

# ANNUAL REPORT + FINANCIAL STATEMENTS 2016

National Heart Foundation of Australia  
**(Australian Capital Territory Division)**  
ABN 32 008 507 328  
For the year ended 31 December 2016

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**Directors and Office Bearers**

31 December 2016

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**Directors and Office Bearers**

<b>Patron</b>	Mr Richard Rolfe, OAM, BEc
<b>Board of Directors</b>	
<b>President</b>	Mr Bruno Yvanovich, BSc, MPA, FFIA
<b>Vice President</b>	Ms Anne-Marie Perret, LLB, Grad Dip SIA, GAICD, AIMM
<b>Honorary Treasurer</b>	Ms Melanie Andrews, BComm, MBA, FCPA, GAICD
<b>Honorary Secretary</b>	Mr Keith Bradley, AM, BA, LLB (Resigned 23 May 2016)
<b>Directors</b>	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)
<b>Chief Executive Officer And Company Secretary</b>	Mr A Stubbs, BAsc (Health), GAICD
<b>Solicitors</b>	Bradley Allen Love
<b>Auditors</b>	KPMG
<b>Registered Office</b>	Unit 1, Level 1, 17-23 Townshend St, Phillip, Australian Capital Territory, 2606
<b>Preferred Postal Address</b>	PO Box 373, Mawson, Australian Capital Territory, 2607

## National Heart Foundation of Australia (ACT Division)

### Directors' Report

for the year ended 31 December 2016

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 2016 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
<b>Mr Bruno Yvanovich</b> 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.	6/6	Appointed 23 September 2013
<b>Ms Anne-Marie Perret</b> 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, ACT Government boards as well as the Australian Institute of Company Directors.	4/6	Appointed 16 December 2013
<b>Ms Melanie Andrews</b> 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.	5/6	Appointed 16 February 2015
<b>Mr Keith Bradley</b> AM, BA, LLB (Honorary Secretary)	Lawyer; over 30 years in private practice. Legal Director, Bradley Allen Love.	1/2	Appointed 1982 Resigned 23 May 2016
<b>Prof. Walter Abhayaratna</b> 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.	3/6	Appointed 14 May 2012
<b>Prof. Rachel Davey</b> 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
<b>Ms Kylie Dennis</b>	A media professional with a career spanning more than 30 years including 11 years as a journalist and editor. Held the position of Advertising Sales Director of The Canberra Times for more than 10 years. Is now in a senior management position in charge of all direct and small agency advertising sales for the metropolitan group of Fairfax including the Sydney Morning Herald, The Age and the Australian Financial Review	5/6	Appointed 16 February 2015

## National Heart Foundation of Australia (ACT Division)

### Directors' Report

for the year ended 31 December 2016

<b>Mr Mark North</b> LLB, GDLP, MAICD, Barrister and Solicitor of the ACT Supreme Court	Director – Advisory: 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.	5/6	Appointed 25 May 2015
<b>Dr Paresh Dawda</b> 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.	5/6	Appointed 23 November 2015
<b>Mr Douglas O'Mara</b>	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 : Management. Clients include State and Federal Government, Banks, Institutions, Private Clients and the general public.	2/2	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:

- > Meeting five 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 2016

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**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 purpose 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 2016

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**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 its vision for Australians to have the best cardiovascular health in the world and its 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 its 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 it looks 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 2016**

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

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

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

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

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

The \$298,825 net deficit for 2016 reflects the revenue challenges facing the Heart Foundation and other charities, particularly in the areas of local fundraising. Non-health related expenditure decreased by \$47,242 during 2016. 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 2016 was \$290,018, compared to \$20,519 paid in 2015. This results in a reported deficit for 2016 of \$8,807, which is slightly less favourable than the reported surplus for 2015 of \$1,416.

Total fundraising revenue for 2016 decreased by \$304,960 compared to 2015. Bequest income and Non-Bequest income recorded decreases from 2015 to 2016 of \$124,311 and \$180,649 respectively. This result is partially offset by a decrease in fundraising expenditure during 2016 of \$63,581, resulting in a decrease in net fundraising revenue of \$241,379.

