ANNUAL REPORT + FINANCIAL STATEMENTS 2017

National Heart Foundation of Australia
(Australian Capital Territory Division)
ABN 32 008 507 328
For the year ended 31 December 2017

Contents

Directors and Office Bearers

Patron	Mr Richard Rolfe, OAM, BEc
Board of Directors	
President	Mr Bruno Yvanovich, BSc, MPA, FFIA
Vice President	Ms Anne-Marie Perret, LLB, Grad Dip SIA, GAICD, AIMM
Honorary Treasurer	Ms Melanie Andrews, BComm, MBA, FCPA, GAICD
Directors	Prof Walter Abhayaratna, MBBS, DrPH, AFRACMA, FACC, FRACP Prof Rachel Davey, BSc (Hons), MMedSci, PhD Ms Kylie Dennis Mr Mark North, LLB, GDLP, Barrister and Solicitor of the ACT Supreme Court Dr Paresh Dawda, MB, BS, DRCOG, DFRSH, FRACGP, FRCGP(UK) Mr Douglas O'Mara (from 19 September 2016 to 30 January 2017)
Chief Executive Officer And Company Secretary	Mr A Stubbs, BASc (Health), GAICD
Solicitors	Bradley Allen Love
Auditors	KPMG
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 2017

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 2017 and auditors' report thereon.

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

Name and qualifications	Experience and special responsibilities	Board Meetings attended & held #	Appointment and resignation
Mr Bruno Yvanovich BSc, MPA, FFIA (President)	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. Director of National Heart Foundation of Australia and of the National Revenue and Brand Advisory Committee.	4/4	Appointed 23 September 2013
Ms Anne-Marie Perret LLB, Grad Dip SIA, GAICD, AIMM (Vice President)	An advisor to high growth technology companies on funding their R&D through access to government incentives, grant funding and investment as well as their governance and growth. Has over 14 years' experience with Big 4 accounting firms advising on GST and R&D tax incentives and grant funding during that time clients included Commonwealth Government, Territory Government and the Private Sector entities. In addition to the Heart Foundation holds multiple board positions with Canberra based companies, Brumbies Rugby, ACT Government boards as well as being the President of the ACT Division Council of the Australian Institute of Company Directors.	3/4	Appointed 16 December 2013
Ms Melanie Andrews BComm, MBA, FCPA, GAICD (Treasurer)	Chief Financial Officer and Company Secretary of a national property group with strategic, accounting, corporate finance, governance, compliance, risk and HR background and experience.	2/4	Appointed 16 February 2015
Prof. Walter Abhayaratna MBBS, DrPH, AFRACMA, FACC, FRACP	Consultant Cardiologist, Canberra Hospital and National Capital Private Hospital. Senior Staff Specialist and Clinical Director in the Division of Medicine, Canberra Hospital and Health Services. Director of the Clinical Trials Unit, ACT Health. Professor of Cardiology in the College of Medicine, Biology & Environment, Australian National University.	3/4	Appointed 14 May 2012
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.	3/4	Appointed 14 May 2012
Ms Kylie Dennis	National Head of Direct Sales and Business Development, Fairfax Media. A media professional with a career spanning more than 30 years including 10 years as the Advertising Sales Director of The Canberra Times. Currently heads up a national commercial team in the metropolitan division of Fairfax providing digital and print marketing solutions across the Sydney Morning Herald, The Age and the Australian Financial Review.	2/4	Appointed 16 February 2015

