

# ANNUAL REPORT + FINANCIAL STATEMENTS 2017

National Heart Foundation of Australia  
(Northern Territory Division)

ABN 48 842 342 239

For the year ended 31 December 2017



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## **Directors and Office Bearers**

### **Patron**

His Honour the Honourable John Hardy, AM, Administrator of the Northern Territory

### **Board of Directors**

President	Dr Marcus Ilton, MBBS, FRACP
Vice President	Vacant
Treasurer	Ms Hayley Richards, BComm (Economics)
Secretary	Ms Inta Tumuls, LLB (Hons) Grad Dip Legal Practice, BSc, Dip Ed, Grad Cert Management

### **Directors**

Ms Lee Oliver  
Mr Lee Morgan, Assoc Diploma Natural Resources  
Professor Alan, Cass BA, MBBS, Grad Dip Clinical Epidemiology, FRACP, PhD  
Ms Joanne Fry  
Mr Robert Kendrick  
Mayor Damien Ryan  
Professor James Smith, BAppSc Hons, BEd, GCPH, PhD FAHPA MAICD  
Mr Ashley Heath

### **Chief Executive Officer**

Mr Simon Dixon

### **Auditors**

KPMG

### **Registered Office**

Level 3  
21 Knuckey Street  
Darwin, NT 0800

### **Postal Address**

GPO Box 4363  
Darwin  
NT 0801

## Directors' Report

for the year ended 31 December 2017

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

### Directors

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

Name and qualifications	Board meetings attended and held	Appointment & resignation
Dr Marcus Ilton, MBBS, FRACP	6 / 6	Appointed 1998
Ms Hayley Richards, BComm (Economics)	4 / 6	Appointed 2012
Ms Lee Oliver	5 / 6	Appointed 2011
Mr Lee Morgan Assoc Diploma Natural Resources	3 / 6	Appointed 2013
Prof Alan Cass BA, MBBS, Grad Dip Clinical Epidemiology, FRACP, PhD	5 / 6	Appointed 2013
Ms Joanne Fry	5 / 6	Appointed 2015
Mr Robert Kendrick	5 / 6	Appointed 2015
Ms Inta Tumuls, LLB (Hons) Grad Dip Legal Practice, BSc, Dip Ed, Grad Cert Management	1 / 6	Resigned 2017
Professor James Smith, BAppSc Hons, BEd, GCPH, PhD FAHPA MAICD	5 / 6	Appointed 2017
Mr Ashley Heath	5 / 6	Appointed 2017
Mayor Damien Ryan	3 / 6	Appointed 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 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.

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

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## Oversight by the Board

The Board oversees and monitors the performance of management by:

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

## 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 seven directors
- No employees of the Foundation, including the CEO, can be a director of the Foundation

The Board ensures it is well equipped with skills and expertise relevant to the Foundation's activities to make it a stable and effective governing body.

The current Board's qualifications appear on page 3. 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.

## 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.

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

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### **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.

### **Financial Operating Activities**

The Foundation in the Northern Territory continues to operate in an increasingly challenging financial environment. Changes at both the Territory and Commonwealth levels of government have seen tighter controls on grant spending across the Territory compared to previous years. As a result, the Northern Territory Division has been unable to secure further grant income over the 2017 period. The transformation process being undertaken by the National Heart Foundation has also seen the implementation of a national fundraising strategy, including a corporate relations strategy, limiting the potential for local corporate engagement. Several national corporate relations partnerships have not delivered financial outcomes for the Northern Territory. These conditions have resulted in the Northern Territory Division returning to its longer term subsidised position. The division will continue to pursue grant funding to support the delivery of programs throughout 2018 and beyond.

### **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

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

- Unprompted awareness of the Heart Foundation
- Interaction with the Heart Foundation for information about physical activity
- The Heart Foundation as a respected organisation
- Awareness of atypical heart attack symptoms.

