

ANNUAL REPORT + FINANCIAL STATEMENTS 2017

National Heart Foundation of Australia
(South Australian Division) Incorporated
ABN 70 140 886 652
For the year ended 31 December 2017



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Directors and Office Bearers

Patron	His Excellency the Honourable Hieu Van Le AO Governor of South Australia
Board of Directors	
President	Mr T M Roberts FCA, ARITA, FAICD, FGLF
Vice President	Associate Professor M Worthley, MBBS, FRACP, PhD, FCSANZ, FACC
Vice President and Treasurer	Ms M Field, GAICD, CA, CTA, BBus
Directors	Mr Andrew Cosh Mr Stephen Halliday BA (Journalism), GAICD Ms Donny Walford FAICD (resigned 18 December 2017) Ms Anne Young MAICD Associate Professor Christopher Zeitz MBBS, PhD, FRACP, FCSANZ, OStJ Professor Alex Brown MBBS, PhD, MPH, FCSANZ, FRACP Ms Arabella Branson LLB, BCom, Grad Dip Legal Practice, MAICD, MLSSA
Representative of the Cardiac Society of Australia and New Zealand	Associate Professor M Worthley, MBBS, FRACP, PhD, FCSANZ, FACC
Life Members	Mr R H Allert Dr M Arstall Prof P E Aylward Mr B J Carter Dr R J Craig Ms J Grieve Dr P Hetzel Mr R D Hastwell Mr J Knight Dr L Mahar Dr B McRitchie Dr J F Sangster Dr P Steele Mr C B Taylor
Chief Executive Officer	Dr A Rischbieth PhD, FAICD, FGLF, FACCCN (to 13 January 2017) Imelda Lynch R, BNg, MHSM, GAICD (from 14 January 2017)
Public Officer	Ms A M Denton BBus, GAICD
Solicitors	Finlaysons
Auditors	KPMG
Registered Office	155 Hutt Street, Adelaide, South Australia, 5000
Preferred Postal Address	PO Box 7174, Hutt Street, Adelaide, South Australia, 5000

Directors' Report

for the year ended 31 December 2017

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

Directors

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

Name and qualifications	Experience and special responsibilities	Board Meetings Attended & held whilst in office	Appointment and resignation
Mr Todd Roberts FCA, ARITA, FAICD, FGLF	A Corporate banker with the Commonwealth Bank of Australia and has been a Chartered Accountant for over 17 years. Holds a number of Community positions and sits on the National Heart Foundation of Australia Board as Treasurer.	6/7	Appointed May 2010
Ms Megan Field GAICD, CA, CTA, BBus	A partner in Deloitte Tax Services with over 20 years business experience. Her corporate tax experience includes advising Australian Subsidiaries of multinationals, listed Australian corporations, as well as family-owned organisations.	7/7	Appointed May 2010
Associate Professor Matthew Worthley , MBBS, FRACP, PhD, FCSANZ, FACC	Matthew is an Interventional Cardiologist at the Royal Adelaide Hospital, an Associate Professor at the University of Adelaide and a Research Fellow at the South Australian Medical Research Institute. He sits on the national board of the CSANZ as the SA representative and continues to supervise research students in the area of vascular dynamic function.	6/7	Appointed May 2011
Mr Andrew Cosh	Andrew is a professional with over 20 years of management, business advisory and private investment experience in Australia and overseas. He has a diverse range of strategic, commercial and investment related skills.	6/7	Appointed May 2015
Mr Stephen Halliday BA (Journalism), GAICD	Stephen is a political consultant, with a very broad and deep understanding of politics, public administration, business, media and industrial relations, especially in South Australia.	7/7	Appointed May 2015
Ms Donny Walford FAICD	Donny is an experienced Non-Executive Director and CEO of public unlisted companies and various strategic boards in the Finance, Defence and Government industry sectors, with specific expertise in Strategy, Finance, Strategic Marketing and building businesses.	3/7	Appointed May 2015 Resigned December 2017
Ms Anne Young MAICD	Anne is an experienced senior executive and business owner with a background in strategic planning, management and leadership, marketing & communications, operational management and people development.	7/7	Appointed May 2015
Associate Professor Christopher Zeitz MBBS, PhD, FRACP, FCSANZ, OStJ	Chris is an academic interventional cardiologist with a diverse background. As a previous recipient of Heart Foundation funding for his research, he is keenly aware of the vital roles of the organisation in public health promotion, education and research.	6/7	Appointed July 2015
Professor Alex Brown MBBS, PhD, MPH, FCSANZ, FRACP	Aboriginal medical doctor and researcher who has established an extensive and unique research program focused on chronic disease in vulnerable communities, with a particular focus on outlining and overcoming health disparities.	4/7	Appointed February 2017
Ms Arabella Branson LLB, BCom, Grad Dip Legal Practice, GAICD, MLSSA	A lawyer in the area of commercial transactional and advisory law since 2000. Nine years practising in a specialist South Australian corporate and commercial law firm, including more than two years as partner. Has now established her own commercial advisory practice and is a member of the Law Society of South Australia, and the Australian Institute of Company Directors.	6/6	Appointed February 2017

