balance at 1 January 2017	1,469,301	699,938	37,870	2,207,109
Disposals	(1,469,301)	(647,534)	-	(2,116,835)
Balance at 31 December 2017	-	52,404	37,870	90,274
Depreciation & Impairment losses				
Balance at 1 January 2016	1,122,680	533,961	32,741	1,689,382
Depreciation charge for the year	181,624	63,855	5,129	250,608
Balance at 31 December 2016	1,304,304	597,816	37,870	1,939,990
Balance at 1 January 2017	1,304,304	597,816	37,870	1,939,990
Depreciation charge for the year	162,435	53,982	-	216,417
Disposals	(1,466,739)	(611,058)	-	(2,077,797)
Balance at 31 December 2017	-	40,740	37,870	78,610
Carrying amounts				
At 1 January 2016	346,621	164,042	5,129	515,792
At 31 December 2016	164,997	102,122	-	267,119
At 1 January 2017	164,997	102,122	-	267,119
At 31 December 2017	-	11,664	-	11,664

10 Trade and other payables

Trade payables to National Heart Foundation of Australia
Trade payables to other National Heart Foundation divisions
Other payables and accrued expenses

2017	2016
\$	\$
979,353	1,735,627
-	989
104,269	79,276
1,083,622	1,815,892

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017	2016
	\$	\$
11 Grants income deferred		
Balance at 1 January	814,961	698,479
Amounts received	1,391,087	1,618,883
Income taken to revenue	(1,575,653)	(1,502,401)
Balance at 31 December	<u>630,395</u>	<u>814,961</u>
<p>The carrying value of grants income deferred is equal to fair value. The Foundation's and consolidated entity's exposure to liquidity risk relating to grants income deferred is disclosed in note 20.</p>		
12 Employee benefits		
Aggregate liability for employee benefits including oncosts:		
Current - long service leave and annual leave	272,440	326,493
Non-current - long service leave	19,311	29,199
Total employee benefits	<u>291,751</u>	<u>355,692</u>
<i>Personnel expenses:</i>		
Wages and salaries	2,803,997	2,681,332
Contributions to superannuation plans	224,267	262,496
Total personnel expenses	<u>3,028,264</u>	<u>2,943,828</u>
Number of employees at year end (full time equivalents)	<u>31</u>	<u>31</u>
13 Reserves and Equity		
Total Equity at beginning of year	447,125	475,948
Operating Surplus	7,272,660	9,067,194
Net Grants to National Heart Foundation of Australia	(7,175,318)	(9,096,017)
Other Comprehensive Income	-	
Total Equity at end of year	<u>544,467</u>	<u>447,125</u>

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

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

13 Retained earnings (continued)

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

14 Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Less than one year

	2017 \$	2016 \$
	-	927,820
	-	927,820
Expenditure in the period was as follows:		
Office equipment	12,771	13,932
Office space	676,523	733,390
	689,294	747,322

Expenditure in the period was as follows:

Office equipment

Office space

15 Provisions

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

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

	Operating lease expense obligations	Office lease incentives deferred	Make good of leased premises	Onerous lease provision	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2017	165,183	86,113	112,872	32,250	396,419
Future obligations incurred	-	-	-	-	-
Incentives offset against lease rental expense	-	(86,113)	-	-	(86,113)
Unwind of provision	-	-	(112,872)	(32,250)	(145,122)
Straight lining of lease	(165,183)	-	-	-	(165,183)
Balance at 31 December 2017	-	-	-	-	-
Current	-	-	-	-	-
Non-Current	-	-	-	-	-

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

16 Contingencies

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

Contingent liabilities considered remote

Performance guarantees Vic Division

	2017	2016
	\$	\$
	-	365,112
	-	365,112

The Foundation has guaranteed, as a party to its operating leases, the payment of rentals in accordance with the signed agreements for the specified lease terms. The terms of the lease agreements required the Foundation to secure bank guarantees of \$365,112 as minimum compensation payments to the lessor in the event of default. The Foundation's lease term has expired on 30 November 2017.

17 Company limited by guarantee

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

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

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

Non executive directors

A/Prof Nicholas Cox, MBBS, FRACP, FCSANZ (since May 2017)

Mr John Etherington, BEc, FCA, FAICD (retired May 2017)

Mrs Leonie Fryar

Mr Chris Gardner, BEc/LLB

Ms Diana Heggie MCSP, MAICD, Grad. Dip. Human Services Research

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

Professor Brian Oldenburg, BSc, MPsychol, PhD

Ms Jyoti Singh LLB, BEc(Hons)

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

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

Executive Staff

Mr Rob Daly, MBA, BA, PGDip (until May 2017)

Ms Kellie-Ann Jolly, GradDipAppSci (OralHealth Therapy); MHlthSci (Health Promotion)

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

Ms Roanna Khor, BBus (Accounting), CPA

Mr Andy Scobie, BA, Grad Dip (Rec), MFIA (July 2017 – January 2018)

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

18 Related Parties (continued)

The compensation of key management personnel was as follows:

Short term employee benefits
Other long term benefits
Total

	2017	2016
	\$	\$
Short term employee benefits	635,146	655,458
Other long term benefits	4,203	10,063
Total	639,349	665,521

Other related parties

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

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

Contributions received from sale of services
Contributions paid for purchase of services
Grants for research and other national initiatives

	2017	2016
	\$	\$
Contributions received from sale of services	591,580	587,997
Contributions paid for purchase of services	(2,098,497)	(2,237,439)
Grants for research and other national initiatives	(7,175,318)	(9,096,017)

19 Subsequent events

At 30 June 2018 the Federation Agreement will expire, subsequent to this date the National Heart Foundation of Australia Federation Agreement will not be renewed and National Heart Foundation of Australia is currently in the process of unifying into a National entity.

