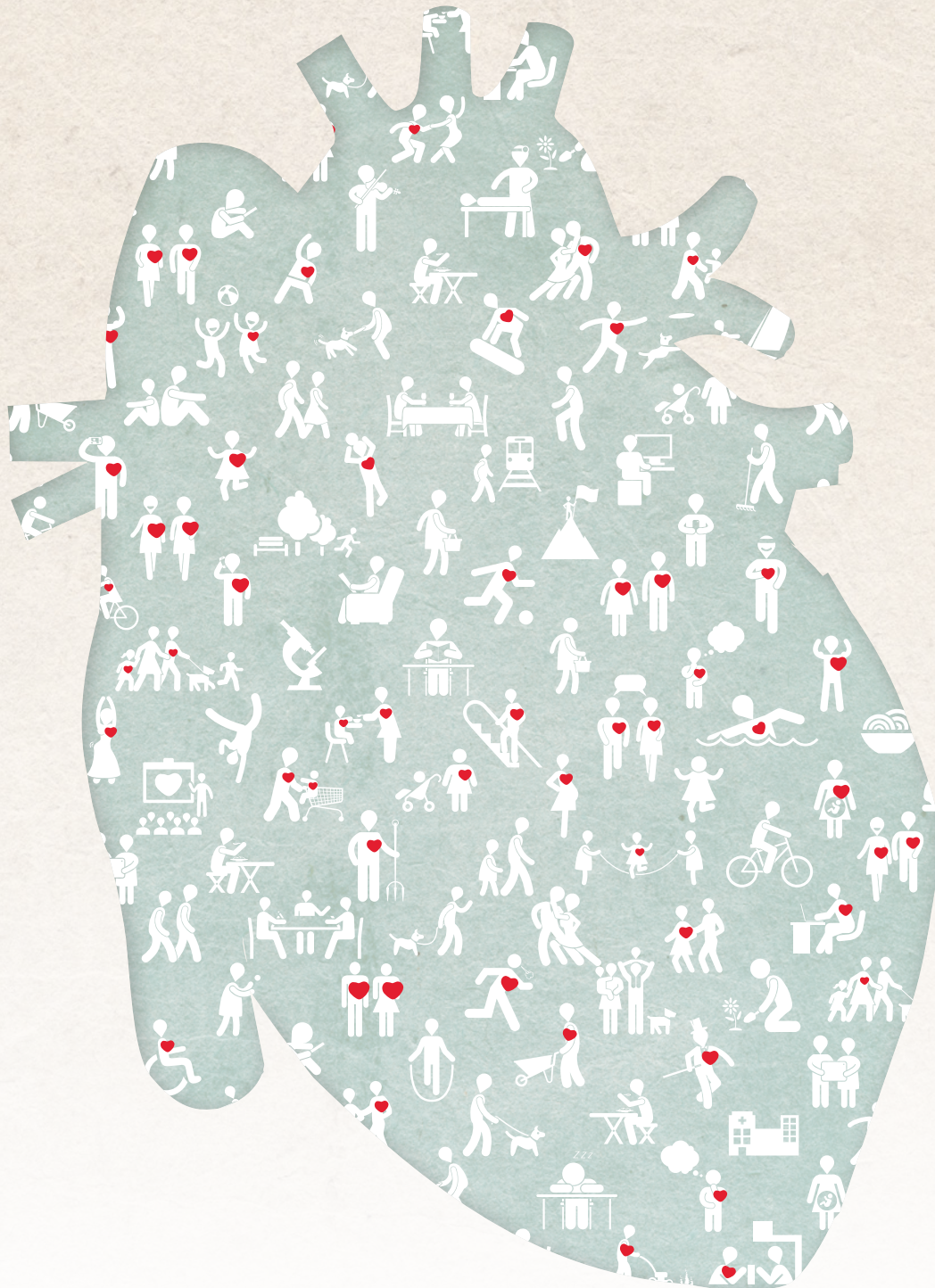


ANNUAL REPORT 2014



+ FINANCIAL STATEMENTS

National Heart Foundation of Australia
(Australian Capital Territory Division) ABN 32 008 507 328
For the year ended 31 December 2014



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Directors and Office Bearers