Not included in the Heart Foundation ACT Division financial statements is a \$3,427,438 bequest from the estate of an ACT regular donor that has been recorded in the accounts of the Heart Foundation National company.

Receipts from government and other funding bodies for specific health programs increased by \$117,934 in 2016, with \$600,171 recorded as revenue in 2016. Total health program expenditure increased by \$115,386 from 2015 to 2016, mainly due to the increase received from external bodies.

National Heart Foundation of Australia (ACT Division)

Directors' Report (continued)  
for the year ended 31 December 2016

	2016	2015	2014	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income &amp; Expenditure</b>					
Charitable support – bequests	19	144	112	21	13
Charitable support - non-bequests	783	964	843	970	1,230
<b>Fundraising income</b>	802	1,108	955	991	1,243
Investment income	3	4	0	0	0
Government non-reciprocal grants	0	0	0	0	0
Grants for specific health programs	600	482	487	581	508
Grants for specific fundraising & communications programs	0	0	0	0	0
Other income	14	9	23	29	22
<b>Total cash income</b>	1,419	1,603	1,465	1,601	1,773
Restatement of investments to fair value	0	0	0	0	0
<b>Total income</b>	1,419	1,603	1,465	1,601	1,773
Less: Fundraising expenditure	(656)	(719)	(670)	(661)	(844)
Communications & administration	(167)	(151)	(147)	(213)	(220)
<b>Surplus available for health programs &amp; research</b>	596	733	648	727	709
Health programs conducted locally	(895)	(751)	(736)	(793)	(789)
Contributions to National health programs & research	290	21	15	86	95
<b>Balance added to/(deducted from) equity</b>	(9)	3	(73)	20	15
<b>Ratios:</b>	%	%	%	%	%
Fundraising expenditure to fundraising income	82%	65%	70%	67%	68%
Surplus from fundraising to fundraising income	18%	35%	30%	33%	32%
Surplus available for health programs & research to total income	42%	46%	44%	45%	40%
Expenditure on health programs and research to total income	43%	46%	49%	44%	39%
Expenditure on health programs and research to total expenditure	42%	46%	47%	45%	39%
Annual increase in expenditure on health programs & research	(17%)	1%	2%	2%	(15%)

	2016	2015	2014	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets &amp; Liabilities</b>					
Cash & Investments	233	159	345	390	232
Freehold Land & Properties	0	0	0	0	0
Computers, cars & equipment	23	32	44	57	61
Other assets	59	218	132	51	333
<b>Total assets</b>	315	409	521	498	626
<b>Total liabilities</b>	(242)	(328)	(441)	(345)	(494)
<b>Total equity</b>	73	81	80	153	132

**Commentary on 5 year performance**

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

2016 bequest income was down by approx. \$100,000 on both the 2014 and 2015 financial years. 2016 also saw non-bequest revenue fall to it's lowest level since 2008. The capacity to raise funds locally and the Doorknock program are concerns for the Heart Foundation moving forward. The decline in revenue over the period 2012 to 2016 has been accompanied by a reduction in non-health related expenditure over the same period.



**Directors' Report** (continued)  
for the year ended 31 December 2016

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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 2016 for the ACT Division in part reflects the poor operating result for the year, and it results in a net decrease in the reported expenditure on health programs and research.

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 30%.

**Events Subsequent to Reporting Date**

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

**Likely Developments**

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

**Environmental Regulation**

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

**Insurance Premiums**

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

The insurance premiums relate to:

> costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and

> other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

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

**Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 10 and forms part of the directors' report for financial year 2016.

Signed in accordance with a resolution of the Directors.

