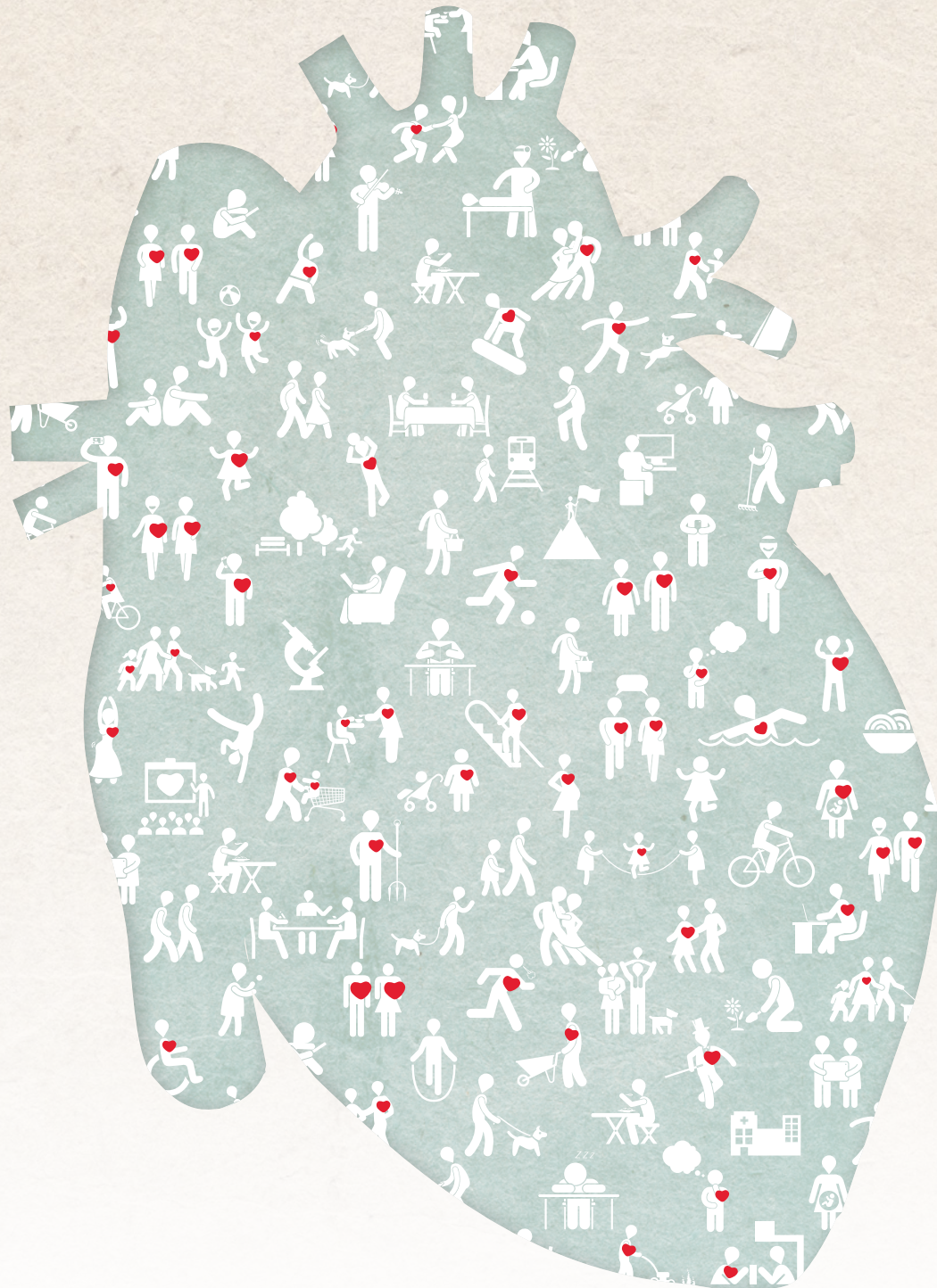


ANNUAL REPORT 2014



+ FINANCIAL STATEMENTS

National Heart Foundation of Australia
(South Australian Division) Incorporated ABN 70 140 886 652
For the year ended 31 December 2014



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Directors and Office Bearers

Patron His Excellency Rear Admiral the Honourable Kevin Scarce AC
CSC RANR (to 1 September 2014)
His Excellency the Honourable Hieu Van Le AO
Governor of South Australia (from 1 September 2014)