31 December 2014

Directors and Office Bearers

Patron	Mr Richard Rolfe, OAM, BEc
Board of Directors	
President	Mr Andrew Caudle, BSc (Hons), MEngSc (up until 24 November 2014)
Vice President	Dr Peter French, BS (Med), FRACP
Honorary Treasurer	Mr Rod Scott, CA, B.Bus (up until 12 May 2014)
Honorary Secretary	Mr Keith Bradley, AM, BA, LLB
Directors	Prof Walter Abhayaratna, MBBS, DrPH, AFRACMA, FACC, FRACP Ms Melanie Andrews, BComm, MBA, FCPA, GAICD (from 16 February 2015) Dr Andrew Boyden, B Rural Sc (Hons), BMBS (Hons), MPH, FRACGP Prof Rachel Davey, BSc (Hons), MMedSci, PhD Ms Kylie Dennis (from 16 February 2015) Dr Lisa Studdert BAgSc (Hons), PhD, GAICD (up until 17 February 2014) Mrs Anne-Marie Perret, LLB, Grad Dip SIA, MAICD, AIMM Mr Bruno Yvanovich, BSc, MPA, FFIA Assoc Prof Fiona Lithander, BSc (Hons), PhD (Cambridge), RNutr, AFHEA (from 28 July 2014)
Chief Executive Officer And Company Secretary	Mr A Stubbs, BAsc (Health)
Solicitors	Bradley Allen Love
Auditors	KPMG from 28 July 2014, PricewaterhouseCoopers up until 27 July 2014
Registered Office	Unit 1, Level 1, 17-23 Townshend St, Phillip, Australian Capital Territory, 2606
Preferred Postal Address	PO Box 373, Mawson, Australian Capital Territory, 2607

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 (ACT Division) ("the Foundation") for the year ended 31 December 2014 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	Experience and special responsibilities	Board Meetings attended & held #	Appointment and resignation
Prof. Walter Abhayaratna MBBS, DrPH, AFRACMA, FACC, FRACP	Consultant Cardiologist and Senior Staff Specialist with Canberra Hospital and National Capital Private Hospital. Clinical Director in the Division of Medicine, and Director of the Clinical Trials Unit, Canberra Hospital and Health Services. Professor of Cardiology in the College of Medicine, Biology & Environment, Australian National University.	4/6	Appointed 14 May 2012
Dr Andrew Boyden B Rural Sc (Hons), BMBS (Hons), MPH, FRACGP	Medical adviser, part - time general practitioner. Currently clinical adviser for NPS MedicineWise.	5/6	Appointed 20 May 2013
Mr Keith Bradley AM, BA, LLB (Honorary Secretary)	Lawyer; 30 years in private practice. Legal Director, Bradley Allen Love.	6/6	Appointed 1982
Mr Andrew Caudle BSc (Hons), MEngSc, (President)	Principal of Digital Digest Data Design Pty Limited with a wide involvement in Federal Government and commercial IT projects throughout Australia.	5/6	Appointed 2003 Resigned 24 November 2014
Prof. Rachel Davey BSc (Hons), MMedSci, PhD	Director of the Centre for Research & Action in Public Health at the University of Canberra. Over 20 years research experience in physical activity for health and chronic disease prevention.	3/6	Appointed 14 May 2012
Dr Peter French BS (Med), FRACP (Vice President)	Cardiologist in Private Practice. VMO at Calvary Hospital, Canberra.	3/6	Appointed 1998
Assoc Prof Fiona Lithander BSc (Hons), PhD (Cambridge), RNutr, AFHEA	Associate Professor in Nutrition Science, University of Canberra. Visiting Academic: Trinity College Dublin and Australian National University Editorial Board member: Proceeding of Nutrition Society (UK) and Nutrition and Dietetics (Australia). Registered Nutritionist, Association for Nutrition (UK). Expert Nutrition Advisor to government at national (Ireland) and state level (ACT, Australia) on public health issues.	3/3	Appointed 28 July 2014
Mrs Anne-Marie Perret LLB, Grad Dip SIA, MAICD, AIMM	An advisor to clients on R&D funding and governance. Has over 14 years experience with Big 4 accounting firms advising on GST and R&D tax incentives and grant funding. Clients include Commonwealth Government, Territory Government and the Private Sector entities.	5/6	Appointed 16 December 2013
Mr Rod Scott CA, B.Bus (Treasurer)	Chartered Accountant, Registered Company Auditor and Partner of Duesburys Nexia, 23 years experience in chartered accounting.	1/3	Appointed May 2009 Resigned 12 May 2014

Directors' Report (continued)

for the year ended 31 December 2014

Directors (continued)