Directors' Report
for the year ended 31 December 2017

Mr Mark North LLB, GDLP, MAICD, Barrister and Solicitor of the ACT Supreme Court	Director – Corporate & Commercial: Corporate and Commercial at Chamberlains Law Firm. Experienced advisor to private clients and not-for-profits on matters including Corporations Act compliance, governance, intellectual property and commercial contracting. Clients include investment banking firms, media companies, industry associations and other commercial entities.	3/4	Appointed 25 May 2015
Dr Paresh Dawda MB, BS, DRCOG, DFRSH, FRACGP, FRCGP(UK)	A practicing GP with extensive clinical experience in the UK and Australia. Currently holds a number of senior clinical leadership and advisory positions and academic affiliations. Has expertise in clinical leadership, quality and patient safety improvement and a special interest in primary health care service design, particularly in the areas of health promotion, chronic disease management and integrated care.	2/4	Appointed 23 November 2015
Mr Douglas O'Mara	Chief Executive Officer at Civium Property Group (formally Ray White Canberra) a multifaceted property services company with over 100 staff with offices in the ACT and NSW. 21 years in Real Estate with high level experience across all sectors including Commercial, Industrial, Retail, Residential, Development a Management. Clients include State and Federal Government, Banks, Institutions, Private Clients and the general public.	0/0	Appointed 19 September 2016 Resigned 30 January 2017

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

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

The National Heart Foundation of Australia annually develops a Group Budget, which includes all 9 entities, which is approved by the National Board. Clause 14 of the Federation Agreement states "the parties agree that a Division may be required by the National Board to record a deficit in any Financial Year." It also states that if this occurs "National will from the National Accumulated Surplus ensure that there are sufficient funds available for a Division to be able to pay its debts as and when they fall due in the ordinary course of the Divisions business, in return for the Division performing its obligations, including under any Charters of Mutual Obligations and in respect of any Group Services".

Oversight by the Board
The Board oversees and monitors the performance of management by:
> Aims to meet 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

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

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

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

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

Board members
All Board members are independent, non-executive directors and act in an honorary capacity. The Constitution of the Foundation specifies:
- 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. The Foundation has also appointed an external body to undertake the internal audit function.

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 premature 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 2017

SHORT AND LONG TERM OBJECTIVES AND STRATEGIES FOR ACHIEVING THESE OBJECTIVES

Alignment to strategic plan "For All Hearts"

The Foundation has a five-year strategic plan, For All Hearts 2013-2017, aligned directly with our vision for Australians to have the best cardiovascular health in the world and our mission to reduce suffering and death from heart, stroke and blood vessel disease in Australia. Through For All Hearts, the focus is on four main goals:
> Healthy hearts
> Heart care
> Health equity
> Research

The plan aims to unite and empower all Australians to transform the nation's heart health. The Foundation's 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).

Local ACT Division strategy

The strategy for the ACT Board is to focus on increasing local community engagement and awareness of heart disease in the areas of cardiovascular research (via the establishment and promotion of the ACT research network and symposium), obesity, GP heart checks, active planning policy and improved hospital services. To sustain our work we look at other opportunities to expand and engage our local donor base and partner with organisations to grow our revenue.

Performance Measures and Key Achievements in 2017

The Foundation has a process for measuring its performance and regular reports are provided to the Board on the following key results areas:
> Finance and Operations
> Fundraising and Donor Engagement
> Research
> Community Engagement and Awareness

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

The Heart Foundation ACT recorded a $67,150 net surplus for the 2017 financial year. It was a record bequest year, with $521,274 received from 6 donors remembering the Heart Foundation in their Wills. The decrease in non-bequest revenue of $147,498 in 2017 reflects the revenue challenges facing the Heart Foundation and other charities, particularly in the areas of local fundraising. Non-health related expenditure remained steady from 2016 to 2017. 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 to National in 2017 was $60,458, compared to a grant received from National of $290,018 in 2016. This results in a reported surplus for 2017 of $6,692, which is slightly more favourable than the reported deficit for 2016 of $8,807.

Total fundraising revenue for 2017 increased by $351,065 compared to 2016. Bequest income increased by $501,839, and non-bequest income recorded a decrease of $150,774 from 2016 to 2017. Fundraising expenditure decreased by $45,900, resulting in an increase in net fundraising revenue of $396,965.