Board of Directors

President Mr F Lancione LLM, LLB, BA, GDLP

Vice President Hon J Olsen, AO (to 19 May 2014)
Ms M Field, CA, BBus (from 19 May 2014)

Vice President and Treasurer Mr T M Roberts FCA, IPAA, FAICD, SAFIN, FGLF

Directors Dr M Arstall, MBBS, PhD, FRACP, FCSAZ
Associate Professor J Knight, FRACS, FRCS(C), FACS
Mrs Corinne Namblard

Representative of the Cardiac Society of Australia and New Zealand Associate Professor M Worthley, MBBS, FRACP, PhD

Members at Large Mr R H Allert
Prof P E Aylward
Mr B J Carter
Dr R J Craig
Ms J Grieve
Dr P Hetzel
Mr R D Hastwell
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

Public Officer Ms A M Denton BBus

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 2014

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 2014 and 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 #	Appointment and resignation
Mr Frank Lancione LLM, LLB, BA, GDLP	Solicitor for more than 28 years and is active in Corporate Governance, Private Wealth Management, Dispute Resolution and Corporate Recovery. He is President of the Heart Foundation in South Australia and sits on the National Heart Foundation of Australia Board and National Audit and Governance Committee.	6/6	Appointed September 2004
Mr Todd Roberts FCA, IPAA, MAICD, SAFIN, FGLF	A Corporate banker with the Commonwealth Bank of Australia and has been a Chartered Accountant for over 14 years. Holds a number of Community positions and sits on the National Heart Foundation of Australia Board as Treasurer.	6/6	Appointed May 2010
Honourable John Olsen AO	Concluded three year appointment as Consul General in New York in April 2009 following an appointment as Consul General in Los Angeles from 2002 to 2006. Served as Premier of South Australia from November 1996 to October 2001.	2/2	Appointed May 2012 Resigned May 2014
Ms Megan Field CA, 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.	4/6	Appointed May 2010
Dr Margaret Arstall MBBS, PhD, FRACP, FCSANZ	Director of Cardiology at the Northern Adelaide Local Health Network and Associate Professor with the University of Adelaide. Established an academic cardiology unit at NALHN with a strong emphasis on evidence-based systems of care, teaching and research. Her research interests include heart disease in women and heart failure management.	3/6	Appointed May 2003
Associate Professor John Knight , FRACS, FRCS(C), FACS	A cardiothoracic surgeon and previous head of Cardiothoracic Surgery and Cardiac Services, Flinders Medical centre. Widely published regarding a variety of cardiac surgical issues, he is a past president of the Australasian Society of Cardiothoracic Surgery, and International Society for Minimally Invasive Cardiothoracic Surgery.	5/6	Appointed May 2000
Corinne Namblard	Investment Banking and Private Equity background. CEO of Infra & P.E Advisory. Member of UNISA Council. Former Chair of the UN PPP Alliance. Expert on Infrastructure Finance for the European Commission. Former Board Member of Flinders Ports, Qantas Airways, Codan Ltd and South Australian Economic Development Board.	4/6	Appointed July 2013
Associate Professor Matthew Worthley , MBBS, FRACP, PhD, FCSANZ, FACC	Interventional Cardiologist at the Royal Adelaide Hospital and The University of Adelaide. Currently holds a 5 year practitioner fellowship administered by the South Australian government and supervises many research students in the area of vascular dynamic function.	5/6	Appointed May 2011

Directors' Report (continued) for the year ended 31 December 2014

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 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 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. 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 2014

PRINCIPAL ACTIVITIES AND ACHIEVEMENT OF OBJECTIVES

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

SHORT AND LONG TERM OBJECTIVES AND STRATEGIES FOR ACHIEVING THESE OBJECTIVES

Alignment to strategic plan "For All Hearts"

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

- > Healthy hearts
- > Heart care
- > Health equity
- > Research

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

Performance Measures and Key Achievements in 2014

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

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

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

- > personal relevance of the Heart Foundation to Australians aged 30 – 65
- > the Foundation's effectiveness in raising the community's awareness/knowledge of heart health;
- > awareness of heart disease as a leading cause of death for Australian women
- > unprompted awareness of the Tick brand
- > awareness of risk factors by women; and
- > awareness of atypical heart attack symptoms.