Dr Lisa Studdert BAgrSc (Hons), PhD, GAICD	20 years' experience in public policy, international development and public health in Australia, Asia and USA. Currently with the Therapeutic Goods Administration, Department of Health (Canberra).	0/1	Appointed 26 March 2012 Resigned 17 February 2014
Mr Bruno Yvanovich BSc, MPA, FFIA	Senior fundraiser in higher education and environment as well as executive positions in a large national HR company, an industry association and the ACT and Federal Governments.	5/6	Appointed 23 September 2013
Ms Melanie Andrews BComm, MBA, FCPA, GAICD	Chief Financial Officer and Company Secretary of a national ASX listed public company with strategic, accounting, corporate finance, governance, compliance, risk and HR background and experience.	0/0	Appointed 16 February 2015
Ms Kylie Dennis	Media career spanning 32 years including 11 years as a journalist and editor. Advertising Sales Director of The Canberra Times for more than 10 years. Direct Sales Director for the metropolitan group of Fairfax from July 2013, responsible for six teams encompassing about 90 staff across Sydney and Melbourne.	0/0	Appointed 16 February 2015

Corporate Governance Statement

The Foundation is a company limited by guarantee, incorporated under the *Corporations Act 2001*. 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.

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*.

Directors' Report (continued)

for the year ended 31 December 2014

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:

- > no employees of the Foundation, including the CEO, can be a director of the Foundation
- > directors are appointed annually.

Board members are appointed to ensure a breadth of skill and knowledge across all areas of the work of the Foundation. The current Board's qualifications, skills, experience and responsibilities appear on pages 4 to 5. Management presentations to the Board enable directors to maintain knowledge of the business and operations of the Foundation.

Risk management

The Board oversees the establishment, implementation and regular review of the risk management system of the Foundation, which is designed to protect its reputation and manage those risks that might preclude it from achieving

its mission. Management is responsible for establishing and implementing the risk management system which assesses, monitors and manages operational, financial reporting and compliance risks.

The financial statements of the Foundation are subject to independent, external audit. Guidelines for internal controls have been adopted and compliance is reviewed bi-annually by independent staff from another Division.

Ethical standards and code of conduct

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

Involving stakeholders

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

PRINCIPAL ACTIVITIES AND ACHIEVEMENT OF OBJECTIVES

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

Directors' Report (continued)

for the year ended 31 December 2014

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 2013

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
- > awareness of atypical heart attack symptoms.

Review of Results and Operations for Current Year

Total fundraising revenue for 2014 decreased by \$35,202 compared to 2013. A significant decrease in Raffles revenue from 2013 to 2014 (\$141,915) was partly offset by increases in Bequests (\$89,060) and Local Initiatives (\$33,112). Fundraising expenditure for 2014 was only slightly greater (\$12,874) than that for 2013.

Receipts from government and other funding bodies for specific health programs decreased from \$581,246 in 2013 to \$486,867 in 2014. Subsequently, total health program expenditure decreased by \$57,222 from 2013 to 2014.

Communications and Administration expenditure decreased from \$212,945 in 2013 to \$146,561 in 2014.

The net deficit for 2014 (\$87,479) is similar to the net deficit for 2013 (\$65,483). Under the terms of the Federation agreement between the Foundation and National, as described in Note 18 - Related Parties, a grant payment is made between the Foundation and National based on the net operating surplus adjusted for capital expenditure and non-cash expenditure items. The grant paid by National in 2014 was only \$14,792, compared to \$85,781 paid in 2013. This results in a reported deficit for 2014 of \$72,687, which is significantly less favourable than the reported surplus for 2013 of \$20,298."

Directors' Report (continued)