Receipts from government and other funding bodies for specific health programs decreased by $418,970 in 2017, with $181,201 recorded as revenue in 2017 being the lowest amount received for over 5 years. Total health program expenditure decreased by $423,571 from 2016 to 2017, mainly due to the decrease in grants received from external bodies.

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

Income & Expenditure	**2017 $'000**	**2016 $'000**	**2015 $'000**	**2014 $'000**	**2013 $'000**
Charitable support – bequests	521	19	144	112	21
Charitable support - non-bequests	632	783	964	843	970
Fundraising income	1,153	802	1,108	955	991
Investment income	1	3	4	0	0
Government non-reciprocal grants	0	0	0	0	0
Grants for specific health programs	181	600	482	487	581
Grants for specific fundraising & communications programs	0	0	0	0	0
Other income	40	14	9	23	29
Total cash income	1,375	1,419	1,603	1,465	1,601
Restatement of investments to fair value	0	0	0	0	0
Total income	1,375	1,419	1,603	1,465	1,601
Less: Fundraising expenditure	(609)	(656)	(719)	(670)	(661)
Communications & administration	(227)	(167)	(151)	(147)	(213)
Surplus available for health programs & research	539	596	733	648	727
Health programs conducted locally	(472)	(895)	(751)	(736)	(793)
Contributions to National health programs & research	(60)	290	21	15	86
Balance added to/(deducted from) equity	7	(9)	3	(73)	20
Ratios:	%	%	%	%	%
Fundraising expenditure to fundraising income	53%	82%	65%	70%	67%
Surplus from fundraising to fundraising income	47%	18%	35%	30%	33%
Surplus available for health programs & research to total income	39%	42%	46%	44%	45%
Expenditure on health programs and research to total income	39%	43%	46%	49%	44%
Expenditure on health programs and research to total expenditure	39%	42%	46%	47%	45%
Annual increase in expenditure on health programs & research	(12%)	(17%)	1%	2%	2%

Assets & Liabilities	**2017** $'000	**2016** $'000	**2015** $'000	**2014** $'000	**2013** $'000
Cash & Investments	389	233	159	345	390
Freehold Land & Properties	0	0	0	0	0
Computers, cars & equipment	11	23	32	44	57
Other assets	153	59	218	132	51
Total assets	553	315	409	521	498
Total liabilities	(474)	(242)	(328)	(441)	(345)
Total equity	79	73	81	80	153

Commentary on 5 year performance
Set out above is a comparative table of Income & Expenditure and Assets & Liabilities for the past 5 years.

2017 bequest income was the highest on record for the Heart Foundation ACT. 2017 also saw non-bequest revenue fall to its lowest level in over 5 years. The decline in non-bequest revenue over the period 2013 to 2017 has been accompanied by a reduction in non-health related expenditure over the same period.

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

Commentary on 5 year performance (continued)
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 variation in expenditure on health programs and research over the years is determined by the outcome of this annual calculation. This calculation for 2017 for the ACT Division resulted in a net contribution from the Heart Foundation ACT Division to the National company. This reflects the solid 2017 financial result for the Heart Foundation ACT.

The fundraising expenditure to fundraising income ratio includes expenditure incurred and income received by the National company on behalf of the ACT Division. The fundraising expenditure to fundraising income ratio across the Heart Foundation Federation's consolidated statements is approximately 32%.

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

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

On 28 March 2018, the ACT Division directors notified National Heart Foundation of Australia of their decision to recommend to their members to unify into the new National entity.

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

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

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

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

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

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

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

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

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

Lead auditor's independence declaration
The lead auditor's independence declaration is set out on page 11 and forms part of the directors' report for financial year 2017.

Signed in accordance with a resolution of the Directors.