Our Business Development work included:

- Launching the highly successful new initiative "Lock in the Love" - a 10 metre art installation that encouraged members of the public to lock a message on the installation and share the images with friends via social media. Results have been extremely positive with donations, sponsorship and in-kind support exceeding \$200,000 income plus a record media and social media audience.
- Development of a new Major Giving project called "One Percent for Heart" enabling individuals to donate one percent of their salary annually with 100% of the donation going solely to heart research and education.
- Successful donor and community relations regional events in Mount Gambier, Port Lincoln and the Barossa promoting warning signs of a heart attack and a presentation on the latest heart research from a leading South Australian Cardiologist and Researcher.
- Engaging the research and corporate sectors through the Paint the Town Red Ball.
- Receiving over \$3.5 million in bequests from many wonderful South Australian supporters.
- The generosity of our wonderful South Australian donors delivered over \$2.4 million in non-bequest income, through a range of initiatives.

Our lifesaving Cardiovascular Health work included:

- Undertaking partnership activities with nine key organisations, positioned to lead change in the primary care sector.
- Absolute Risk of Cardiovascular Disease assessment was a focus in 2014 with 1,100 assessments undertaken including the engagement of an influential Absolute Risk GP Ambassador.
- Educating the community with 15 heart education events, developing and distributing 15 articles, reports and communiques.
- Engaging our Ambassador network of 1,231 primary care professionals.
- Over 9,124 heart patients received our Heart Foundation 'My Heart My Life' education books following their heart event.
- Award winning reports – 'Healthy By Design SA' received a UDIA National Award. We also launched and disseminated a Heart Foundation NSW/SA collaboration report – 'Does Density Matter'.
- Leading SA Researchers received \$1.2 million in Heart Foundation funding across 17 research projects.
- Our Reconciliation Action Plan (RAP) was launched August.

Reputation and Relevance results

- SA contributed 13% of the total media reach nationally for 2014.
- Brand continues to be strong and relevant to the community of South Australia

Directors' Report (continued)
for the year ended 31 December 2014

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 \$6.081 million, 12% higher than 2013. Bequest income in 2014 was \$3.509 million, 35% higher than 2013. Non bequest income was \$2.572 million, 9% down on 2013. Grants made to the National Heart Foundation of Australia (National) entity totalled \$2.650 million, 44% up on 2013. This was after a net surplus before transfers of \$5.096 million, up 25% on 2013. Our fundraising expenditure as a percentage of income was 32% which was a decrease on prior year. Total expenditure on health programs and research was 23%, up significantly on 2013.

Income & Expenditure

	2014	2013	2012	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000
Charitable support - bequests	3,509	2,598	2,627	3,709	3,196
Charitable support - non-bequests	2,572	2,844	2,465	2,471	2,380
Fundraising income	6,081	5,442	5,092	6,180	5,576
Grants for specific health programs	666	610	834	699	280
Other income	771	591	648	749	509
Total cash income	7,518	6,643	6,574	7,628	6,365
Restatement of investments to fair value					
Total income	7,518	6,643	6,574	7,628	6,365
Less: Fundraising expenditure	(1,919)	(2,124)	(2,001)	(1,915)	(1,675)
Cost of goods sold	(4)	(8)	(285)	(248)	(245)
Communications & administration	(499)	(450)	(459)	(412)	(441)
Surplus available for health programs & research	5,096	4,061	3,829	5,053	4,004
Health programs conducted locally	(2,405)	(2,292)	(2,301)	(2,245)	(1,520)
Contributions to National health programs & research	(2,650)	(1,833)	(1,482)	(2,812)	(2,538)
Balance added to/(deducted from) equity	41	(64)	46	(4)	(54)
Ratios:	%	%	%	%	%
Fundraising expenditure to fundraising income	32%	39%	39%	31%	30%
Surplus from fundraising to fundraising income	68%	61%	61%	69%	70%
Surplus available for health programs & research to total income	68%	61%	58%	66%	63%
Expenditure on health programs and research to total income	67%	62%	58%	66%	64%
Expenditure on health programs and research to total expenditure	68%	62%	58%	66%	63%
Annual increase in expenditure on health programs & research	23%	9%	(25%)	25%	29%

Assets & Liabilities

	2014	2013	2012	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash & investments	1,049	1,340	1,148	858	551
Computers, cars & equipment	106	113	142	196	220
Other assets	111	150	583	240	480
Total assets	1,266	1,603	1,873	1,294	1,251
Total liabilities	(770)	(1,147)	(1,354)	(821)	(774)
Total equity	496	456	519	473	477

Events Subsequent to Reporting Date

No matter or circumstances have arisen in the interval between the end of the financial year and the date of this report, which are likely in the opinion of the Directors to significantly affect the operations of the Foundation, the results of those operations or the state of affairs of the Foundation in subsequent financial years.