for the year ended 31 December 2014

Review of Results and Operations Past Five Years**Income & Expenditure**

Charitable support - bequests

Charitable support - non-bequests

Fundraising income

Grants for specific health programs

Other income

Total cash income

Restatement of investments to fair value

Total income

Less: Fundraising expenditure

Communications & administration

Surplus available for health programs & research

Health programs conducted locally

Contributions to National health programs & research

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

Fundraising expenditure to fundraising income

Surplus from fundraising to fundraising income

Surplus available for health programs & research to total income

Expenditure on health programs and research to total income

Expenditure on health programs and research to total expenditure

Annual increase in expenditure on health programs & research

	2014	2013	2012	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000
Charitable support - bequests	112	21	13	19	70
Charitable support - non-bequests	843	970	1,230	884	861
Fundraising income	955	991	1,243	903	931
Grants for specific health programs	487	581	508	566	543
Other income	23	29	22	27	17
Total cash income	1,465	1,601	1,773	1,496	1,491
Restatement of investments to fair value	0	0	0	0	0
Total income	1,465	1,601	1,773	1,496	1,491
Less: Fundraising expenditure	(670)	(661)	(844)	(486)	(514)
Communications & administration	(147)	(213)	(220)	(225)	(180)
Surplus available for health programs & research	648	727	709	785	797
Health programs conducted locally	(736)	(793)	(789)	(855)	(880)
Contributions to National health programs & research	15	86	95	36	(18)
Balance added to/(deducted from) equity	(73)	20	15	(34)	(101)
Ratios:	%	%	%	%	%
Fundraising expenditure to fundraising income	70%	67%	68%	54%	55%
Surplus from fundraising to fundraising income	30%	33%	32%	46%	45%
Surplus available for health programs & research to total income	44%	45%	40%	52%	53%
Expenditure on health programs and research to total income	49%	44%	39%	55%	60%
Expenditure on health programs and research to total expenditure	47%	45%	39%	54%	56%
Annual increase in expenditure on health programs & research	2%	2%	(15%)	(9%)	23%

Assets & Liabilities

Cash & investments

Freehold Land & Properties

Computers, cars & equipment

Other assets

Total assets

Total liabilities

Total equity

	2014	2013	2012	2011	2010
	\$'001	\$'000	\$'000	\$'000	\$'000
Cash & investments	345	390	232	203	181
Freehold Land & Properties	0	0	0	0	0
Computers, cars & equipment	44	57	61	105	141
Other assets	132	51	333	222	133
Total assets	521	498	626	530	455
Total liabilities	(441)	(345)	(494)	(412)	(303)
Total equity	80	153	132	118	152

Commentary

Set out above is a comparative table of Income & Expenditure and Assets & Liabilities for the past 5 years. There are large fluctuations in bequest income from year to year. The increase in fundraising income and expenditure for the 2012 year is attributable to the Raffle program which was successfully undertaken in 2012 but which was discontinued during 2013.

Expenditure relating to Health programs conducted locally is to a large degree dependent upon grants received from government and other sources for specific health programs. These grants have been steadily decreasing over the past five years.

Contributions to National health programs and research is determined by the calculation set out in the Federated Agreement between the National Heart Foundation of Australia and the Divisions. The annual increase/(decrease) in expenditure on health programs and research is skewed by the outcome of this annual calculation.

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.

Directors' Report (continued)

for the year ended 31 December 2014

Likely Developments

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

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.

Auditor's independence declaration

The auditor's independence declaration is set out on page 10 and forms part of the directors' report for financial year 2014.

Signed in accordance with a resolution of the Directors.



Mr Keith Bradley
President



Mrs Anne-Marie Perret
Director

Dated at Canberra this 13th day of April 2015



Auditor's independence declaration

To: the directors of the National Heart Foundation of Australia (ACT Division)

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 *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

Don Cross

Partner

Canberra

6 April 2015

Directors' Report (continued)

for the year ended 31 December 2014

Directors' Declaration

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

- (a) the financial statements and notes, set out on pages 12 to 28, are in accordance with the Australian Charities and Not-For-Profits Commission ACT 2012, including:
 - (i) giving a true and fair view of the Foundations 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 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 Keith Bradley
President



Mrs Anne-Marie Perret
Director

Dated at Canberra this 13th day of April 2015

National Heart Foundation of Australia (ACT Division)

Statement of Surplus or Deficit and Other Comprehensive Income / (Deficit)

for the year ended 31 December 2014

	Notes	2014 \$	2013 \$
Revenue			
Revenue from operating activities	4	1,458,298	1,596,173
Total revenue		1,458,298	1,596,173
Net gain/(loss) on sale of property, plant and equipment		(6)	0
Health programs (including those funded by grants)		(735,670)	(792,892)
Fundraising		(669,293)	(656,419)
Cost of goods sold		(877)	(4,280)
Communications and publicity		(52,548)	(123,889)
Administration		(94,013)	(89,056)
Results from Operating activities		(94,109)	(70,363)
Finance income		6,630	4,880
Net Finance income/(cost)	6	6,630	4,880
Net Surplus/(deficit)		(87,479)	(65,483)
Net Grants from National Heart Foundation of Australia		14,792	85,781
Surplus/(deficit) for the year		(72,687)	20,298
Total comprehensive income for the year		(72,687)	20,298

Statement of Financial Position

as at 31 December 2014

	Notes	2014 \$	2013 \$
Current assets			
Cash and cash equivalents	7a	323,177	367,522
Trade and other receivables	8	128,246	46,002
Inventories		3,403	4,958
Total current assets		454,826	418,482
Non-current assets			
Investments (rental bond)	9	21,516	22,073
Property, plant, equipment and vehicles	10	44,568	57,451
Total non-current assets		66,084	79,524
Total assets		520,910	498,006
Current liabilities			
Trade and other payables	11	113,489	47,747
Grants income deferred	12	219,973	195,207
Employee benefits	13	62,786	59,662
Provisions	16	3,839	1,422
Total current liabilities		400,087	304,038
Non-current liabilities			
Employee benefits	13	8,863	5,482
Provisions	16	31,851	35,690
Total non-current liabilities		40,714	41,172
Total liabilities		440,801	345,210
Net assets		80,109	152,796
Equity			
Retained earnings		80,109	152,796
Total equity	14	80,109	152,796