Mr Bruno Yvanovich
President

Ms Melanie Andrews
Director

Dated at Canberra this 13th day of April 2018

Auditor's Independence Declaration under subdivision 60-C section 60-40 of *Australian Charities and Not-for-profits Commission Act 2012*

To the directors of The National Heart Foundation of Australia (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 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Phillip Sands

Phillip Sands
Partner

Canberra

13 April 2018

Directors' Declaration
for the year ended 31 December 2017

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 13 to 30, are in accordance with the Australian Charities and Not-For-Profits commission ACT 2012, including:

 (i) giving a true and fair view of the Foundation's financial position as at 31 December 2017 and of 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 Bruno Yvanovich
President

Ms Melanie Andrews
Director

Dated at Canberra this 13th day of April 2018

Statement of Surplus or Deficit and Other Comprehensive Income
for the year ended 31 December 2017

	Note	2017 $	2016 $
Revenue			
Revenue from operating activities	4	1,375,097	1,416,672
Total revenue		1,375,097	1,416,672
Health programs expenditure (including those funded by grants)		(471,256)	(894,827)
Fundraising expenses		(609,462)	(655,362)
Cost of goods sold		(909)	(1,285)
Communications and publicity expenses		(73,863)	(70,275)
Administration expenses		(153,340)	(96,308)
Results from Operating activities		66,267	(301,385)
Finance income	6	883	2,560
Net surplus / (deficit)		67,150	(298,825)
Net grants (to)/from National Heart Foundation of Australia		(60,458)	290,018
Surplus/(deficit) for the year before tax		**6,692**	**(8,807)**
Income tax expense	3c	0	0
Surplus/(deficit) for the year after tax		**6,692**	**(8,807)**
Total comprehensive income/(loss) for the year		**6,692**	**(8,807)**

Statement of Financial Position
as at 31 December 2017

	Note	2017 $	2016 $
Current assets			
Cash and cash equivalents	7a	367,287	211,117
Trade and other receivables	8	151,749	56,493
Inventories		1,585	2,180
Total current assets		520,621	269,790
Non-current assets			
Investments	9	21,964	21,964
Property, equipment and vehicles	10	11,170	22,793
Total non-current assets		33,134	44,757
Total assets		553,755	314,547
Current liabilities			
Trade and other payables	11	308,774	98,847
Grants income deferred	12	58,717	47,517
Employee benefits	13	96,198	82,184
Total current liabilities		463,689	228,548
Non-current liabilities			
Employee benefits	13	2,877	5,640
Provisions	16	7,779	7,641
Total non-current liabilities		10,656	13,281
Total liabilities		474,345	241,829
Net assets		79,410	72,718
Equity			
Retained earnings	14	79,410	72,718
Total equity		**79,410**	**72,718**

Statement of Changes in Equity
for the year ended 31 December 2017

	2017 $	2016 $
Balance of Equity as at 1 January	72,718	81,525
Comprehensive income for period		
Surplus / (deficit)	6,692	(8,807)
Total comprehensive income for the period	6,692	(8,807)
Balance of Equity as at 31 December	**79,410**	**72,718**

Statement of Cash Flows
for the year ended 31 December 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Cash receipts in the course of operations		1,281,417	1,435,864
Cash payments in the course of operations		(1,021,833)	(1,374,460)
Net grants received from / (made to) National Heart Foundation of Australia		(104,297)	15,283
Net financial income		883	2,560
Net cash from operating activities	7b	**156,170**	**79,247**
Cash flows from investing activities			
Acquisition of property, equipment and vehicles		0	(5,328)
Acquisition of investments		0	(447)
Net cash from / (used in) investing activities		**0**	**(5,775)**
Net increase in cash and cash equivalents		156,170	73,472
Cash and cash equivalents at 1 January		211,117	137,645
Cash and cash equivalents at 31 December	7a	**367,287**	**211,117**

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

1 Reporting entity

The National Heart Foundation of Australia (ACT Division) (the "Foundation") (ABN: 32 008 507 328) is a company limited by guarantee 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 (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-For-Profits Commission Act 2012. The financial report was authorised for issue by the directors on 9 April 2018.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

Significant accounting judgments

The company has entered into a lease of the 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.