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

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## **Review of Results and Operations for Current Year**

### **Highlights in 2017**

#### **Move for Heart**

This year saw the growth of the Move for Heart (M4H) program, which transitioned into a new phase through an additional partnership with Volleyball Northern Territory. The overarching aim of the program is to encourage physical activity of Territorians through social group sports. Two events took place throughout 2017, volleyball and touch football. Overall the Heart Foundation Northern Territory engaged with 129 participants who report enjoying the opportunity to be more active in a fun and engaging way. This program has also provided opportunities for future corporate sponsorship arrangements.

#### **Cardiac Care in the NT**

The Cardiac Care in the NT workshops were established in response to health professional feedback in relation to the lack on ongoing professional development opportunities relating to the continuum of cardiac care. This year saw the inaugural Alice Springs workshop. Both the Darwin and Alice Springs workshops engaged local health experts and presenters to deliver targeted cardiac education and networking opportunities to 90 participants.

Both workshops were evaluated favourably by both presenters and attendees.

#### **Ambassador Program**

The second year of the Health Ambassador program in the Northern Territory saw the Heart Foundation expanding its work in Central Australia. This year the program welcomed a wide variety of 20 health professionals with the aim of increasing their knowledge of the Heart Foundation and its available resources. These ambassadors learn to implement practical ways to improve cardiac care and serve as a vital connection between the Heart Foundation and the patients they care for throughout the Northern Territory. All participants reported they would be likely or extremely likely to use the information they had gained from the program in their practice.

#### **Smoke Free NT Advocacy**

Throughout 2017 the Heart Foundation Northern Territory advocated strongly for changes to the Tobacco Control Act. In 2017 the Northern Territory Government was again awarded the Dirty Ashtray Award for the second year running. The Dirty Ash Tray is nationally awarded by the Australian Medical Association for the state or territory with the worst performance on tobacco control.

The Northern Territory continues to lag behind all other states and territories in terms of positive and effective action on reducing the impact of tobacco on the community. The Northern Territory continues to have the highest rates of tobacco use in Australia, with little change. To coincide with this announcement the Heart Foundation partnered with members of the Good Health Alliance of the Northern Territory (GHANT) to undertake a short campaign on World No Tobacco Day, urging the Government change the legislation and improve smoke free spaces and places across the Northern Territory. Throughout the rest of 2017, the Heart Foundation continued to lobby the Government to strengthen and improve the Tobacco Control Act through responses to the Tobacco Action Plan, and regular meetings with the Department of Health and the Minister to progress this agenda. We hope to see some of these changes come to fruition in 2018.

#### **Heart Week 2017**

The theme for Heart week 2017 was Hypertension with the introduction of the new National Hypertension Guidelines. Throughout the month of May, Heart Foundation Staff travelled to across the Northern Territory to deliver the Heart Foundation Hypertension Guidelines workshops to health staff. The aim of these workshops was to improve the knowledge on the identification, management and treatment of hypertension. Over 250 health professionals attended education sessions in Darwin, Palmerston, Katherine, Alice Springs and Tennant Creek.

#### **Fundraising Activities**

The board took the decision to continue with a local fundraising presence in 2017 throughout the period of transformation to support national fundraising programs locally. This helped develop an evidence base to support decisions under the Unified Heart Foundation should members agree to proceed. The introduction of MyMarathon in 2017 achieved the highest average donations and recruited 547% of its allocated population-income target. The Northern Territory also continued to support Jump Rope for Heart and Big Heart Appeal through local activation throughout the transformation process. The Northern Territory market presented challenges for the Heart Foundation with a small population base in which to fundraise along with a crowded not-for profit sector.

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

## Review of Results and Operations for Past Five Years

Set out below is a comparative table of income & expenditure and assets & liabilities for the past five years, including relevant ratios. Charitable support from the general public is obtained in an increasingly competitive charity climate.