National Heart Foundation of Australia (ACT Division)

Statement of Changes in Equity

For the year ended 31 December 2014

	2014	2013
	\$	\$
Balance of Equity as at 1 January	152,796	132,498
Comprehensive income for the period		
Surplus/(Deficit)	(72,687)	20,298
Other comprehensive income	0	0
Total comprehensive income for the period	(72,687)	20,298
Balance of Equity as at 31 December	80,109	152,796

Statement of Cash Flows

for the year ended 31 December 2014

	Notes	2014	2013
		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		1,588,873	1,772,968
Cash payments in the course of operations		(1,193,921)	(1,415,661)
Net grants made to National Heart Foundation of Australia		(446,651)	(185,195)
Net financial income		6,630	4,880
Net cash from operating activities	7b	(45,069)	176,992
Cash flows from investing activities			
Proceeds from sale of property, equipment and vehicles		790	0
Acquisition of property, equipment, vehicles and computer software		(623)	(19,244)
Proceeds from sale of investments		557	0
Acquisition of investments		0	(556)
Net cash from investing activities		724	(19,800)
Cash flows from financing activities		0	0
Net cash from financing activities		0	0
Net increase in cash and cash equivalents		(44,345)	157,192
Cash and cash equivalents at 1 January		367,522	210,330
Cash and cash equivalents at 31 December	7a	323,177	367,522

Notes to the Financial Statements

for the year ended 31 December 2014

1 Reporting entity

The National Heart Foundation of Australia (ACT Division) (the "Foundation") (ABN: 32 008 507 328) is a company domiciled in Australia. The address of the Foundation's registered office is Unit 1, Level 1, 17-23 Townshend Street, Phillip, ACT, 2606. 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) 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

The company has entered into leases of premises as disclosed in Note 15. Management has determined that all of the risks and rewards of ownership of these premises and equipment remain with the lessor and has therefore classified the leases as operating leases.

Significant accounting estimates and assumptions

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

(i) Make good provisions

Provisions for future costs to return certain leased premises to their original condition are based on the Foundation's past experience with similar premises and estimates of likely restoration costs determined by the property manager of the leased premises. These estimates may vary from the actual costs incurred as a result of conditions existing at the date the premises are vacated. Refer to Note 16.

(ii) Provisions for employee benefits

Provisions for employee benefits payable after 12 months from the reporting date are based on future wage and salary levels, experience of employee departures, and periods of service, as discussed in Note 3(j). The amount of these provisions would change should any of these factors change in the next 12 months. Refer to Note 13.

(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.

AASB 9 Financial Instruments (2011)

The Foundation early adopted AASB 9 Financial Instruments with a date of initial application of 1 January 2011. 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 IASB currently has an active project to make limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets. AASB 9 (2013) introduces new requirements for hedge accounting.

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.

(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 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 the ACT also supported the Foundation by participating and raising funds through the Jump Rope for Heart program. In total this involved 8,829 children and 27 schools and groups throughout ACT. The Foundation's door knock program successfully recruited 3,588 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.

(d) Inventories

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

(e) Property, equipment and vehicles

(i) Recognition and measurement

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

(e) Property, equipment and vehicles (continued)

(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. The estimated useful lives in the current and comparative periods are as follows:

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

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

(f) Leased assets including property and equipment

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

Other leases are classified as operating leases and payments are expensed on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. The Foundation recognises lease periods as the initial term specified in the lease and renewal options are treated as separate leases should the Foundation elect to extend the lease period beyond the initial term. The leased assets are not recognised on the Foundation's Statement of Financial Position, however, in accordance with lease terms, future obligations have been recognised on the Foundation's Statement of Financial Position for the costs of restoring leased premises to conditions as set out in the lease agreement. This future obligation will be adjusted annually to reflect increases in CPI (refer to Note 16).

Determining whether an arrangement contains a lease

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

(g) Non-derivative financial assets

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

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

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

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

(i) Fair Value through Other Comprehensive Income

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

(g) Non-derivative financial assets (continued)

(ii) Amortised Cost

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

(iii) Other financial instruments

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

Share capital

The Foundation has no issued capital and is limited by guarantee. If the Foundation is wound up each member would have a liability of an amount not exceeding \$10. Refer note 17.