(f) Going concern

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

The net surplus after tax for the Foundation for the year ended 31 December 2017 amounted to $6,692 (2016: Deficit of $8,807). At 31 December 2017, the Foundation had net current assets of $56,932 (2016: net current assets $41,242) and net assets of $79,410 (2016: $72,718). Subsequent to year end the directors agreed to recommend to the members to unify into the new National entity upon 1 July 2018. Whilst there is no intention to close the ACT Division or wind up the ACT Division, substantial trading activities, assets and liabilities are expected to be transferred to the unified entity. However this transition may take some time therefore the ACT Division will continue to exist for at least 12 months following unification, and will remain active to receive any specific income or meet any contractual obligations under the name of the entity.

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

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

> National Heart Foundation of Australia have acknowledged they will bear all costs of unification; and

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

3 Significant accounting policies

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

(a) Revenue recognition

(i) Charitable support

Revenue is received from appeals, donations, fundraising events and bequests and is brought to account on a cash received basis. When assets, such as investments or properties, are received from a bequest or donation, an asset is recognised, at fair value, when the Foundation gains control of such assets and the value of the asset can be reliably measured.

(ii) Interest and dividend revenue

Interest revenue is recognised as it accrues on a daily basis.

(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.

(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 over 7,900 children and 21 schools and groups throughout the ACT. The Foundation's door knock program successfully recruited 556 volunteers to collect funds in 2017. However, as no objective basis exists for recording and assigning values to these services, they are not reflected in the financial statements as either revenue or expenses.

(b) Goods and services tax

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

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

(c) Income Tax

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

(d) Inventories

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

(e) Property, equipment and vehicles

(i) Recognition and measurement

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

(ii) Depreciation

Depreciation is charged to the Statement of Surplus or Deficit and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each item of property, equipment and vehicles from the date they are acquired and are ready for use. 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 initially recognises loans and receivables on the date when they originated. All other financial assets are initially recognised on the trade date at which the Group 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 Group 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,

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

(g) Non-derivative financial assets (continued)

depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(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

(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 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 $21,964 as minimum compensation payments to the lessor in the event of default. The lease term is due to expire by 31 July 2023. 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.

(i) Impairment (continued)

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

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than inventory, are reviewed at each reporting date to determine whether there is any objective evidence that they are impaired. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss for an individual asset measured under the cost model is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income, whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is recognised in the Statement of Surplus or Deficit and Other Comprehensive Income to the extent that an impairment loss was previously recognised in the Statement of Surplus or Deficit and Other Comprehensive Income. The recoverable amount of an asset is the greater of its depreciated replacement cost and its fair value less costs to sell. 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 of 3.0% (2016: 3.0%)

> discount rate based on national government securities which most closely match the terms to maturity of the related liabilities of 3.81% (2016: 2.76%)

> expected settlement dates for annual leave of 2 years (2016: 2 years)

> expected settlement dates for long service leave based on turnover history of 15 years (2016: 15 years)

(iii) Defined contribution plans

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

(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

(k) Provisions (continued)

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) Segment reporting

The Foundation operates in only one business segment as a charity. The Foundation operates in one geographical segment (Australian Capital territory)

(m) Finance income and finance costs

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

(n) Financial risk management

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

Financial instruments

> credit risk
> liquidity risk
> market risk
> operational risk

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

(n) Financial risk management (continued)

Capital management

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

Economic dependency

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

(o) New standards and interpretations not yet adopted

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

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

AASB 15 Revenue from Contracts with Customers

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

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

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

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 replaces the income recognition requirements relating to private sector NFP entities, as well as