	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income &amp; Expenditure</b>					
Charitable support - non-bequests	137	165	180	242	235
<b>Fundraising income</b>	137	165	180	242	235
Investment income	2	6	17	28	19
Government non-reciprocal grants	64	63	62	62	53
Grants for specific health programs	84	352	854	1,293	618
Other income	41	4	1	1	0
<b>Total income</b>	328	590	1,114	1,625	926
Less: Fundraising expenditure	-233	-237	-70	-78	-82
Communications & administration	-159	-273	-161	-205	-238
<b>Surplus available for health programs &amp; research</b>	-64	80	883	1,342	606
Health programs conducted locally	-773	-935	-1,469	-1,488	-1,083
Contributions from National for health programs & research	827	874	581	129	465
<b>Balance added to/(deducted from) equity</b>	-10	19	-4	-17	-12
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Ratios:</b>		%	%	%	%
Fundraising expenditure to fundraising income	170%	144%	39%	32%	35%
Surplus from fundraising to fundraising income	-70%	-44%	61%	68%	65%
Surplus available for health programs & research to total income	-20%	14%	79%	83%	65%
Expenditure on health programs and research to total income	-16%	10%	80%	84%	67%
Expenditure on health programs and research to total expenditure	-16%	11%	79%	83%	66%
Annual increase in expenditure on health programs & research	-189%	-93%	-35%	120%	518%
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Assets &amp; Liabilities</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash & cash equivalents	195	287	1,035	1,298	1,292
Property and equipment	3	4	11	19	26
Other assets	100	85	40	19	523
<b>Total assets</b>	299	376	1,087	1,336	1,841
Total liabilities	-224	-292	-1,021	-1,266	-1,755
<b>Total equity</b>	75	85	65	69	86

## 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 National Heart Foundation of Australia (Northern Territory Division) 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 National Heart Foundation of Australia (Northern Territory Division) in such amounts from time to time sufficient to permit National Heart Foundation of Australia (Northern Territory Division) to pay its debts as and when they fall due, until National Heart Foundation of Australia (Northern Territory Division) 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 National Heart Foundation of Australia (Northern Territory Division) is signed.



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

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**Likely developments**

Should unification proceed the National Heart Foundation of Australia (Northern Territory Division) will alter its Constitution such that the National entity will become the sole member, or one of the requirement minimum number of members. Unification is planned to begin on 1 July 2018 and the National entity will become the principle trading entity post-unification.

The operations of the National Heart Foundation of Australia (Northern Territory Division) 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 31 December 2017 financial report of the 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.

**Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 29 and forms part of the directors' report for financial year 2017

Signed in accordance with a resolution of the Directors.



Dr Marcus Ilton  
President



Hayley Richards  
Treasurer

Dated at Darwin this 30th day of April 2018

**Directors' Declaration**  
for the year ended 31 December 2017

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

- (a) the financial statements and notes, set out on pages 10 to 27, are in accordance with the Australian Charities and Not-For-Profits Commission Act 2012 and Corporations Act 2001, including:
  - (i) giving a true and fair view of the Foundations 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 and Division 60 of 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.



Dr Marcus Ilton  
President



Hayley Richards  
Treasurer

Dated at Darwin this 30th day of April 2018

**Statement of surplus or deficit and other comprehensive income**  
for the year ended 31 December 2017

		<b>The Foundation</b>	
		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>	<b>Notes</b>		
Revenue from operating activities	4	326,329	584,484
<b>Total revenue</b>		<b>326,329</b>	<b>584,484</b>
Net gain/(loss) on sale of property, plant and equipment		(378)	0
Health programs (including those funded by grants)		(773,280)	(934,683)
Fundraising		(232,964)	(237,284)
Communications and publicity		(21,364)	(74,981)
Administration		(137,627)	(198,235)
<b>Results from Operating activities</b>		<b>(839,284)</b>	<b>(860,700)</b>
Finance income		2,163	6,991
Finance costs		0	(946)
<b>Net Finance income/(cost)</b>	6	<b>2,163</b>	<b>6,045</b>
<b>Net Surplus/(deficit)</b>		<b>(837,121)</b>	<b>(854,653)</b>
<b>Net Grants to National Heart Foundation of Australia</b>		<b>827,440</b>	<b>874,071</b>
<b>Surplus/(deficit) for the year before tax</b>		<b>(9,681)</b>	<b>19,418</b>
Income tax expense	3c	0	0
<b>Surplus/(deficit) for the year after tax</b>		<b>(9,681)</b>	<b>19,418</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>(9,681)</b>	<b>19,418</b>