Cash and cash equivalents

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

Trade and other receivables

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

Rental Bond

The Foundation has guaranteed, as a part to their operating lease, the payment of rentals in accordance with the signed agreement for the specified lease term. The terms of the lease agreement required the Foundation to secure a bank guarantee of \$21,516 as minimum compensation payments to the lessor in the event of default. The lease term is due to expire by 17 January 2018. The directors considered no liability is required to be recognised in respect of this guarantee as the Division is in compliance with the lease agreement. A term deposit to secure the bank guarantee has been established.

(h) Non-derivative financial liabilities

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

(i) Impairment

(i) Non-derivative financial assets including receivables

Each financial asset apart from those classified at fair value through 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.

(ii) Non-financial assets

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

(i) Impairment (continued)

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

(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: 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: 2.81% (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)

(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 (refer to note 16).

(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. None of these are expected to have a significant effect on the financial statements.

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

(m) 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.

National Heart Foundation of Australia (ACT Division)

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

	2014	2013
	\$	\$
4 Revenue from operating activities		
Charitable support – bequests	112,473	20,850
Charitable support - non-bequests	843,321	970,146
Sale of goods	3,996	9,884
<i>Total revenue from fundraising activities</i>	959,790	1,000,880
Grants for specific health programs - Government	473,857	529,701
Grants for specific health programs and research - other	13,010	51,545
Other	11,641	14,047
<i>Total revenue from other operating activities</i>	498,508	595,293
Total revenue from operating activities	1,458,298	1,596,173
5 Auditors' remuneration		
KPMG Australia: Audit services	13,750	0
PwC: Audit services	0	13,872
	13,500	13,872
6 Finance income and costs		
Recognised in Surplus/(Deficit)		
Interest income	6,630	4,880
Finance income	6,630	4,880
7a Cash and cash equivalents		
Cash and cash equivalents include bank accounts and short term deposits maturing within 90 days paying interest rates of 0.01% to 2.30% (2013: 0.01% to 2.30%)	323,177	367,522
The Foundation's exposure to interest rate risk for financial assets and liabilities are disclosed in note 20. The carrying value of cash and cash equivalents is equal to fair value.	323,177	367,522

National Heart Foundation of Australia (ACT Division)

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	(72,687)	20,299
Adjustments for:-		
Depreciation/Amortisation	12,710	14,082
Make good / restoration	0	(418)
Operating lease expense obligations incurred	0	0
Net loss/(gain) on disposal of property, equipment and vehicles	6	8,966
Office lease incentives deferred	(1,422)	20,485
Net cash from operating activities before changes in working capital and provisions	(61,393)	63,414
(Increase)/decrease in receivables	(58,466)	273,596
(Increase)/decrease in grants income accrued	(23,778)	7,561
(Increase)/decrease in inventories	1,555	1,244
Increase/(decrease) in payables	65,742	(130,230)
Increase/(decrease) in grants income deferred	24,766	(43,682)
Increase/(decrease) in employee benefits	6,505	5,089
Net cash from operating activities	(45,069)	176,992
8 Trade and other receivables		
Trade receivables owing by other National Heart Foundation divisions	259	0
Trade receivables owing by National Heart Foundation of Australia (National)	42,022	18,194
Other receivables and prepayments	85,965	27,808
	128,246	46,002

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 is disclosed in Note 20.

	2014	2013
	\$	\$
9 Investments		
Non-current investments		
Rental Bond: Term Deposits maturing over 90 days	21,516	22,073
	21,516	22,073
	21,516	22,073

National Heart Foundation of Australia (ACT Division)

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	166,732	118,607	31,962	317,301
Acquisitions	10,714	8,530	0	19,244
Disposals	(166,732)	(24,841)	0	(191,573)
Balance at 31 December 2013	10,714	102,296	31,962	144,972
Balance at 1 January 2014	10,714	102,296	31,962	144,972
Acquisitions	0	623	0	623
Disposals	0	(11,070)	0	(11,070)
Balance at 31 December 2014	10,714	91,849	31,962	134,525
Depreciation & Impairment losses				
Balance at 1 January 2013	166,732	61,095	28,140	255,967
Depreciation charge for the year	2,049	11,239	794	14,082
Disposals	(166,732)	(15,796)	0	(182,528)
Balance at 31 December 2013	2,049	56,538	28,934	87,521
Balance at 1 January 2014	2,049	56,538	28,934	87,521
Depreciation charge for the year	2,143	9,771	796	12,710
Disposals	0	(10,274)	0	(10,274)
Balance at 31 December 2014	4,192	56,035	29,730	89,957
Carrying amounts				
At 1 January 2013	0	57,512	3,822	61,334
At 31 December 2013	8,665	45,758	3,028	57,451
At 1 January 2014	8,665	45,758	3,028	57,451
At 31 December 2014	6,522	35,814	2,232	44,568