Likely Developments

In the opinion of the directors there are no likely developments that will change the nature of the operations of the Entity.

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.

Directors' Report (continued)
for the year ended 31 December 2014

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 2014.

Signed in accordance with a resolution of the Directors

Mr Frank Lancione
President

Mr Todd Roberts
Vice President/Treasurer

Dated at Adelaide this *13th* day of *April* 2015



**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)
Incorporated.

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year
ended 31 December 2014 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



Darren Ball
Partner

Adelaide

13th April 2015

Directors' Declaration

for the year ended 31 December 2014


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 14-27, 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 2014 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 Frank Lancione
President



Mr Todd Roberts
Vice President/Treasurer

Dated at Adelaide this 13th day of April 2015

Bequests

for the year ended 31 December 2014

Ruby	Anderson	Roger	Jones
Candido	Artini	Fay	Kinnear
Nellie	Bagshaw	Shirley	Lane
C J	Barnard	Max	Lawton
William H	Blake	Tom	Liddemore
Max	Bohm	Marjorie	Lines
William	Bramall	Colin	McBean
Eirene	Bridgman	Dulcie	McCracken
Kathleen	Builder	Kathleen	McGrath
Gwendoline A	Carter	Marjorie	Michael
Briony	Carter	Alice	Michaelides
F M	Colmer	B & E	Miers
Vida	Curtin	Dorothy	Money
Anna	Damjanovic	Graham	Nancarrow
M N	Edwards	Muriel	Pearce
Nellie	Elvey	Stella	Raymond
Brian	Ewart	Robert	Reid
Judith	Fisher	Hazel	Sambell
Betty	Fry	James	Shackleford
Anne	Gluyas	Erna	Sharp
Roma	Grant	Herta	Simonitsch
Jean	Guiver	Mabel	Todd
Ida Maud	Hann	Wynice	Turk
J A	Harris	Franciscus	Van Brakel
Yvonne	Hazell	Archibald	Whitman
Kevin	Hennig	Erica	Williams
John	Hindes	Glen	Williams
E M	Hooper	Haydn	Wills
Sheila	Hope	T C	Wollaston

Sponsorships

for the year ended 31 December 2014

The Heart Foundation gratefully acknowledges the following sponsors:

MAJOR SPONSORS

Ahrens Group Pty Ltd

Aurizon

BUPA

Curves

Goodlife Health Clubs

Medibank Community Fund

Napoleon Perdis

Rebel Sport

SPONSORS

Adelaide Cardiology

BankSA & Staff Charitable Fund

Beach Energy

Dr Jones & Partners Medical Imaging

Federation Centres - Colonnades

Finlaysons

Gerard McCabe

Giant Cycles

Heart & Vascular Institute Flinders Cardiac

Langmeil Barossa Winery

National Pharmacies

Nikon

Northern Adelaide Medicare Local

SAFM

SA Heart

SA Power Networks

Sandisk

Stratco

Telstra

The Advertiser/Sunday Mail

MAJOR SUPPORTERS

Adelaide Bite

Adelaide Oval

Auslec Electrical

Blackwell Funerals

City of Holdfast Bay

Commonwealth Bank

Corporate Traveller

Deloitte

Diamonds Camera Video and Digital

Duxton Asset Management

Garden of Unearthly Delights

Hon John Olsen AO

Lietzke Doors

Lyell McEwin Hospital Cardiac Unit

National Australia Bank

Ed and Julie Peter

Piper Alderman

Premium Fulfilment

Rodd & Gunn Clothing

SKYCITY

Rundle Mall Management

SAB Video Productions

Staging Connections

VELO City Global 2014

VIP Home Services

Viterra – Glencore Grain

Statement of Surplus or Deficit and Other Comprehensive Income

for the year ended 31 December 2014

	Notes	2014 \$	2013 \$
Revenue			
Revenue from operating activities	4	7,482,382	6,604,935
Total revenue		7,482,382	6,604,935
Net gain/(loss) on sale of property, plant and equipment		1,421	0
Research		(1,241,622)	(1,009,864)
Health programs (including those funded by grants)		(1,163,207)	(1,282,023)
Fundraising		(1,919,562)	(2,123,874)
Cost of goods sold		(3,620)	(8,618)
Communications and publicity		(280,111)	(247,742)
Administration		(220,949)	(201,803)
Results from Operating activities		2,654,732	1,731,011
Finance income		36,460	38,139
Finance costs		0	0
Net Finance income/(cost)	6	36,460	38,139
Net Surplus/(deficit)		2,691,192	1,769,150
Net Grants to National Heart Foundation of Australia		(2,650,630)	(1,832,913)
Surplus/(deficit) for the year before tax		40,562	(63,763)
Income tax expense	3c	0	0
Surplus/(deficit) for the year after tax		40,562	(63,763)
Other comprehensive income		0	0
Total comprehensive income for the year		40,562	(63,763)