Prior to 31 March 2018 each National Heart Division was required to communicate to National Heart Foundation of Australia (National Office) their intention to recommend their members to unify, or not.

On 31 March 2018 the Foundation directors notified National Heart Foundation of Australia (National Office) of their decision to recommend to their members to unify into the new National entity.

As a result of the above National Heart Foundation of Australia (National Office) has provided a legally enforceable irrevocable letter of financial support confirming their intention to financially support the Foundation in such amounts from time to time sufficient to permit the Foundation to pay its debts as and when they fall due, until the Foundation is able to pay its debts as and when they fall due without the support of National Heart Division. The financial support stated above is provided for a minimum of 12 months from the date the 31 December 2017 financial report of the Foundation is signed.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

20 Financial instruments

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

Credit risk

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

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

At the reporting date there were no significant concentrations of credit risk apart from a bank guarantee referred to in note 16 relating to the Foundation office lease agreement.

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

23 Financial Instruments

	Notes	2017 \$	2016 \$
Financial assets			
Cash *		299,311	501,547
Cash call accounts *		1,553,961	2,792,250
Total cash and cash equivalents	7a	1,853,272	3,293,797
Trade and other receivables *	8	685,158	268,885
Grants income accrued *	8	-	270
		2,538,430	3,562,952

* Financial assets held at cost/amortised cost

Impairment losses from trade receivables

Of the Foundation's trade receivables balance of \$268,158, \$1,387 is past due (2016: \$220).

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

Liquidity risk

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

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

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

21 Financial instruments (continued)

	Notes	2017 \$	2016 \$
Non derivative financial liabilities			
Trade and other payables	10	1,083,622	1,815,892
Grants income deferred	11	630,395	814,961
		<u>1,714,017</u>	<u>2,630,853</u>

Market risk

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

Interest rate risk

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

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

Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk. The exposure to interest rate risk for financial assets and liabilities at the reporting date are shown below in the Sensitivity Analysis Disclosure on page 37.

Fair value sensitivity analysis for fixed rate instruments

The surplus/(deficit) would be affected by changes in the fixed interest rate as shown in the Sensitivity Disclosure Analysis. The analysis assumes all other variables remain constant. The analysis is performed using a change of 1% on page 37. The analysis is performed on the same basis as that used in 2016.

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 2016.

Operational risk

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

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

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

21 Financial instruments (continued)

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

Sensitivity Analysis Disclosure

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

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

Fair value hierarchy

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

The different levels have been defined as:

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

There are no Level 2 or 3 fair value financial instruments on hand at 31 December 2017 (2016: nil).

	2017					2016				
	Carrying Amount/ Face Value	-1%	+1%	Carrying Amount/ Market Price	-1%	+1%				
Interest rate risk	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		
	\$	\$	\$	\$	\$	\$	\$	\$		
Financial assets										
<i>Variable rate instruments</i>										
Cash at bank	299,311	(2,993)	(2,993)	2,993	2,993	501,547	(5,015)	(5,015)	5,015	5,015
Cash call accounts	1,553,961	(15,540)	(15,540)	15,540	15,540	2,792,250	(27,922)	(27,922)	27,922	27,922
Total increase/(decrease)		(18,533)	(18,533)	18,533	18,533		(32,937)	(32,937)	32,937	32,937



Independent Auditor's Report

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

Qualified Opinion

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

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

- (i) giving a true and fair view of the Foundation's financial position as at 31 December 2017, 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 2017.
- (ii) Statement of surplus or deficit and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- (iii) Notes including a summary of significant accounting policies.
- (iv) Directors' declaration of the Foundation.

Basis for Qualified opinion

Charitable fundraising of \$3,615,907 is a significant source of fundraising revenue for the National Heart Foundation of Australia. The Foundation has determined that it is impracticable to establish controls over the collection of charitable fundraising revenue, mainly comprising of cash donations, prior to entry into its financial records. Accordingly, as the evidence available to us regarding fundraising revenue from this source was limited, our audit procedures with respect to charitable fundraising revenue, mainly comprising of cash donations, had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether charitable fundraising to the National Heart Foundation of Australia (Victoria Division), reported in the accompanying financial report is complete. In respect of the qualification however, based on our understanding of the internal controls, nothing has come to our attention which would cause us to believe that the internal controls over revenue from fundraising appeal activities by the Foundation, are not appropriate given the size and nature of the Foundation.

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

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

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

Other information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- (i) to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- (ii) to issue an Auditor's Report that includes our opinion.



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, means exercising professional judgment and maintaining professional skepticism 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 obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (ii) Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.
- (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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- (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 registered Foundation 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

24 April 2018



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 (Victorian Division)

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2017 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

24 April 2018



Heart Foundation Helpline: 13 11 12
heartfoundation.org.au

Australian Capital Territory

Canberra

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

New South Wales

Sydney

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

Northern Territory

Darwin

Level 3, 21 Knuckey Street
Darwin NT 0800
(08) 8982 2700

Queensland

Brisbane

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

South Australia

Adelaide

155-159 Hutt Street
Adelaide SA 5000
(08) 8224 2888

Tasmania

Hobart

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

Victoria

Melbourne

Level 2, 850 Collins Street
Docklands VIC 3008
(03) 9329 8511

Western Australia

Perth

334 Rokeby Road
Subiaco WA 6008
(08) 9388 3343