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

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

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

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

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

AASB 16 Leases

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

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

AASB 9 Financial instruments

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

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

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

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

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

(p) Determination of fair values

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

(i) Equity and debt securities

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

(ii) Trade and other receivables

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

(iii) Property, equipment and vehicles

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

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

	2017 $	2016 $
4 Revenue from operating activities		
Charitable support – bequests	521,274	19,435
Charitable support - non-bequest	630,560	778,058
Sale of goods	1,802	5,078
Total revenue from fundraising activities	1,153,636	802,571
Grants for specific health programs – Government	151,711	452,179
Grants for specific health programs and research – other	29,490	147,992
Other	40,260	13,930
Total revenue from other operating activities	221,461	614,101
Total revenue from operating activities	1,375,097	1,416,672
5 Auditor's remuneration		
KPMG: Audit services	12,623	12,400
	12,623	12,400
6 Finance income and costs recognised in surplus/(deficit)		
Interest income	883	2,560
Finance Income	883	2,560
7a Cash and cash equivalents		
Cash and cash equivalents include bank accounts and short term deposits maturing	367,287	211,117
within 90 days paying interest rates in 2017 of 0.01% to 2.50% (2016: 0.01% to 2.20%).	367,287	211,117

The Foundation's exposure to interest rate risk for financial assets and liabilities is disclosed in note 20.
The carrying value of cash and cash equivalents is equal to fair value.

	2017 $	2016 $
7b Reconciliation of cash flows from operating activities		
Net surplus / (deficit) from operating activities	6,692	(8,807)
Adjustments for:		
Depreciation/amortisation	10,753	10,978
Make good/restoration	138	(9,624)
Net loss on disposal of property, equipment and vehicles	873	3,589
Office lease incentives deferred	0	(15,224)
Net cash from operating activities before changes in working capital and provisions	18,456	(19,088)
(Increase) / decrease in receivables	(110,945)	114,722
Decrease in grants income accrued	15,689	44,851
Decrease in inventories	592	232
Increase in payables	209,927	59,852
Increase / (decrease) in grants income deferred	11,200	(121,538)
Increase in employee benefits	11,251	216
Net cash from operating activities	156,170	79,247

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

	2017	2016
	$	$

8 Trade & other receivables

	2017 $	2016 $
Trade receivables owing by other National Heart Foundation Divisions	0	4,540
Trade receivables owing by National Heart Foundation of Australia	45,326	16,586
Grants income accrued	0	15,689
Other receivables and prepayments	106,423	19,678
	151,749	56,493

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.

9 Investments

	2017 $	2016 $
Non-current investments	21,964	21,964
Term deposits maturing over 90 days	21,964	21,964

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

10 Property, equipment and vehicles

	Leasehold Improvements $	Office furniture & equipment $	Motor vehicles $	Total $
Cost				
Balance at 1 January 2016	10,714	84,600	31,963	127,277
Acquisitions	0	5,328	0	5,328
Disposals	0	(7,120)	0	(7,120)
Balance at 31 December 2016	10,714	82,808	31,963	125,485
Balance at 1 January 2017	10,714	82,808	31,963	125,485
Acquisitions	0	0	0	0
Disposals	0	(2,407)	0	(2,407)
Balance at 31 December 2017	10,714	80,401	31,963	123,078
Depreciation & impairment losses				
Balance at 1 January 2016	6,335	58,386	30,524	95,245
Depreciation charge for the year	2,142	8,040	796	10,978
Disposals	0	(3,531)	0	(3,531)
Balance at 31 December 2016	8,477	62,895	31,320	102,692
Balance at 1 January 2017	8,477	62,895	31,320	102,692
Depreciation charge for the year	2,143	7,967	643	10,753
Disposals	0	(1,537)	0	(1,537)
Balance at 31 December 2017	10,620	69,325	31,963	111,908
Carrying amounts				
At 1 January 2016	4,379	26,214	1,439	32,032
At 31 December 2016	2,237	19,913	643	22,793
At 1 January 2017	2,237	19,913	643	22,793
At 31 December 2017	94	11,076	0	11,170