**Mr Bruno Yvanovich**  
President

**Ms Melanie Andrews**  
Director

Dated at Canberra this 3<sup>rd</sup> day of April 2017



**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 National Heart Foundation (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 2016 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

*Partner*

Canberra

3 April 2017

**Directors' Declaration**

for the year ended 31 December 2016

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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 27, 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 2016 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 it's 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 3<sup>rd</sup> day of April 2017**

National Heart Foundation of Australia (ACT Division)

**Statement of Surplus or Deficit and Other Comprehensive Income**  
for the year ended 31 December 2016

		2016 \$	2015 \$
<b>Revenue</b>			
Revenue from operating activities	4	1,416,672	1,598,336
<b>Total revenue</b>		<u>1,416,672</u>	<u>1,598,336</u>
Net gain/(loss) on sale of property, equipment and vehicles		0	124
Health programs expenditure (including those funded by grants)		(894,827)	(751,257)
Fundraising expenses		(655,362)	(718,946)
Cost of goods sold		(1,285)	(10)
Communications and publicity expenses		(70,275)	(68,000)
Administration expenses		(96,308)	(83,516)
<b>Results from Operating activities</b>		<u>(301,385)</u>	<u>(23,269)</u>
Finance income	6	2,560	4,166
<b>Net Surplus / (deficit)</b>		<u>(298,825)</u>	<u>(19,103)</u>
<b>Net Grants from National Heart Foundation of Australia</b>		<u>290,018</u>	<u>20,519</u>
<b>Surplus/(deficit) for the year before tax</b>		<u>(8,807)</u>	<u>1,416</u>
Income tax expense	3c	0	0
<b>Surplus/(deficit) for the year after tax</b>		<u>(8,807)</u>	<u>1,416</u>
<b>Total comprehensive income/(loss) for the year</b>		<u>(8,807)</u>	<u>1,416</u>

**Statement of Financial Position**  
as at 31 December 2016

	Note	2016 \$	2015 \$
<b>Current assets</b>			
Cash and cash equivalents	7a	211,117	137,645
Trade and other receivables	8	56,493	216,065
Inventories		2,180	2,415
<b>Total current assets</b>		<u>269,790</u>	<u>356,125</u>
<b>Non-current assets</b>			
Investments	9	21,964	21,516
Property, equipment and vehicles	10	22,793	32,031
<b>Total non-current assets</b>		<u>44,757</u>	<u>53,547</u>
<b>Total assets</b>		<u>314,547</u>	<u>409,672</u>
<b>Current liabilities</b>			
Trade and other payables	11	98,847	38,995
Grants income deferred	12	47,517	169,055
Employee benefits	13	82,184	77,829
Provisions	16	0	6,330
<b>Total current liabilities</b>		<u>228,548</u>	<u>292,209</u>
<b>Non-current liabilities</b>			
Employee benefits	13	5,640	9,779
Provisions	16	7,641	26,159
<b>Total non-current liabilities</b>		<u>13,281</u>	<u>35,938</u>
<b>Total liabilities</b>		<u>241,829</u>	<u>328,147</u>
<b>Net assets</b>		<u>72,718</u>	<u>81,525</u>
<b>Equity</b>			
Retained earnings	14	72,718	81,525
<b>Total equity</b>		<u>72,718</u>	<u>81,525</u>

National Heart Foundation of Australia (ACT Division)

**Statement of Changes in Equity**  
for the year ended 31 December 2016

	2016 \$	2015 \$
<b>Balance of Equity as at 1 January</b>	81,525	80,109
<b>Comprehensive income for period</b>		
Surplus / (Deficit)	(8,807)	1,416
<b>Total comprehensive income for the period</b>	(8,807)	1,416
<b>Balance of Equity as at 31 December</b>	<b>72,718</b>	<b>81,525</b>

**Statement of Cash Flows**  
for the year ended 31 December 2016

	2016 \$	2015 \$
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	1,435,864	1,289,434
Cash payments in the course of operations	(1,374,460)	(1,189,066)
Net grants made to National Heart Foundation of Australia	15,283	(290,341)
Net financial income	2,560	4,166
<b>Net cash from / (payments for) operating activities</b>	<b>79,247</b>	<b>(185,807)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, equipment and vehicles	0	275
Acquisition of property, equipment, vehicles and computer software	(5,328)	0
Acquisition of investments	(447)	0
<b>Net cash from investing activities</b>	<b>(5,775)</b>	<b>275</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>73,472</b>	<b>(185,532)</b>
Cash and cash equivalents at 1 January	137,645	323,177
<b>Cash and cash equivalents at 31 December</b>	<b>211,117</b>	<b>137,645</b>

**Notes to the Financial Statements**

for the year ended 31 December 2016

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**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 3 April 2017.