Directors' Report (continued)

for the year ended 31 December 2017

Corporate Governance Statement

The Foundation is an incorporated association under the Associations Incorporations Act 1985. Ultimate responsibility for the governance of the Foundation rests with the Board of Directors. This corporate governance statement outlines how the Board meets that responsibility. The Board believes the principles of good corporate governance underpin the values and behaviour of the Foundation.

Role of the Board

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

Oversight by the Board

The Board oversees and monitors the performance of management by:

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

Specific responsibilities of the Board

The Board fulfils its primary role by:

- Selecting, appointing, guiding and monitoring the performance of the Chief Executive Officer ("CEO")
- Formulating the strategic plan of the Foundation in conjunction with the CEO and management
- Approving operating and capital budgets formulated by the CEO and management
- 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 the *Rules of the Incorporated Association*.

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 Rules of the Foundation specify that the Board consists of no more than 12 Directors including one appointed by the Cardiac Society of Australia and New Zealand (South Australian branch) – ("CSANZ"). 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 and responsibilities appear on page 3. On appointment Board members are informed of their responsibilities and the work of the Heart Foundation in a briefing with the President and Chief Executive Officer. The Executive Committee (consisting of the President and two Vice Presidents), review the Board's performance annually. They also review the memberships' required mix of skills, experience and other qualities annually and consider nominations.

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.

Directors' Report (continued)

for the year ended 31 December 2017

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 2013-2017, 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:

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

2017 Achievements

Our 2017 achievements included:

- In conjunction with Adelaide City Council, installation of 15 Automatic External Defibrillators (AEDs) for public use in various locations throughout the city and North Adelaide.
- Education of over 200 South Australian researchers through the South Australian Cardiovascular Health Research Network (SACVHRN) in areas of clinical research, research governance and public health fields.
- Hosting of inaugural SA Cardiovascular Research Showcase, run in partnership with SAHMRI to celebrate South Australian research and encourage collaboration, partnerships and networks.
- Partnering with UniSA to conduct free Heart Health Checks in the northern suburbs with the aim of early detection of risk factors
- Heart of the Matter breakfast
- Awareness campaign on women and heart disease
- Regional events in Port Augusta and Kadina to share the latest heart research from leading South Australian Cardiologists and Researchers.
- Annual Paint the Town Red Ball
- Cardiac cough pillow project to support patients recovering from cardiothoracic surgery
- Ongoing partnership with SA Health to provide a suite of patient resources, supporting over 8,000 patients across the state living with cardiovascular disease.
- Over 3,000 health professionals accessed the Heart Foundation My heart, my life e-learning training to improve their knowledge and build confidence when providing cardiac patient education.
- Heart Foundation Nurse Ambassador Program with 22 graduates in 2017 joining the existing 249 nurses across South Australia, who are working together to support earlier detection and better management of cardiovascular disease. Projects undertaken within the program have led to an increased uptake of Absolute Cardiovascular Risk Assessments, improved patient bedside education following a heart attack and increased knowledge and confidence by nurses to have education discussions with patients.

Directors' Report (continued)

for the year ended 31 December 2017

Review of Results and Operations for Current Year

Set out below is a comparative table of income and expenditure and assets and liabilities including relevant ratios.

Revenue from fundraising was \$3.406 million, 42% lower than 2016. Bequest income in 2017 was \$1.389 million, 60% lower than 2016. Non bequest income was \$2.017 million, 15% down on 2016. Grants made to the National Heart Foundation of Australia (National) entity totalled \$37 thousand, 98% down on 2016. This was after a net surplus before transfers of \$1.863 million, down 58% on 2016. Our fundraising expenditure as a percentage of income was 45% which was an increase on prior year. Total expenditure on health programs and research (both local and national) was down 58% on 2016.