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

	2017	2016
	$	$

11 Trade and other payables

	2017 $	2016 $
Trade payables to National Heart Foundation of Australia	285,719	46,937
Other payables and accrued expenses	23,055	51,910
	308,774	98,847

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

12 Grants income deferred

	2017 $	2016 $
Balance at 1 January	47,517	169,055
Amounts received	208,090	495,300
Income taken to revenue	(196,890)	(616,838)
Balance at 31 December	58,717	47,517

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

13 Employee benefits

	2017 $	2016 $
Aggregate liability of employee benefits, including on costs:		
Current - long service leave and annual leave	96,198	82,184
Non-current - long service leave	2,877	5,640
Total employee benefits	99,075	87,824
Personnel expenses:		
Wages and salaries	633,468	785,725
Contributions to superannuation plans	46,059	51,762
Total personnel expenses	679,527	837,487
Number of employees at year end (full time equivalents)	6.99	9.50

14 Equity

	2017 $	2016 $
Total equity at beginning of year	72,718	81,525
Operating surplus / (deficit)	67,150	(298,825)
Net grants to National Heart Foundation of Australia	(60,458)	290,018
Total equity at end of year	79,410	72,718

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 National as a contribution towards national health programs and research.

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

15 Operating leases as lessee

	2017 $	2016 $
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	83,294	80,868
Between one and five years	358,927	348,472
Later than five years	55,632	149,381
	497,853	578,721
Expenditure in the period was as follows:		
Office space	82,505	69,575
	82,505	69,575

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 2016	15,224	17,265	32,489
Future obligations incurred	(15,224)	0	(15,224)
Incentives offset against lease rental expense	0	(9,624)	(9,624)
Balance at 31 December 2016	0	7,641	7,641
Current	0	0	0
Non-current	0	7,641	7,641
	0	7,641	7,641

	Office lease incentives deferred $	Make good of leased premises $	Total $
Balance at 1 January 2017	0	7,641	7,641
Future obligations incurred	0	138	138
Expenditure recognised in the statement of comprehensive income	**0**	0	0
Balance at 31 December 2017	0	7,779	7,779
Current	0	0	0
Non-current	0	7,779	7,779
	0	7,779	7,779

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

The carrying value of make good of leased premises is equal to fair value. The Foundation'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 lease, the payment of rentals in accordance with the signed agreements for the specified lease terms. The terms of these lease agreements required the Foundation to secure a bank guarantee of $21,964 as minimum compensation payments to the lessor in the event of default. The lease term is due to expire by 31 July 2023. The directors considered no liability is required to be recognised in respect of this guarantee as the Foundation is 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.

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

Mr Bruno Yvanovich BSc, MPA, FFIA
Ms Anne-Marie Perret LLB, Grad Dip SIA, GAICD, AIMM
Ms Melanie Andrews BComm, MBA, FCPA, GAICD
Prof Walter Abhayaratna MBBS, DrPH, AFRACMA, FACC, FRACP
Prof Rachel Davey BSc (Hons), MMedSci, PhD
Ms Kylie Dennis
Mr Mark North, LLB, GDLP, Barrister and Solicitor of the ACT Supreme Court
Dr Paresh Dawda MB, BS, DRCOG, DFRSH, FRACGP, FRCGP(UK)
Mr. Douglas O'Mara (from 19 September 2016 to 30 January 2017)

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

Executive Staff

Mr Anthony Stubbs BASc (Health), GAICD – Chief Executive Officer
Mr Kevin Kelly BComm, CPA – Finance Manager
Mrs Ann Ronning AA (Comms) – Fundraising Manager
Ms Kathleen Moorby – Health Manager

	2017 $	2016 $
The compensation of key management personnel was as follows:		
Short term employee benefits	443,683	408,047
Other long term benefits	6,967	8,498
Total	450,650	416,545

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

18 Related parties (continued)

received less capital expenditure and operating expenditure (excluding depreciation). If there is a deficit from application of the above arrangement, a grant is paid by the National Heart Foundation of Australia ("National") to the Foundation. Net Grants made by the Foundation to National were as follows:

	2017 $	2016 $
Net surplus/(deficit)	6,692	(8,807)
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	73,085	32,968
Contributions paid for purchase of services	(363,753)	(430,923)
Grants for research and other national initiatives	(60,458)	290,018

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

19 Subsequent events

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

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

On 28 March 2018 the ACT Division directors notified National Heart Foundation of Australia of their decision to recommend to their members to unify into the new National entity.