	2014	2013
	\$	\$
11 Trade and other payables		
Trade payables to National Heart Foundation of Australia	0	0
Trade payables to other National Heart Foundation divisions	0	0
Other payables and accrued expenses	113,489	47,747
	<u>113,489</u>	<u>47,747</u>

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

National Heart Foundation of Australia (ACT Division)

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

	2014	2013
	\$	\$
12 Grants income deferred		
Balance at 1 January	195,207	238,889
Amounts received	487,855	537,564
Income taken to revenue	(463,089)	(581,246)
Balance at 31 December	219,973	195,207

The carrying value of grants income deferred is equal to fair value. The Foundation's and consolidated entity's exposure to liquidity risk relating to grants income deferred is disclosed in Note 20.

13 Employee benefits

Aggregate liability for employee benefits including oncosts:

Current - long service leave and annual leave	62,786	59,662
Non-current - long service leave	8,863	5,482
Total employee benefits	71,649	65,144
<i>Personnel expenses:</i>		
Wages and salaries	637,503	742,668
Contributions to superannuation plans	53,240	53,507
Total personnel expenses	690,743	796,175
Number of employees at year end (full time equivalents)	8.08	8.22

14 Equity

Total Equity at beginning of year	152,796	132,498
Operating Surplus/(deficit)	(87,479)	(65,483)
Net Grants from National Heart Foundation of Australia	14,792	85,781
Other Comprehensive Income	0	0
Total Equity at end of year	80,109	152,796

Accumulated surplus

Each year when budgets for the following year are being formulated, an estimate is made of an optimum level of accumulated surplus. 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.

15 Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2014	2013
	\$	\$
Less than one year	83,005	80,587
Between one and five years	173,555	256,560
Later than five years	0	0
	256,560	337,147

Expenditure in the period was as follows:

Office space		
	80,701	83,818
	80,701	83,818

National Heart Foundation of Australia (ACT Division)

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

16 Provisions

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

	Office lease incentives deferred	Make good of leased premises	Total
	\$	\$	\$
Balance at 1 January 2013	0	17,045	17,045
Future obligations incurred	20,485	0	20,485
Incentives offset against lease rental expense	0	(17,045)	(17,045)
Expenditure recognised in the statement of comprehensive income	0	16,627	16,627
Balance at 31 December 2013	20,485	16,627	37,112
Current	1,422	0	1,422
Non-Current	19,063	16,627	35,690
	20,485	16,627	37,112

	Office lease incentives deferred	Make good of leased premises	Total
	\$	\$	\$
Balance at 1 January 2014	20,485	16,627	37,112
Future obligations incurred	0	0	0
Lease incentives received	(1,422)	0	(1,422)
Incentives offset against lease rental expense	0	0	0
Balance at 31 December 2014	19,063	16,627	35,690
Current	3,839	0	3,839
Non-Current	15,224	16,627	31,851
	19,063	16,627	35,690

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

The Foundation has guaranteed, as a party to their operating leases, the payment of rentals in accordance with the signed agreements for the specified lease terms. The terms of the lease agreements required the Foundation to secure a bank guarantees of \$21,615 as minimum compensation payment to the lessor in the event of default. The lease term is due to expire by 17 January 2018. The directors considered no liability is required to be recognised in respect of these guarantees as the Divisions are in compliance with the lease agreements.

17 Company limited by guarantee

The National Heart Foundation (ACT Division) is a company incorporated in Australia under the Corporations Act 2001 as a company limited by guarantee. Every member of the company undertakes to contribute to the assets of the company in the event of the same being wound up during the time that they are a member, or within one year afterwards for payment of the debts and liabilities of the company contracted before the time at which they cease to become a member and of the costs, charges and expenses of winding up the same, and for the adjustment of the rights of the contributories amongst themselves such an amount as may be required not exceeding the sum of \$10.