Income & Expenditure

Charitable support - bequests

Charitable support - non-bequests

Fundraising income

Investment income

Government non-reciprocal grants

Grants for specific health programs

Grants for specific fundraising & communications programs

Total cash income**Total income**

Less: Fundraising expenditure

Communications & administration

Surplus available for health programs & research

Health programs conducted locally

Contributions to National health programs & research

Balance added to/(deducted from) equity**Ratios:**

Fundraising expenditure to fundraising income

Surplus from fundraising to fundraising income

Surplus available for health programs & research to total income

Expenditure on health programs and research to total income

Expenditure on health programs and research to total expenditure

Change in expenditure on health programs & research (local and national)

	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
Charitable support - bequests	1,389	3,477	5,184	3,509	2,598
Charitable support - non-bequests	2,017	2,387	2,232	2,572	2,844
Fundraising income	3,406	5,864	7,416	6,081	5,442
Investment income	10	13	17	36	0
Government non-reciprocal grants	155	598	910	735	591
Grants for specific health programs	283	207	246	666	610
Grants for specific fundraising & communications programs	0	0	15	0	0
Total cash income	3,854	6,682	8,604	7,518	6,643
Total income	3,854	6,682	8,604	7,518	6,643
Less: Fundraising expenditure	(1,547)	(1,819)	(1,763)	(1,923)	(2,124)
Communications & administration	(444)	(447)	(404)	(499)	(458)
Surplus available for health programs & research	1,863	4,416	6,437	5,096	4,061
Health programs conducted locally	(1,807)	(2,144)	(2,272)	(2,405)	(2,292)
Contributions to National health programs & research	(37)	(2,210)	(4,290)	(2,650)	(1,833)
Balance added to/(deducted from) equity	19	62	(125)	41	(64)
Ratios:	%	%	%	%	%
Fundraising expenditure to fundraising income	45%	31%	24%	32%	39%
Surplus from fundraising to fundraising income	55%	69%	76%	68%	61%
Surplus available for health programs & research to total income	48%	66%	75%	68%	61%
Expenditure on health programs and research to total income	48%	65%	76%	67%	62%
Expenditure on health programs and research to total expenditure	48%	66%	75%	68%	62%
Change in expenditure on health programs & research (local and national)	(58%)	(34%)	30%	23%	9%

Assets & Liabilities

Cash & investments

Property Plant Equipment and Vehicles

Other assets

Total assets

Total liabilities

Total equity

	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash & investments	824	788	843	1,049	1,340
Property Plant Equipment and Vehicles	25	157	115	106	113
Other assets	195	64	181	111	150
Total assets	1,044	1,009	1,139	1,266	1,603
Total liabilities	(593)	(578)	(769)	(770)	(1,147)
Total equity	451	431	370	496	456

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 Foundation 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 Foundation of Australia. 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 the Foundation is signed.

Directors' Report (continued)

for the year ended 31 December 2017

Environmental Regulation

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

Insurance Premiums

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

The insurance premiums relate to:

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

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

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 8 and forms part of the directors' report for financial year 2017.

Signed in accordance with a resolution of the Directors



Mr Todd Roberts
President



Ms Megan Field
Vice President/Treasurer

Dated at Adelaide this 20th day of 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 the National Heart Foundation of Australia (South Australian Division) Inc.

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

KPMG

Luke Snowdon
Director

Adelaide
20 April 2018

Directors' Declaration

for the year ended 31 December 2017

In the opinion of the directors of National Heart Foundation of Australia (South Australian Division) Inc. ("the Foundation"):

- (a) The financial statements and Notes, set out on pages 12-29, are in accordance with *the Associations Incorporation Act 1985 (as amended)* and the *Australian Charities and Not-For-Profits Commission Act 2012*, including:
 - (i) presents fairly the Foundation's financial position as at 31 December 2017 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards, the *Associations Incorporation Act 1985 (as amended)* and the *Australian Charities and Not-For-Profits Regulations 2013*; and
- (b) There are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors



Mr Todd Roberts
President



Ms Megan Field
Vice President/Treasurer

Dated at Adelaide this 20th day of April 2018

Bequests

for the year ended 31 December 2017

The Heart Foundation greatly appreciates the generous gifts we have received from the following estates:

Joan Allingame	Patricia Harvey	Dulcie McCracken
Candido Artini	Karen Hobbs	Robert McGregor
Muriel Barreau	Kevin Hollams	Alice Michaelides
Steffi Barrett	Sheila Hope	Bert & Ella Miers
Emily Beart	Laurence Hunt	Dorothy Money
Jean Boundy	Ralph Jamieson	A S Munday
Catherine Brown	Eric Kennett	Magdalena Murray
Gwendoline Carter	Victoria Kornets	Kevin Nottage
Albert Churcher	M J Ladd	Ruth Park
Florence Colmer	Shirley Lane	Roland Pfitzner
Gladys Crosby	Olive Lansbury	Stella Raymond
Patricia Dean	Elma Lewis	Gweneth Scott
Rex Doepke	Shirley Madex	Valerie Thompson
Isabel Drummond	Michele Maniskas	Val Tydeman
Catherine Ellis	Andrew Mason	Ethel Wait
Gertrud Fischer		Brian Warwick
Kevin Fletcher		Leslie Williams
Gladys Freeman		Herbert Yates
Ida Hann		

SA Event Sponsorships and Supporters

for the year ended 31 December 2017

The Heart Foundation South Australia gratefully acknowledges the following sponsors and supporters:

MAJOR SPONSORS

Ahrens
Toyota Australia
SA Health
Country PHN

SILVER PARTNERS

Adelaide Cardiology
Flinders Private Hospital
Heart & Vascular Institute/Flinders Cardiac
SA Heart
St Andrew's Hospital

RED SUPPORTERS

Finlaysons Lawyers

MEDIA PARTNERS

The Advertiser
NOVA Entertainment
Channel 9
Staging Connections

WINE PARTNERS

Atze Wines
Langmeil Barossa Winery

SKILLED SERVICES

Deloitte
Commonwealth Bank
Toop & Toop

VALUE IN-KIND SUPPORTERS*

Carla Zampatti
Casita Alegre
Deb Smith Photography
DeFib Shop
Dine fine dining catering
Enzo's Ristorante
Gerard McCabe Jewellers
Heatlie BBQs
Hilton Adelaide
TEG Live

* Minimum value of \$500

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	3,845,036	6,669,141
Total revenue		3,845,036	6,669,141
Research		(286,303)	(800,313)
Health programs (including those funded by grants)		(1,520,978)	(1,344,839)
Fundraising		(1,545,759)	(1,812,485)
Cost of goods sold		(1,341)	(6,862)
Communications and publicity		(287,338)	(205,333)
Administration		(155,949)	(241,506)
Results from Operating activities		47,368	2,257,803
Interest income		10,202	13,332
Net Interest income		10,202	13,332
Net Surplus		57,570	2,271,135
Net Grants to National Heart Foundation of Australia		(37,770)	(2,210,375)
Surplus for the year before tax		19,800	60,760
Income tax expense	3c	0	0
Surplus for the year after tax		19,800	60,760
Other comprehensive income		0	0
Total comprehensive income for the year		19,800	60,760

Statement of Financial Position

for the year ended 31 December 2017

	Notes	2017 \$	2016 \$
Current assets			
Cash and cash equivalents	6a	824,478	788,257
Trade and other receivables	7	193,858	63,902
Total current assets		1,018,336	852,159
Non-current assets			
Property, Plant, equipment and vehicles	8	25,361	157,258
Total non-current assets		25,361	157,258
Total assets		1,043,697	1,009,417
Current liabilities			
Trade and other payables	9	110,211	159,888
Grants income deferred	10	206,025	140,815
Employee benefits	11	246,932	238,456
Total current liabilities		563,168	539,159
Non-current liabilities			
Employee benefits	11	29,797	39,326
Total non-current liabilities		29,797	39,326
Total liabilities		592,965	578,485
Net assets		450,732	430,932
Equity			
Reserves		36,627	9,328
Retained earnings		414,105	421,604
Total equity	12	450,732	430,932

Statement of Changes in Equity

as at 31 December 2017

	2017 \$	2016 \$
Balance of Equity as at 1 January	430,932	370,172
Comprehensive income for the period		
Surplus/(Deficit)	19,800	60,760
Other comprehensive income	0	0
Total comprehensive income for the period	19,800	60,760
Balance of Equity as at 31 December	450,732	430,932

Statement of Cash Flows

for the year ended 31 December 2017

	Notes	2017	2016
Cash flows from operating activities			
Cash receipts in the course of operations		3,792,051	6,585,902
Cash payments in the course of operations		(2,875,923)	(3,406,376)
Net grants made to National Heart Foundation of Australia		(890,109)	(3,170,506)
Net financial income		10,202	13,332
Net cash from operating activities	6b	36,221	22,352
Cash flows from investing activities			
Acquisition of property, equipment, vehicles and computer software		0	(76,907)
Net cash from investing activities		0	(76,907)
Cash flows from financing activities			
Net cash from financing activities		0	0
Net increase in cash and cash equivalents		36,221	(54,555)
Cash and cash equivalents at 1 January		788,257	842,812
Cash and cash equivalents at 31 December	6a	824,478	788,257