Statement of Financial Position

for the year ended 31 December 2014

	Notes	2014 \$	2013 \$
Current assets			
Cash and cash equivalents	7a	972,014	1,339,807
Trade and other receivables	8	111,244	149,968
Investments	9	76,994	0
Total current assets		1,160,252	1,489,775
Non-current assets			
Property, Plant, equipment and vehicles	10	105,856	113,124
Total non-current assets		105,856	113,124
Total assets		1,266,108	1,602,899
Current liabilities			
Trade and other payables	11	176,315	453,462
Grants income deferred	12	307,871	356,890
Employee benefits	13	276,196	325,850
Total current liabilities		760,382	1,136,202
Non-current liabilities			
Employee benefits	13	9,575	11,108
Total non-current liabilities		9,575	11,108
Total liabilities		769,957	1,147,310
Net assets		496,151	455,589
Equity			
Retained earnings		496,151	455,589
Total equity	14	496,151	455,589

Statement of Changes in Equity

as at 31 December 2014

	2014	2013
	\$	\$
Balance of Equity as at 1 January	455,589	519,352
Comprehensive income for the period		
Surplus/(Deficit)	40,562	(63,763)
Other comprehensive income	0	0
Total comprehensive income for the period	40,562	455,589
Balance of Equity as at 31 December	496,151	455,589

Statement of Cash Flows

for the year ended 31 December 2014

	2014	2013
	\$	\$
Cash flows from operating activities		
Cash receipts in the course of operations	5,719,905	7,112,115
Cash payments in the course of operations	(3,821,994)	(5,333,113)
Net grants made to National Heart Foundation of Australia	(2,278,436)	(1,640,032)
Net financial income	36,460	38,685
Net cash from/(used in) operating activities	(344,065)	177,655
Cash flows from investing activities		
Proceeds from sale of equipment and vehicles	16,250	0
Acquisition of equipment and vehicles	(39,978)	(5,508)
Acquisition of investments	0	20,000
Net cash from investing activities	(23,728)	14,492
Net cash from financing activities	0	0
Net increase in cash and cash equivalents	(367,793)	192,147
Cash and cash equivalents at 1 January	1,339,807	1,147,660
Cash and cash equivalents at 31 December	972,014	1,339,807

Notes to the Financial Statements

for the year ended 31 December 2014

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) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), *the Associations Incorporations 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 13 April 2015.

(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 13.

(ii) Valuation of investments

Investments in any listed securities are classified as fair value through other comprehensive income and movements in fair value are recognised directly in equity. The fair value of listed securities has been determined by reference to published price quotations in an active market.

(e) Changes in accounting policies

Except for the changes below, the Foundation has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

The Foundation has early adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 2014.

AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

The Foundation early adopted AASB 9 Financial Instruments with a date of initial application of 1 January 2014. AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additional changes relating to financial liabilities. The impact of the adoption of this standard is not considered to be material to the financial statements.

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

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 grant income deferred as recognised in Note 12. In the circumstances where the terms of the grants stipulate that any unexpended funds are to be returned to the sponsor these unexpended funds are held as deferred income until such time as they are returned to the funding body. 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 2014. 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

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

3 Significant accounting policies (continued)

(d) 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 2014

3 Significant accounting policies (continued)

(g) Impairment

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than inventory, are reviewed at each reporting date to determine whether there is any objective evidence that they are impaired. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss for an individual asset measured under the cost model is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income, whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income to the extent that an impairment loss was previously recognised in the Statement of Surplus or Deficit and Other Comprehensive Income. The recoverable amount of an asset is the greater of its 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 Surplus or Deficit. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Calculation of recoverable amount

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

(h) Employee Benefits

(i) Short term benefits

The provisions for employee entitlements to wages, salaries, annual and paid maternity leave represent obligations resulting from employees' services provided up to reporting date, that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees rendered the related services. These are calculated at discounted amounts, for those not expected to be settled within 12 months, 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: 2014: 2.0% (2013: 2.0%)