National Heart Foundation of Australia (ACT Division)

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

18 Related parties

Key management personnel and director related parties

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

Non executive directors

Prof Walter Abhayaratna
 Dr Andrew Boyden
 Mr Keith Bradley
 Mr Andrew Caudle (up until 24 November 2014)
 Prof Rachel Davey
 Dr Peter French
 Assoc Prof Fiona Lithander (from 28 July 2014)
 Mrs Anne-Marie Perret
 Mr Rod Scott (up until 12 May 2014)
 Dr Lisa Studdert (up until 17 February 2014)
 Mr Bruno Yvanovich

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

Executive Staff

Mr Anthony Stubbs Stubbs – Chief Executive Officer
 Mr Kevin Kelly – Finance Manager
 Ms Diane Percy – Cardiovascular Health Manager
 Ms Julianne Kirby – Business and Community Development Manager (up until 25 July 2014)
 Ms Ann Ronning – Fundraising Manager (from 27 October 2014)

	2014	2013
	\$	\$
The compensation of key management personnel was as follows:		
Short term employee benefits	387,302	349,649
Other long term benefits	8,961	6,791
Total	396,263	356,440

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)	(72,687)	(65,483)

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	56,812	104,536
Contributions paid for purchase of services	(491,051)	(723,538)
Grants for research and other national initiatives	14,792	85,781

National Heart Foundation of Australia (ACT Division)

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

Amounts receivable and payable to non-director related parties are shown in Notes 8 and 11 respectively.

19 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.

20 Financial instruments

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

Credit risk

Credit risk is the risk of financial loss to the Foundation 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.

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

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

20 Financial Instruments

	Notes	2014 \$	2013 \$
Financial assets			
Cash and cash equivalents*	7a	323,177	367,522
Trade and other receivables *	8	128,246	46,002
Term deposits over 90 days *	9	21,516	22,073
		<u>472,939</u>	<u>435,597</u>
	Notes	2014 \$	2013 \$
Non derivative financial liabilities			
Trade and other payables	11	113,489	47,747
Grants income deferred	12	219,973	195,207
		<u>333,462</u>	<u>242,954</u>

* Financial assets held at cost/amortised cost

Of the Foundations trade receivables balance of \$128,246 , \$10,700 is past due (2013, \$977)

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

National Heart Foundation of Australia (ACT Division)

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

Liquidity risk

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

Trade and other payables, and grants income deferred have contractual cashflows which are 6 months or less. Provisions relating to obligations for office leases have contractual cashflow obligations until lease expiry, which are due to expire within 5 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	2014 \$	2013 \$
Non derivative financial liabilities			
Trade and other payables	11	113,489	47,747
Grants income deferred	12	219,973	195,207
		<u>333,462</u>	<u>242,954</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 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 1% in market price at the reporting date would have increased/(decreased) equity by the amounts shown below in the Sensitivity Analysis Disclosure on page 28. This analysis assumes all other variables remain constant. The analysis is performed on the same basis as that used in 2013

National Heart Foundation of Australia (ACT Division)

Notes to the Financial Statements (continued)

for the year ended 31 December 2014

Interest rate risk (continued)

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 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.

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 2.3%

	2014					2013				
	Carrying Amount	-1% Surplus/ (Deficit)	Equity	+1% Surplus/ (Deficit)	Equity	Carrying Amount	-1% Surplus/ (Deficit)	Equity	+1% Surplus/ (Deficit)	Equity
Interest rate risk	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets										
Fixed rate instruments										
Term deposits-maturing beyond 90 days	21,516	(215)	(215)	215	215	22,073	(221)	(221)	221	221
Variable rate instruments										
Cash at bank	323,177	(3,232)	(3,232)	3,232	3,232	367,522	(3,675)	(3,675)	3,675	3,675
Cash call accounts	0	0	0	0	0	0	0	0	0	0
Total increase/(decrease)		(3,447)	(3,447)	3,447	3,447		(3,896)	(3,896)	3,896	3,896



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

Report on the financial report

We have audited the accompanying financial report of the National Heart Foundation of Australia (ACT Division) (the Foundation) which comprises the statement of financial position as at 31 December 2014, and statements 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 1-20 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Foundation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 entity's preparation of the financial report that gives a true and fair view 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 entity'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 the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Foundation'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 audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Basis for qualified auditor's opinion

Charitable fundraising income of \$955,794 of the Foundation is a significant source of fundraising revenue for the Foundation. The Foundation has determined that it is impracticable to establish control over the collection of charitable fundraising income prior to the entry into its financial records.

Accordingly, as the evidence available to us regarding fundraising revenue from this source was limited, our audit procedures with respect to charitable fundraising income had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether the charitable fundraising income of the Foundation recorded is complete.

Qualified 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 Foundation is in accordance with *the Corporations Act 2001*, including:

- (i) giving a true and fair view of the Foundation's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

KPMG

Don Cross

Partner

Canberra

16 April 2015

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