Notes to the Financial Statements

for the year ended 31 December 2017

1 Reporting entity

The National Heart Foundation of Australia (**South Australian Division**) Inc (the "Foundation") (ABN: **70 140 886 652**) is an association domiciled and incorporated in Australia. The address of the Foundation's registered office is **155 Hutt Street, Adelaide, 5000**. 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 (AASB's) adopted by the Australian Accounting Standards Board (AASB), *the Associations Incorporation Act 1985 (as amended)*, and the *Australian Charities and Not-For-Profits Commission Act 2012*. The financial report was authorised for issue by the directors on 20th 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 judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected.

Significant accounting judgments

(i) Provisions for employee benefits

Provisions for employee benefits payable after 12 months from the reporting date are based on future wage and salary levels, experience of employee departures, and periods of service, as discussed in Note 3(h). The amount of these provisions would change should any of these factors change in the next 12 months. Refer to Note 11.

(e) 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.

The net surplus after tax for the Foundation for the year ended 31 December 2017 amounted to \$19,800 (2016: Surplus of \$60,760). At 31 December 2017, the Foundation had net current assets of \$455,168 (2016: net current assets \$313,000) and net assets of \$450,732 (2016: \$430,932). 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 acknowledge their commitment to the written financial support issued to the Foundation and will assist in ensuring there is an orderly transition of existing 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 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, 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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

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. 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 grant income deferred as recognised in Note 10. In the circumstances where the terms of the grants stipulate that any unexpended funds are to be returned to the sponsor these unexpended funds are held as deferred income until such time as they are returned to the funding body. Where the terms of the grant do not stipulate that unexpended funds are to be returned to the funding body they are recognised as revenue once all agreed project outcomes and specified work has been completed.

(iv) Sale of goods

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

(v) Services of volunteers

A substantial number of volunteers, including directors and members of committees, donate a significant amount of their time to the activities of the Foundation. School children across South Australia also supported the Foundation by participating and raising funds through the Jump Rope for Heart program. The Foundation's door knock program successfully recruited many 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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)

(d) Property, Plant, Equipment and Vehicles

(i) Recognition and measurement

Items of equipment and vehicles are measured at cost less accumulated depreciation and impairment losses (refer to Note 3(g)(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 equipment and vehicles, are determined by comparing the proceeds from the disposal with the carrying amount of 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.

(e) Non-derivative financial assets

The Foundation's investments in equity securities are classified as financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognised as a separate component of equity. Fair value is determined based on quoted market prices of equity securities. When an investment is derecognised or impaired, the cumulative gain or loss in equity is never reclassified to surplus or deficit. Dividends earned from such investments are recognised in surplus or deficit unless the dividends clearly represent a repayment for part of the costs of the investment.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank accounts and short term deposits maturing within 90 days. 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(g)(i).

(f) Non-derivative financial liabilities

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

(g) Impairment

(i) Non-derivative financial assets including receivables

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised and is recorded as an amortisation adjustment between face and maturity values over the remaining period to maturity.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

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

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

(iii) Calculation of recoverable amount

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

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

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

(ii) Long term benefits

The provision for employee entitlements to annual leave and long service leave represent obligations resulting from employees' services provided up to reporting date, that are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees rendered the related services. 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)

(iii) Defined contribution plans

A defined contribution superannuation plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Superannuation contributions are made by the Foundation in respect of all employees to provide accumulation style benefits only. Obligations for contributions to defined contribution superannuation plans are recognised as a personnel expense in the Statement of Surplus or Deficit and Other Comprehensive Income in the period during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(i) Segment reporting

The Foundation operates in only one business segment as a charity. The Foundation operates in one geographical segment South Australia.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)

(j) Finance income

Finance income comprises interest income, recognised as it accrues on a daily basis.

(k) 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 16 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 the National Foundation. The National Foundation relies on the distribution of net grants from the Divisions to fund its commitments. Such grants are receivable under the terms of a *Federation agreement* between the National Foundation and each of the Divisions. The *Federation agreement* also provides funding to the Foundation in the event that there are insufficient funds internally generated to support an adequate level of working capital to deliver the business plan approved by the Board.

(l) New standards and interpretations not yet adopted

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

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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)

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

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.

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

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 Foundation is assessing the potential impact on its financial statements resulting from the application of AASB 9.