> discount rate based on national government securities which most closely match the terms to maturity of the related liabilities: 2014: 3.32% (2013: 4.23%)

> expected settlement dates for annual leave 2014: 2 years (2013: 2 years)

> expected settlement dates for long service leave based on turnover history: 2014: 15 years (2013: 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 2014

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 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 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 2014, and have not been applied in preparing these financial statements. The standards and interpretations relevant to the Foundation that have not been early adopted are:

- > AASB 15 Revenue from Contracts with Customers – applicable for annual reporting periods on or after 1 July 2017

The Foundation expects to adopt these standards and interpretations in subsequent financial years, however, the Foundation is assessing the potential impact on its financial statements resulting from the application of AASB 15.

(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 2014

	2014 \$	2013 \$
4 Revenue from operating activities		
Charitable support - bequests	3,509,010	2,598,331
Charitable support - non-bequests	2,564,525	2,843,558
Sale of goods	7,368	15,914
<i>Total revenue from fundraising activities</i>	<u>6,080,903</u>	<u>5,457,803</u>
Grants for specific health programs - Government	664,424	609,423
Grants for specific health programs and research - other	2,000	17,687
Other	735,055	520,022
<i>Total revenue from other operating activities</i>	<u>1,401,479</u>	<u>1,147,132</u>
Total revenue from operating activities	<u>7,482,382</u>	<u>6,604,935</u>
5 Auditors' remuneration		
KPMG Australia: Audit services	21,700	17,400
KPMG Australia: Other services	0	0
	<u>21,700</u>	<u>17,400</u>
6 Finance income and costs		
Recognised in Surplus/(Deficit)		
Interest income	36,460	38,139
Finance income	<u>36,460</u>	<u>38,139</u>
Impairment/ realised loss on trade receivables	0	0
Finance costs	<u>0</u>	<u>0</u>
Net finance income and costs recognised in Surplus/(Deficit)	<u>36,460</u>	<u>38,139</u>
	2014	2013
	\$	\$
7a Cash and cash equivalents		
Cash and cash equivalents include bank accounts and short term deposits maturing within 90 days paying interest rates of 0.03% to 3.26% (2013: 0.03% to 3.81%)	972,014	1,339,807
	<u>972,014</u>	<u>1,339,807</u>

The Foundation's exposure to interest rate risk for financial assets and liabilities are disclosed in note 18.

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

	2014	2013
	\$	\$
7b Reconciliation of cash flows from operating activities		
Net surplus / (deficit) from ordinary activities	40,562	1,769,150
Adjustments for:-		
Depreciation/Amortisation	32,418	33,865
Investments acquired for nil consideration via bequests	(76,994)	(191,824)
Net loss/(gain) on investment inequity accounted joint venture	0	10,600
Net loss/(gain) on disposal of equipment and vehicles	(1,421)	0
Net cash from operating activities before changes in working capital and provisions	(5,434)	1,621,791
(Increase)/decrease in receivables	38,722	369,654
(Increase)/decrease in inventories	0	32,638
Increase/(decrease) in payables	(287,147)	(214,070)
Increase/(decrease) in grants income deferred	(39,019)	137,526
Increase/(decrease) in employee benefits	(51,186)	(129,852)
Net cash from operating activities	(344,065)	1,817,687
8 Trade and other receivables		
Trade receivables owing by other National Heart Foundation divisions	46,033	97,875
Trade receivables owing by National Heart Foundation of Australia (National)	3,410	4,117
Other receivables and prepayments	61,801	47,976
	111,244	149,968

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 18.

	2014	2013
	\$	\$
9 Investments		
Current investments		
Shareholdings	76,994	0
	76,994	0

The carrying value of investments is equal to fair value. The Foundation's exposure to interest rate risk and equity price risk are disclosed in note 18.