**Statement of financial position**  
for the year ended 31 December 2017

		<b>The Foundation</b>	
		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Notes</b>			
	<b>Current assets</b>		
	Cash and cash equivalents	195,276	286,589
	Trade and other receivables	100,277	84,951
	<b>Total current assets</b>	<b>295,553</b>	<b>371,540</b>
	<b>Non-current assets</b>		
	Property, Plant, equipment and vehicles	3,269	4,842
	<b>Total non-current assets</b>	<b>3,269</b>	<b>4,842</b>
	<b>Total assets</b>	<b>298,822</b>	<b>376,382</b>
	<b>Current liabilities</b>		
	Trade and other payables	56,748	18,334
	Grants income deferred	139,348	253,670
	Employee benefits	19,461	15,885
	<b>Total current liabilities</b>	<b>215,557</b>	<b>287,889</b>
	<b>Non-current liabilities</b>		
	Employee benefits	8,214	3,761
	<b>Total non-current liabilities</b>	<b>8,214</b>	<b>3,761</b>
	<b>Total liabilities</b>	<b>223,771</b>	<b>291,650</b>
	<b>Net assets</b>	<b>75,051</b>	<b>84,732</b>
	<b>Equity</b>		
	Retained earnings	75,051	84,732
	<b>Total equity</b>	<b>75,051</b>	<b>84,732</b>

**Statement of changes in equity**  
as at 31 December 2017

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	<b>The Foundation</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Balance of Equity as at 1 January</b>	84,732	65,314
<b>Comprehensive income for the period</b>		
Surplus/(Deficit)	(9,681)	19,418
<b>Total comprehensive income/(loss) for the period</b>	<b>(9,681)</b>	<b>19,418</b>
<b>Balance of Equity as at 31 December</b>	<b>75,051</b>	<b>84,732</b>

**Statement of cash flows**

for the year ended 31 December 2017

		<b>The Foundation</b>	
		<b>2017</b>	<b>2016</b>
<b>Notes</b>		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
	Cash receipts in the course of operations	248,631	54,541
	Cash payments in the course of operations	(925,687)	(1,282,944)
	Net grants made to National Heart Foundation of Australia	582,918	470,213
	Net financial income	2,765	10,268
	<b>Net cash from operating activities</b>	<b>(91,373)</b>	<b>(747,922)</b>
7b			
<b>Cash flows from investing activities</b>			
	Acquisition of property, equipment, vehicles and computer software	60	0
	<b>Net cash from investing activities</b>	<b>60</b>	<b>0</b>
	<b>Net increase in cash and cash equivalents</b>	<b>(91,313)</b>	<b>(747,922)</b>
	Cash and cash equivalents at 1 January	286,589	1,034,511
7a	<b>Cash and cash equivalents at 31 December</b>	<b>195,276</b>	<b>286,589</b>

**Notes to the Financial Statements**  
for the year ended 31 December 2017

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**1 Reporting entity**

The National Heart Foundation of Australia (Northern Territory Division) (the "Foundation") (ABN: 48 842 342 239) is a company domiciled in Australia. The address of the Foundation's registered office is Level 3, Darwin Central Offices, 21 Knuckey Street, Darwin NT 0800. The Foundation is a not for profit charity, incorporated under the Corporations Act 2001 and registered under the Australian Charities and Not-For-Profits Commission, devoted to reducing suffering and death from heart, stroke and blood vessel disease in Australia.

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**2 Basis of preparation**

**(a) Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), Corporations Act 2001 and the Australian Charities and Not-For-Profits Commission Act 2012. The financial report was authorised for issue by the directors on 30<sup>th</sup> April 2018.

**(b) Basis of measurement**

The financial report is prepared on the historical cost basis.

**(c) Functional and presentation currency**

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

**(d) Use of estimates and judgements**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected.

*Significant accounting judgments*

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) 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.