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

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 receivables.

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

At the reporting date there were no significant concentrations of credit risk apart from a bank guarantee referred to in note 16 relating to the 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:

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

	Notes	2017 $	2016 $
Financial assets			
Total cash and cash equivalents	7a	367,287	211,117
Trade and other receivables*	8	151,749	40,804
Grants income accrued*	8	0	15,689
Term deposits over 90 days*	9	21,964	21,964
		541,000	289,574

Financial assets held at cost\amortised cost

Of the Foundation's trade receivables balance of $151,749, $93,684 is past due (2016: $300). These receivables were subsequently received in January 2018.
Based on receivables history, the Foundation believes that no further impairment allowance is necessary in respect of trade receivables, as trade and other receivables predominately relate to inter divisional accounts and grants income accrued.

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

Trade and other payables, and grants income deferred have contractual cashflows which are 6 months or less. Provisions relating to obligations for office leases have contractual cashflow obligations until lease expiry, which are due to expire within 7 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	2017 $	2016 $
Non derivative financial liabilities			
Trade and other payables	11	308,774	98,847
Grants income deferred	12	58,717	47,517
		367,491	146,364

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 30.

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 30. The analysis is performed on the same basis as that used in 2016.

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

20 Financial instruments (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the reporting date would have increased/(decreased) equity and surplus/(deficit) by the amounts shown in the Sensitivity Analysis Disclosure. This analysis assumes all other variables remain constant. The analysis is performed on the same basis as that used in 2016.

Operational risk

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

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 2.50%.

	2017					2016				
		-1%		+1%			-1%		+1%	
Interest rate risk	**Carrying Amount/ Market Value**	**Surplus/ (Deficit)**	**Equity**	**Surplus/ (Deficit)**	**Equity**	**Carrying Amount/ Market Price**	**Surplus/ (Deficit)**	**Equity**	**Surplus/ (Deficit)**	**Equity**
	$	$	$	$	$	$	$	$	$	$
Financial assets										
Fixed rate instruments										
Term deposits-maturing beyond 90 days	21,964	(220)	(220)	220	220	21,964	(220)	(220)	220	220
Variable rate instruments										
Cash at bank	367,286	(3,673)	(3,673)	3,673	3,673	211,117	(2,111)	(2,111)	2,111	2,111
Total increase/(decrease)	389,250	(3,893)	(3,893)	3,893	3,893	233,081	(2,331)	(2,331)	2,331	2,331

Independent Auditor's Report

To the members of the National Heart Foundation of Australia (ACT Division).

Report on the audit of the Financial Report

Qualified Opinion

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

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

(i) giving a true and fair view of the Foundation's financial position as at 31 December 2017, and of its financial performance for the year ended on that date; and

(ii) complying with *Australian Accounting Standards and the Australian Charities and Not-for-profits Commission Regulation 2013.*

The ***Financial Report*** comprises:

- Statement of financial position as at 31 December 2017.
- Statement of Surplus or Deficit and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended.
- Notes including a summary of significant accounting policies.
- Directors' Declaration

Basis for Qualified opinion

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

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

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

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

Other Information

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

We have not audited on a continual basis the accounting records relied upon for reporting fundraising appeal activities. These do not necessarily reflect accounting adjustments after the event or normal year-end financial adjustments required for the preparation of Financial Report such as accruals, prepayments, provisioning and valuations.

KPMG

KPMG

Phillip Sands
Partner
Canberra
13 April 2018

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