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

10 Property, equipment and vehicles

	Leasehold improvements	Office furniture & equipment	Motor vehicles	Total
	\$	\$	\$	\$
Balance at 1 January 2013	66,118	248,206	48,340	362,664
Acquisitions	0	5,387	0	5,387
Disposals	0	(6,167)	0	(6,167)
Balance at 31 December 2013	66,118	247,425	48,340	361,883
Balance at 1 January 2014	66,118	247,425	48,340	361,883
Acquisitions	0	39,978	0	39,978
Disposals	0	(630)	(27,922)	(28,552)
Balance at 31 December 2014	66,118	286,773	20,418	373,309
Depreciation & Impairment losses				
Balance at 1 January 2013	58,855	144,141	17,131	220,127
Depreciation charge for the year	2,001	24,587	7,277	33,865
Disposals	0	(5,233)	0	(5,233)
Balance at 31 December 2013	60,856	163,495	24,408	248,759
Balance at 1 January 2014	60,856	163,495	24,408	248,759
Depreciation charge for the year	1,275	27,055	4,090	32,420
Disposals	0	(630)	(13,093)	(13,723)
Balance at 31 December 2014	62,131	189,920	15,405	267,456
Carrying amounts				
At 1 January 2013	7,263	104,065	31,209	142,537
At 31 December 2013	5,262	83,930	23,932	113,124
At 1 January 2014	5,262	83,930	23,932	113,124
At 31 December 2014	3,987	96,853	5,013	105,853

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

	2014	2013
	\$	\$
11 Trade and other payables		
Trade payables to National Heart Foundation of Australia	92,070	313,384
Trade payables to other National Heart Foundation divisions	0	35,146
Other payables and accrued expenses	84,245	104,932
	176,315	453,462
<p>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.</p>		
12 Grants income deferred		
Balance at 1 January	356,890	219,364
Amounts received	617,405	764,772
Income taken to revenue	(666,424)	(627,246)
Balance at 31 December	307,871	356,890
<p>The carrying value of grants income deferred is equal to fair value. The Foundation's and consolidated entity's exposure to liquidity risk relating to grants income deferred is disclosed in note 18.</p>		
13 Employee benefits		
Aggregate liability for employee benefits including oncosts:		
Current - long service leave and annual leave	276,196	325,850
Non-current - long service leave	9,575	11,108
Total employee benefits	285,771	336,958
<i>Personnel expenses:</i>		
Wages and salaries	1,378,145	1,360,712
Contributions to superannuation plans	140,002	130,851
Total personnel expenses	1,518,147	1,491,563
Number of employees at year end (full time equivalents)	18	18
14 Reserves and Equity		
Retained Earnings at beginning of year	455,589	519,351
Total Equity at beginning of year	455,589	519,351
Operating Surplus/(deficit)	2,691,192	1,769,151
Net Grants to National Heart Foundation of Australia	(2,650,630)	(1,832,913)
Total Equity at end of year	496,151	455,589

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

Nature and purpose of reserves**Fair value**

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

Specific or restricted purposes

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

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.

Assets held in trust

	2014	2013
	\$	\$
Balances brought forward	233,782	226,136
Interest and capital sums received	80,660	13,646
Expenditure	(54,471)	(6,000)
Balances carried forward	259,971	233,782

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

Dr M Arstall, MBBS, PhD, FRACP, FCSAZ
 Ms M Field, CA, BBus
 Associate Professor J Knight, FRACS, FRCS(C), FACS
 Mr F Lancione LLM, LLB, BA, GDLP
 Mrs Corinne Namblard
 Hon J Olsen, AO (to May 2014)
 Mr T M Roberts FCA, IPAA, FAICD, SAFIN, FGLF
 Associate Professor M Worthley, MBBS, FRACP, PhD

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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

Executive Staff

Dr A Rischbieth – Chief Executive
 Ms A Denton – Director Business Management
 Mr S Mosen – Director Marketing and Business Development
 Mrs W Keech – Director Cardiovascular Health (to May 2014)
 Ms R McKay – Director of Health (from November 2014)

The compensation of key management personnel was as follows:

Short term employee benefits	\$ 555,394	\$ 610,552
Other long term benefits	6,172	9,578
Total	<u>561,566</u>	<u>620,130</u>

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 Foundation to National were as follows:

	2014 \$	2013 \$
Net Surplus/(Deficit)	40,562	(63,763)
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	1,359,720	1,172,637
Contributions paid for purchase of services	2,610,692	(3,173,555)
Grants for research and other national initiatives	(2,650,630)	(1,832,913)

Amounts receivable and payable to non-director related parties are shown in **note 11**.

17 Subsequent events

The Foundation is not aware of any subsequent event that has occurred since the balance date that could materially affect these financial statements.