**(e) Changes in accounting policies**

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

**Notes to the Financial Statements**  
for the year ended 31 December 2017

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**3 Significant accounting policies**

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

**(a) Revenue recognition**

- (I) Charitable support  
Revenue is received from appeals, donations, fundraising events and bequests and is brought to account on a cash received basis. When assets, such as investments or properties, are received from a bequest or donation, an asset is recognised, at fair value, when the Foundation gains control of such assets and the value of the asset can be reliably measured.
- (II) Interest 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 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.
- (IV) Sale of goods  
Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. Revenue from the sale of goods is recognised when control of the goods passes to the customer.
- (V) Services of volunteers  
A substantial number of volunteers, including directors and members of committees, donate a significant amount of their time to the activities of the Foundation. School children across the Northern Territory also supported the Foundation by participating and raising funds through the Jump Rope for Heart program. In total this involved over 6,137 children and 29 schools and groups throughout the Northern Territory. The Foundation's door knock program successfully recruited 42 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 Australian Taxation Office ("ATO") is included as a current asset or current liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis.

The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**(c) Income Tax**

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

**(d) Inventories**

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



**Notes to the Financial Statements**  
for the year ended 31 December 2017

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**3 Significant accounting policies (continued)**

**(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 deficit after tax for the Foundation for the year ended 31 December 2017 amounted to \$9,681 (2016: Surplus of \$19,418). At 31 December 2017, the Foundation had net current assets of \$298,822 (2016: net current assets \$376,382) and net assets of \$75,051 (2016: \$84,732). 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 National Heart Foundation of Australia (Northern Territory Division) or wind up National Heart Foundation of Australia (Northern Territory Division), substantial trading activities, assets and liabilities are expected to be transferred to the unified entity. However, this transition may take some time therefore the National Heart Foundation of Australia (Northern Territory Division), 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 National Heart Foundation of Australia (Northern Territory Division) 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 National Heart Foundation of Australia (Northern Territory Division) and will assist in ensuring there is an orderly transition of existing commercial arrangements between the National Entity and the National Heart Foundation of Australia (Northern Territory Division).

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 National Heart Foundation of Australia (Northern Territory Division) 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 National Heart Foundation of Australia (Northern Territory Division) are signed.

**(f) Property and equipment**

**(I) Recognition and measurement**

Items of property, equipment and vehicles are measured at cost less accumulated depreciation and impairment losses. 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

Depreciation methods, remaining useful lives and the residual values of individual assets, if significant, are reviewed at each reporting date.

**Notes to the Financial Statements**  
for the year ended 31 December 2017

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**3 Significant accounting policies (continued)**

**(g) Leased assets including property and equipment**

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

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

*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.

**(h) Financial Instruments**

**(I) 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 costs using the effective interest method, less any impairment losses.

***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.

**(i) Impairment**

**(I) Non-derivative financial assets including receivables**

Each financial asset apart from those classified at fair value through other comprehensive income is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount by the Foundation on terms that the Foundation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

**(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.

**Notes to the Financial Statements** (continued)  
for the year ended 31 December 2017

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**3 Significant accounting policies (continued)**

(III) Calculation of recoverable amount

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

**(j) Employee Benefits**

(I) Short term benefits

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

(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 national government securities which closely match the terms to maturity of the related liabilities: 2017: 3.81% (2016: 2.79%)
- expected settlement dates for annual leave 2017: 2 years (2016: 2 years)
- expected settlement dates for long service leave based on turnover history: 2017: 10 years (2016: 10 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.

**(k) Provisions**

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

**(l) Segment reporting**

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

**(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

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**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 18 Financial Instruments.

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

*Capital management*

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

*Economic dependency*

The National Heart Foundation of Australia ("National") and the state and territory Divisions operate as a co-operative federation. Virtually all revenue from charitable support is received by the Divisions. However, most expenditure on research and certain health programs is spent by the National Foundation. The National 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.

**(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 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 wither 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

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**3 Significant accounting policies (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.