(m) 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) Equity and debt securities

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017	2016
	\$	\$
4 Revenue from operating activities		
Charitable support - bequests	1,389,230	3,477,385
Charitable support - non-bequests	2,014,341	2,376,574
Sale of goods	2,480	10,130
<i>Total revenue from fundraising activities</i>	<u>3,406,051</u>	<u>5,864,089</u>
Government non-reciprocal grants	155,075	598,129
Grants for specific health programs - Government	177,271	196,281
Grants for specific health programs and research - other	42,143	2,012
Other	64,496	8,630
<i>Total revenue from other operating activities</i>	<u>438,985</u>	<u>805,052</u>
Total revenue from operating activities	<u>3,845,036</u>	<u>6,669,141</u>
5 Auditors' remuneration		
KPMG Australia: Audit services	25,444	24,995
	<u>25,444</u>	<u>24,995</u>
6a Cash and cash equivalents		
Cash and cash equivalents include bank accounts and short term deposits maturing within 90 days paying interest rates of 0.01% to 2.36% (2016: 0.01% to 2.41%)	824,478	788,257
	<u>824,478</u>	<u>788,257</u>
The Foundation's exposure to interest rate risk for financial assets and liabilities are disclosed in note 16. The carrying value of cash and cash equivalents is equal to fair value.		
6b Reconciliation of cash flows from operating activities		
Net surplus / (deficit) from ordinary activities	19,800	60,760
Adjustments for:-		
Depreciation/Amortisation	26,897	35,006
Impairment of property, equipment and vehicles	105,000	0
Net cash from operating activities before changes in working capital and provisions	151,697	95,766
Decrease/(increase) in receivables	(129,957)	117,179
(Decrease)/increase in payables	(49,677)	(143,803)
Decrease in grants income deferred	65,210	(16,689)
(Decrease)/increase in employee benefits	(1,053)	(30,101)
Net cash from operating activities	<u>36,221</u>	<u>22,352</u>
7 Trade and other receivables		
Trade receivables owing by other National Heart Foundation divisions	19,036	472
Trade receivables owing by National Heart Foundation of Australia (National)	135,836	58,304
Other receivables and prepayments	38,986	5,125
	<u>193,858</u>	<u>63,901</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

The carrying value of trade and other receivables is equal to fair value. The Foundation's exposure to credit risk relates to trade and other receivables are disclosed in Note 16.

8 Property, equipment and vehicles

	Leasehold improvements	Office furniture & equipment	Motor vehicles	WIP	Total
	\$	\$	\$	\$	\$
Cost					
Balance at 1 January 2016	63,242	270,159	20,418	35,625	389,444
Acquisitions	0	7,531	0	69,375	76,906
Balance at 31 December 2016	63,242	277,690	20,418	105,000	466,350
Balance at 1 January 2017	63,242	277,690	20,418	105,000	466,350
Disposals	0	(3,155)	0	0	(3,155)
Balance at 31 December 2017	63,242	274,535	20,418	105,000	463,195

Depreciation & Impairment losses

Balance at 1 January 2016	60,530	195,063	18,494	0	274,087
Depreciation charge for the year	655	32,426	1,924	0	35,005
Balance at 31 December 2016	61,185	227,489	20,418	0	309,092
Balance at 1 January 2017	61,185	227,489	20,418	0	309,092
Depreciation charge for the year	645	26,252	0	0	26,897
Impairment	0	0	0	105,000	105,000
Disposals	0	(3,155)	0	0	(3,155)
Balance at 31 December 2017	61,830	250,586	20,418	105,000	437,834

Carrying amounts

At 1 January 2016	2,712	75,096	1,924	35,625	115,357
At 31 December 2016	2,057	50,201	0	105,000	157,258
At 1 January 2017	2,057	50,201	0	105,000	157,258
At 31 December 2017	1,412	23,949	0	0	25,361