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 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

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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

18 Financial instruments (continued)

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:

	Notes	2014 \$	2013 \$
Financial assets			
Cash *		272,050	564,477
Short term deposits		699,964	775,330
Total cash and cash equivalents	7a	972,014	1,339,807
Trade and other receivables *	8	111,244	149,968
Investments - listed shares #	9	76,994	0
		<u>1,160,252</u>	<u>1,489,775</u>

* Financial assets held at cost/amortised cost

Financial assets held at fair value through other comprehensive income

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

	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
Not past due	111,244	-	52,382	-
Past due 0-30 days	-	-	77,298	-
Past due 31-120 days	-	-	20,288	-
	<u>111,244</u>	<u>-</u>	<u>149,968</u>	<u>-</u>

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	2014 \$	2013 \$
Non derivative financial liabilities			
Trade and other payables	11	176,315	453,462
Grants income deferred	12	307,871	356,890
		<u>484,186</u>	<u>810,352</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 27.

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

18 Financial instruments (continued)

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 27. The analysis is performed on the same basis as that used in 2013.

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 2013.

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.

Fair value sensitivity analysis - listed shares

A change of 10% in market price at the reporting date would have increased/(decreased) equity by the amounts shown below in the Sensitivity Analysis Disclosure on page 27. This analysis assumes all other variables remain constant. The analysis is performed on the same basis as that used in 2013.

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.

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 3%
- Proportional other market price risk movement of equity securities listed on the ASX index of +10%/-10%

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

18 Financial instruments (continued)

	2014					2013				
	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										
<i>Variable rate instruments</i>										
Cash at bank	272,050	(2,721)	(2,721)	2,721	2,721	564,477	(5,645)	(5,645)	5,645	5,645
Short term deposits	699,964	(7,000)	(7,000)	7,000	7,000	775,330	(7,753)	(7,753)	7,753	7,753
Total increase/(decrease)		(9,721)	(9,721)	9,721	9,721		(13,398)	(13,398)	13,398	13,398

	2014					2013				
	Carrying Amount/ Face Value	-10%		+10%		Carrying Amount/ Market Price	-10%		+1%	
		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
Other market price risk	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets										
Investments - listed shares	76,994	0	(7,699)	0	7,699	0	0	0	0	0
Total increase/(decrease)		0	(7,699)	0	7,699		0	0	0	0

Fair value hierarchy

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

The different levels have been defined as:

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

	Notes	31-December-2013		
		Level 1	Level 2	Level 3
		\$	\$	\$
Fair Value	9	0	0	0
		0	0	0

	Notes	31-December-2014		
		Level 1	Level 2	Level 3
		\$	\$	\$
Fair Value	9	76,995	0	0
		76,995	0	0



Independent auditor's report to the members of the National Heart Foundation of Australia (South Australian Division) Incorporated

We have audited the accompanying financial report of the National Heart Foundation of Australia (South Australian Division) Incorporated ("the Association), which comprises the Statement of Financial Position as at 31 December 2014, the Statement of Surplus or Deficit and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Association.

This audit report has also been prepared for the members of the Association in pursuant to *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC) and the *Associations Incorporation Act 1985 (as amended)*.

Directors' responsibility for the financial report

The Directors of the Association are responsible for the preparation of the financial report that presents fairly in accordance with Australian Accounting Standards, the ACNC and the *Associations Incorporation Act 1985 (as amended)*. The Directors' responsibility also includes such internal control as the Directors determine necessary to enable the preparation of the financial report that is fairly presented and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation of the financial report that is fairly presented in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with Australian Accounting Standards, the ACNC and the *Associations Incorporation Act 1985 (as amended)*, a view which is consistent with our understanding of the Association's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Basis for qualified auditor's opinion

Charitable support (non-bequest) revenue is a significant source of fundraising revenue for the National Heart Foundation of Australia (South Australian Division) Incorporated. The National Heart Foundation of Australia (South Australian Division) Incorporated has determined that it is impracticable to establish controls over the collection of charitable support (non-bequest) revenue 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 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 that the National Heart Foundation of Australia (South Australian Division) Incorporated reported in the accompanying financial report is complete.

Auditor's opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial report of the National Heart Foundation of Australia (South Australian Division) Incorporated is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and the *Associations Incorporation Act 1985 (as amended)* including:

- (a) presents fairly in all material respects the Association's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

KPMG

Darren Ball
Partner

Adelaide

13th April 2015

For heart health information
1300 36 27 87
www.heartfoundation.org.au

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ABN 70 140 886 652 ISBN 978-1-74345-095-6



Australian Capital Territory

Canberra

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

New South Wales

Sydney

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

Northern Territory

Darwin

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

Queensland

Brisbane

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

South Australia

Adelaide

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

Tasmania

Hobart

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

Victoria

Melbourne

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

Western Australia

Perth

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