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

**(p) Determination of fair values**

A number of the Foundations' accounting policies and disclosures required the determination of fair value. Fair Values have been determined for measurement and/or disclosure purposes based on the following methods;

- (I) Equity and debt securities  
The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.
- (II) Trade and other receivables  
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.
- (III) Property, 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

	<b>The Foundation</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>4 Revenue from operating activities</b>		
Charitable support - non-bequests	137,417	164,897
<i>Total revenue from fundraising activities</i>	137,417	164,897
Government non-reciprocal grants	63,794	62,851
Grants for specific health programs - Government	59,353	352,487
Grants for specific health programs and research - other	24,850	0
Other	40,915	4,249
<i>Total revenue from other operating activities</i>	188,912	419,587
<b>Total revenue from operating activities</b>	<b>326,329</b>	<b>584,484</b>

<b>5 Auditors' remuneration</b>		
KPMG Australia: Audit services	6,731	11,337
KPMG Australia: Other services	2,626	3,075
	<b>9,357</b>	<b>14,412</b>

<b>6 Finance income and costs</b>		
<b>Recognised in Surplus/(Deficit)</b>		
Interest income	2,163	6,991
<b>Finance income</b>	<b>2,163</b>	<b>6,991</b>
<b>Finance costs</b>	<b>0</b>	<b>946</b>
<b>Net finance income and costs recognised in Surplus/(Deficit)</b>	<b>2,163</b>	<b>6,045</b>

<b>7a Cash and cash equivalents</b>		
Cash and cash equivalents include bank accounts and short term deposits maturing within 90 days paying interest rates of 0.0% to 2% (2016: 0.01% to 5.87%)	195,276	286,589
	<b>195,276</b>	<b>286,589</b>

The Foundation's exposure to interest rate risk for financial assets and liabilities are disclosed in note 18. The carrying value of cash and cash equivalents is equal to fair value.

**Notes to the Financial Statements (continued)**  
for the year ended 31 December 2017

	<b>The Foundation</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>7b Reconciliation of cash flows from operating activities</b>		
<b>Net surplus / (deficit) from ordinary activities</b>	<b>(9,681)</b>	<b>19,418</b>
Adjustments for:-		
Depreciation/Amortisation	1,135	5,990
Net loss/(gain) on disposal of property, equipment and vehicles	378	0
<b>Net cash from operating activities before changes in working capital and provisions</b>	<b>(8,168)</b>	<b>25,408</b>
(Increase)/decrease in receivables	(15,326)	(43,517)
Increase/(decrease) in payables	83,353	34,461
Increase/(decrease) in Federation Agreement grants	(44,939)	(114,231)
Increase/(decrease) in grants income deferred	(114,322)	(661,285)
Increase/(decrease) in employee benefits	8,029	11,242
<b>Net cash from operating activities</b>	<b>(91,373)</b>	<b>(747,922)</b>

**8 Trade and other receivables**

Trade receivables owing by other National Heart Foundation divisions	0	32,341
Trade receivables owing by National Heart Foundation of Australia (National)	93,107	44,241
Other receivables and prepayments	7,170	8,369
	<b>100,277</b>	<b>84,951</b>

The carrying value of trade and other receivables is equal to fair value. The Foundation's exposure to credit risk relating to trade and other receivables is disclosed in note 18.



**Notes to the Financial Statements (continued)**  
for the year ended 31 December 2017

**9 Property, Plant and Equipment**

	<b>Leasehold improvements</b>	<b>Office furniture &amp; equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>

Balance at 1 January 2016	52,000	41,559	93,559
Acquisitions	0	0	0
Disposals	0	0	0
Balance at 31 December 2016	52,000	41,559	93,559

Balance at 1 January 2017	52,000	41,559	93,559
Acquisitions	0	0	0
Disposals	0	(5,608)	(5,608)
Balance at 31 December 2017	52,000	35,951	87,951

**Depreciation & Impairment losses**

Balance at 1 January 2016	47,185	35,543	82,728
Depreciation charge for the year	4,815	1,174	5,989
Disposals	0	0	0
Balance at 31 December 2016	52,000	36,717	88,717

Balance at 1 January 2017	52,000	36,717	88,717
Depreciation charge for the year	0	1,135	1,135
Disposals	0	(5,170)	(5,170)
Balance at 31 December 2017	52,000	32,682	84,682