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017 \$	2016 \$
9 Trade and other payables		
Trade payables to National Heart Foundation of Australia	12,286	41,470
Other payables and accrued expenses	97,925	118,418
	<u>110,211</u>	<u>159,888</u>
The carrying value of trade and other payables is equal to fair value. The Foundation's and consolidated entity's exposure to liquidity risk relates to trade and other payables is disclosed in note 16.		
10 Grants income deferred		
Balance at 1 January	140,815	157,504
Amounts received	254,481	181,604
Income taken to revenue	(189,271)	(198,293)
Balance at 31 December	<u>206,025</u>	<u>140,815</u>
The carrying value of grants income deferred is equal to fair value. The Foundation's and consolidated entity's exposure to liquidity risk relating to grants income deferred is disclosed in note 16.		
11 Employee benefits		
Aggregate liability for employee benefits including oncosts:		
Current - long service leave and annual leave	246,932	238,456
Non-current - long service leave	29,797	39,326
Total employee benefits	<u>276,729</u>	<u>277,782</u>
<i>Personnel expenses:</i>		
Wages and salaries	1,623,467	1,487,270
Contributions to superannuation plans	166,822	182,875
Total personnel expenses	<u>1,790,289</u>	<u>1,670,145</u>
Number of employees at year end (full time equivalents)	19	17

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017 \$	2016 \$
12 Reserves and Equity		
<i>Movements in reserves during the year:</i>		
Fair value (related to investments)		
Balance at beginning of year	0	(276)
Transfer to retained earnings	0	276
Balance at end of year	0	0
Specific or restricted purposes		
Balance at beginning of year	9,328	15,000
Transfer (to)/from retained earnings, representing:	27,299	(5,672)
Balance at end of year	36,627	9,328
Total Reserves Balance at year end	36,627	9,328
Retained Earnings at beginning of year	421,604	355,448
Operating Surplus	57,570	2,271,135
Net Grants to National Heart Foundation of Australia	(37,770)	(2,210,375)
Transfer from/(to) reserve	(27,299)	5,396
Retained Earnings at end of year	414,105	421,604
Total Equity at end of year	450,732	430,932

Nature and purpose of reserves**Fair value**

The fair value reserve includes the cumulative net change in the fair value of investments.

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.

Retained earnings

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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

13 Assets held in trust

The Foundation holds funds in trust to be applied for specific purposes. These funds are held in bank accounts and interest earning deposits. As no equity is held in those assets they are excluded from the financial statements.

	2017	2016
	\$	\$
Balance brought forward	293,045	320,281
Interest and funds received	10,090	15,073
Less Payments in accordance with Trust	(67,081)	(42,309)
Balance carried forward	<u>236,054</u>	<u>293,045</u>

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

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

Non executive directors

Mr T M Roberts FCA, ARITA, FAICD, FGLF
 Associate Professor M Worthley, MBBS, FRACP, PhD, FCSANZ, FACC
 Ms M Field, GAICD, CA, CTA, BBus
 Mr Andrew Cosh
 Mr Stephen Halliday BA (Journalism), GAICD
 Ms Donny Walford FAICD (resigned 19 December 2017)
 Ms Anne Young MAICD
 Associate Professor Christopher Zeitz MBBS, PhD, FRACP, FCSANZ, OSTJ
 Professor Alex Brown MBBS, PhD, MPH, FCSANZ, FRACP
 Ms Arabella Branson LLB, BCom, Grad Dip Legal Practice, MAICD, MLSSA

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 or any Division since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end.

Executive Staff

Dr A Rischbieth – Chief Executive Officer (to 13 January 2017)
 Ms Imelda Lynch – Chief Executive Officer (from 14 January 2017)
 Ms A Denton – Director Business Management
 Mr S Mosen – Director Business Development
 Ms R McKay – Director of Health

	2017	2016
	\$	\$
The compensation of key management personnel was as follows:		
Short term employee benefits	644,095	629,728
Other long term benefits (LSL)	(13,986)	1,542
Post Employment Benefits	54,107	61,121
Total	<u>684,216</u>	<u>692,391</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

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 the National Heart Foundation of Australia ("National") primarily to fund research and other health programs conducted on an Australia-wide basis. Such grants are payable under the terms of the Federation agreement between the Foundation and the National Heart Foundation of Australia ("National"). The grant payable by the Foundation is equal to its net operating surplus (payable monthly in arrears) representing the excess of income received less capital expenditure and operating expenditure (excluding depreciation). If there is a deficit from application of the above arrangement, a grant is paid by the National Heart Foundation of Australia ("National") to the Foundation. Net Grants made by the Foundation to National were as follows:

	2017	2016
	\$	\$
Net Surplus/(Deficit)	19,800	60,760
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	541,235	1,062,933
Contributions paid for purchase of services	1,313,745	3,551,096
Grants for research and other national initiatives	(37,770)	(2,210,375)

Amounts receivable and payable to non-director related parties are shown in notes 7 and 9 respectively.

15 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 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 Foundation of Australia. 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.

16 Financial instruments

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

Credit risk

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

16 Financial instruments, continued

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.