**Carrying amounts**

At 1 January 2016	4,815	6,016	10,831
At 31 December 2016	0	4,842	4,842

At 1 January 2017	0	4,842	4,842
At 31 December 2017	0	3,269	3,269



**Notes to the Financial Statements (continued)**  
for the year ended 31 December 2017

	<b>The Foundation</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>10 Trade and other payables</b>		
Trade payables to National Heart Foundation of Australia	21,698	0
Trade payables to other National Heart Foundation divisions	0	3,199
Other payables and accrued expenses	35,050	15,135
	<b>56,748</b>	<b>18,334</b>

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 18.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>11 Grants income deferred</b>		
Balance at 1 January	253,670	914,955
Amounts received	(30,119)	(308,797)
Income taken to revenue	(84,203)	(352,488)
Balance at 31 December	<b>139,348</b>	<b>253,670</b>

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 18.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>12 Employee benefits</b>		
Aggregate liability for employee benefits including oncosts:		
Current - long service leave and annual leave	19,461	15,885
Non-current - long service leave	8,214	3,761
Total employee benefits	<b>27,675</b>	<b>19,646</b>
<i>Personnel expenses:</i>		
Wages and salaries	640,093	639,654
Contributions to superannuation plans	45,945	46,261
Total personnel expenses	<b>686,038</b>	<b>685,915</b>
Number of employees at year end (full time equivalents)	<b>8</b>	<b>7</b>

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>13 Reserves and Equity</b>		
<b>Retained Earnings at beginning of year</b>	<b>84,732</b>	<b>65,314</b>
<b>Total Equity at beginning of year</b>	<b>84,732</b>	<b>65,314</b>
Operating Surplus/(deficit)	(837,121)	(854,653)
Net Grants to National Heart Foundation of Australia	827,440	874,071
Other Comprehensive Income	0	0
<b>Total Equity at end of year</b>	<b>75,051</b>	<b>84,732</b>

**Notes to the Financial Statements (continued)**  
for the year ended 31 December 2017

**14 Operating leases as lessee**

Non-cancellable operating lease rentals are payable as follows:  
Less than one year

<b>The Foundation</b>	
<b>2017</b>	<b>2016</b>
<b>\$</b>	<b>\$</b>
0	2,322
<b>0</b>	<b>2,322</b>
Expenditure in the period was as follows:	
Office equipment	3,096
Office space	63,794
	<b>66,890</b>
	<b>65,947</b>

The Foundation receives a rental lease benefit from the NT Government in respect to the office space occupied at the Darwin Central Building in Darwin city. The rental lease benefit commenced on 1 July 2004. The Department of Health approved the renewal of the lease for a further five years commencing 1 July 2015.

**15 Incorporation of Foundation**

The National Heart Foundation (Northern Territory) is a company limited by guarantee, incorporated under the Corporations Act 2001.

**16 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**

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 Simon Dixon - CEO

Ms Breanna Ellis - Cardiovascular Health Director

The compensation of the key management personnel was as follows

Short term employee benefits  
Other long term benefits  
Total

<b>2017</b>	<b>2016</b>
<b>\$</b>	<b>\$</b>
<b>260,409</b>	<b>247,772</b>
<b>3,486</b>	
<b>263,895</b>	<b>247,772</b>

**Other related parties**

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

**Notes to the Financial Statements (continued)**  
for the year ended 31 December 2017

**16 Related Parties (continued)**

	<b>The Foundation</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Net Surplus/(Deficit)</b>	(837,121)	(854,653)
Net Grants (Received)	827,440	874,071

Amounts receivable and payable to non-director related parties are shown in notes 8 and 10 respectively.

**17 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 National Heart Foundation (Northern Territory Division) 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 National Heart Foundation (Northern Territory Division) in such amounts from time to time sufficient to permit National Heart Foundation (Northern Territory Division) to pay its debts as and when they fall due, until National Heart Foundation (Northern Territory Division), 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 National Heart Foundation (Northern Territory Division) is signed.

**18 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 and investments. Exposure to credit risk is monitored by management on an ongoing basis. The Foundation does not require collateral in respect to 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.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was only Australia.

**18 Financial Instruments**

	<b>Notes</b>	<b>The Foundation</b>	
		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Financial assets</b>			
Cash *		54,162	132,606
Cash call accounts *		141,114	153,983
Total cash and cash equivalents	7a	195,276	286,589
Trade and other receivables *	8	100,277	84,951
		<b>295,553</b>	<b>371,540</b>

**Notes to the Financial Statements (continued)**  
for the year ended 31 December 2017

**18 Financial instruments (continued)**

**Impairment losses from trade receivables**

None of the Foundations trade receivables are past due (2016, nil). Based on receivables history, the Foundation believes that no further impairment allowance is necessary in respect of trade receivables.

**Liquidity risk**

Liquidity risk is the risk that the Foundation 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	The Foundation	
		2017 \$	2016 \$
<b>Non derivative financial liabilities</b>			
Trade and other payables	10	56,748	18,334
Grants income deferred	11	139,348	253,670
		<u>196,096</u>	<u>272,004</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 and/or Divisions income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the Board.

**Interest rate risk**

The Foundation has limited exposure to interest rate risk as it does not have borrowings or fixed rate debt securities that would change in their fair value due to changes in interest rates. The Foundation's exposure to this risk is controlled by ensuring that cash securities are limited to short dated bank bills no longer than 90 days.

Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk. The exposure to interest rate risk for financial assets and liabilities at the reporting date are shown below in the Sensitivity Analysis Disclosure on page 28.

*Fair value sensitivity analysis for fixed rate instruments*

The surplus/(deficit) would be affected by changes in the fixed interest rate as shown in the Sensitivity Disclosure Analysis. The analysis assumes all other variables remain constant. The analysis is performed using a change of 1% on page 28. The analysis is performed on the same basis as that used in 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 Foundations and/or Divisions processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all the Foundations operations.

**Notes to the Financial Statements (continued)**  
for the year ended 31 December 2017

**18 Financial instruments (continued)**

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

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

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

*Sensitivity Analysis Disclosure*

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

- A parallel shift of +1%/-1% in market interest rates (AUD) from year end rates of 1.5% (2016: 1.5%)

	2017		Carrying Amount/ Market Price	2016			
	-1%	+1%		-1%	+1%		
Interest rate risk	Equity	Surplus/ (Deficit)		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>							
<i>Variable rate instruments</i>							
Cash at bank	(542)	542	132,606	(1,326)	(1,326)	1,326	1,326
Cash call accounts	(1,411)	1,411	153,983	(1,540)	(1,540)	1,540	1,540
<b>Total increase/(decrease)</b>	(1,953)	1,953		(2,866)	(2,866)	2,866	2,866



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of National Heart Foundation of Australia (Northern Territory Division)

I declare that, to the best of my knowledge and belief, in relation to the audit of National Heart Foundation of Australia (Northern Territory Division) for the period ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

David Howie  
Partner

Darwin  
30 April 2018

# Independent Auditor's Report

To the members of National Heart Foundation of Australia – Northern Territory Division

## Report on the audit of the Financial Report

### Opinion

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

In our opinion, the accompanying **Financial Report** of the Foundation is in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-Profit Commission Act 2012*, including:

- giving a true and fair view of the Foundation's financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards*, the *Corporations Regulations 2001* and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- Statement of financial position as at 31 December 2017.
- Statement of surplus or deficit and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies.
- Directors' declaration.

### Basis for opinion

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 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 *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



## Other Information

Other Information is financial and non-financial information in the Foundation's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. [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' report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or 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 that 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 we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards*, the *Corporations Act 2001* and the *Australian Charities and Not-for-Profit Commission Act 2012*
- 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
- assessing the Foundation's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the 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:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- 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.



A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.

KPMG.  
KPMG  
  
David Howie  
Partner

Darwin  
30 April 2018



**Heart Foundation Helpline: 13 11 12**  
[heartfoundation.org.au](http://heartfoundation.org.au)

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