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:

16 Financial Instruments (continued)

	Notes	2017 \$	2016 \$
Financial assets			
Cash *		179,109	245,496
Cash call accounts *		645,369	506,179
Term deposits under 90 days *		0	36,582
Total cash and cash equivalents	6a	824,478	788,257
Trade and other receivables *	7	193,858	63,902
		1,018,336	852,159

* Financial assets held at cost/amortised cost

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

Impairment losses

The ageing of the Foundation's trade and other receivables at the reporting date was:

	Gross 2017	Impairment 2017	Gross 2016	Impairment 2016
Not past due	192,676	-	57,439	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	1,182	-	6,463	-
	193,858	-	63,902	-

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.

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

16 Financial Instruments (continued)

	Notes	2017 \$	2016 \$
Non derivative financial liabilities			
Trade and other payables	9	110,211	159,888
Grants income deferred	10	206,025	140,815
		316,236	300,703

Market risk

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

Interest rate risk

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

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

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

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% below. 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.

Sensitivity Analysis Disclosure

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

- A parallel shift of +1%/-1% in market interest rates (AUD) from year end rates of 1.82%

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017					2016				
	Carrying Amount/ Face Value	-1%		+1%		Carrying Amount/ Market Price	-1%		+1%	
		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Interest rate risk										
Financial assets										
Fixed rate instruments										
Term deposits-maturing within 90 days	50,198	(502)	(502)	502	502	36,582	(366)	(366)	366	366
Term deposits-maturing beyond 90 days	0	0	0	0	0	0	0	0	0	0
Variable rate instruments										
Cash at bank	179,109	(1,791)	(1,791)	1,791	1,791	245,496	(2,455)	(2,455)	2,455	2,455
Cash call accounts	595,171	(5,952)	(5,952)	5,952	5,952	506,179	(5,062)	(5,062)	5,062	5,062
Total increase/(decrease)	824,478	(8,245)	(8,245)	8,245	8,245	788,257	(7,883)	(7,883)	7,883	7,883

16 Financial Instruments (continued)**Other market price risk**

Equity price risk arises from any fair value equity securities held by the Foundation as part of managing the investment of available funds. Equity securities are designated at fair value through other comprehensive income and their performance is actively monitored and managed on a fair value basis. There would be no impact on surplus/(deficit) due to valuation changes as the resultant gain or loss is recognised directly in other comprehensive income.

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

Operational risk

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

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

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

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



Independent Auditor's Report

To the members of the National Heart Foundation of Australia (South Australian Division) Inc.

Qualified Opinion

We have audited the **Financial Report**, of the National Heart Foundation of Australia (South Australian Division) Inc. ("the Association").

In our opinion except for the possible effects of the matter described in the basis for qualified opinion paragraph, the accompanying **Financial Report** of the Association presents fairly, in all material respects the Association's financial position as at 31 December 2017, and of its financial performance and its cash flows for the year ended on that date:

- (i) in accordance with the *Australian Charities and Not-for-profits Commission (ACNC) Act 2072*, and the *Associations Incorporation Act 1985 (as amended)*; and
- (ii) in compliance with *Australian Accounting Standards* and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- (i) Statement of Financial Position as at 31 December 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 and other explanatory information.
- (iv) Directors' Declaration.

Basis for Qualified opinion

Charitable support (non-bequest) revenue is a significant source of fundraising revenue for the National Heart Foundation of Australia (South Australian Division) Inc. The Association has determined that it is impracticable to establish controls over the collection of charitable support (non-bequest) 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 support (non-bequest) 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 support (non-bequest) revenue to the Association, 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 Association, are not appropriate given the size and nature of the Association.

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

Other Information

Other Information is financial and non-financial information in the Association's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors' Report, listings of Directors and Office Bearers, Bequests and Sponsorships. The Directors are responsible for the Other Information.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- (i) Preparing a fairly presented Financial Report in accordance with *Australian Accounting Standards* and the ACNC.
- (ii) Preparing the Financial Report in accordance with the *Associations Incorporation Act 1985 (as amended)*.
- (iii) Implementing necessary internal control to enable the preparation of a Financial Report that is presented fairly and is free from material misstatement, whether due to fraud or error.
- (iv) Assessing the Association'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 Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

Our responsibilities include:

- (i) Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.
- (ii) Designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (iii) Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.
- (iv) Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (v) Concluding on the appropriateness of the Director's 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 Association'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 Association to cease to continue as a going concern.



- (vi) Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'L. Snowdon', with a long horizontal stroke extending to the right.

Luke Snowdon

Director

Adelaide

20 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