**(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.

**Notes to the Financial Statements** (continued)  
for the year ended 31 December 2016

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**3 Significant accounting policies**

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

**(a) Revenue recognition**

(i) Charitable support

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

(ii) Interest and dividend revenue

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

(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 over 7,300 children and 16 schools and groups throughout the ACT. The Foundation's door knock program successfully recruited over 2,129 volunteers to collect funds in 2016. 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 2016

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**(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**

(i) 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.

(ii) 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



**Notes to the Financial Statements** (continued)  
for the year ended 31 December 2016

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**g) Non-derivative financial assets (continued)**

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 it's 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 it's 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**

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 it's 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 it's depreciated replacement cost and it's 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 it's 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

**Notes to the Financial Statements** (continued)  
for the year ended 31 December 2016

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**(j) Employee Benefits (continued)**

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% (2015: 3.0%)

> discount rate based on national government securities which most closely match the terms to maturity of the related liabilities of 2.76% (2015: 2.88%)

> expected settlement dates for annual leave of 2 years (2015: 2 years)

> expected settlement dates for long service leave based on turnover history of 15 years (2015: 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 2016, and have not been applied in preparing these consolidated financial statements. Except for **AASB 9 Financial Instruments (2010)** which the Foundation early adopted with a date of initial application of 1 January 2011, the Foundation has not elected to early adopt any other new Australian Accounting Standards. Those which may be relevant to the Foundation are:

**AASB 15 Revenue from contracts with customers**, becomes mandatory for the 2018 financial statements and could change the classification and recognition method of revenue. It establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

**AASB 16 Leases** requires companies to bring most operating leases on-balance sheet from 2019.

Companies with operating leases will appear to be more asset-rich, but also more heavily indebted. AASB 16 is effective for the Foundation's 2019 financial statements.

**AASB 1058 Income for Not-for-profit Entities**, is a standard addressing the recognition and measurement of income for not-for-profit entities. The concept of reciprocal and non-reciprocal transactions has been removed, and instead an assessment of enforceability and performance obligations is required. Application is effective for the Foundation's 2019 financial statements.

The Foundation has reviewed the requirements of these standards and they are not expected to have a significant impact on the Foundations financial statements.

**(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, 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.

National Heart Foundation of Australia (ACT Division)

**Notes to the Financial Statements** (continued)  
for the year ended 31 December 2016

	2016 \$	2015 \$
<b>4 Revenue from operating activities</b>		
Charitable support – bequests	19,435	143,746
Charitable support - non-bequest	778,058	950,162
Sale of goods	5,078	13,623
Total revenue from fundraising activities	802,571	1,107,531
Grants for specific health programs – Government	452,179	482,237
Grants for specific health programs and research – other	147,992	0
Other	13,930	8,568
<i>Total revenue from other operating activities</i>	614,101	490,805
<b>Total revenue from operating activities</b>	1,416,672	1,598,336
<b>5 Auditor’s remuneration</b>		
KPMG: Audit services	12,400	13,990
	12,400	13,990
<b>6 Finance income and costs Recognised in Surplus/(Deficit)</b>		
Interest income	2,560	4,166
<b>Finance Income</b>	2,560	4,166
<b>7a Cash and cash equivalents</b>		
Cash and cash equivalents include bank accounts and short term deposits maturing within 90 days paying interest rates in 2016 of 0.01% to 2.20% (2015: 0.01% to 1.80%).	211,117	137,645
	211,117	137,645
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.		
<b>7b Reconciliation of cash flows from operating activities</b>		
<b>Net surplus / (deficit) from operating activities</b>	(8,807)	1,416
<b>Adjustments for:</b>		
Depreciation/Amortisation	10,978	11,551
Make Good/Restoration	(9,624)	638
Net loss/(gain) on disposal of property, equipment and vehicles	3,589	711
Office lease incentives deferred	(15,224)	(3,839)
<b>Net cash from operating activities before changes in working capital and provisions</b>	(19,088)	10,476
(Increase) / decrease in receivables	114,722	(51,058)
(Increase) / decrease in grants income accrued	44,851	(36,761)
(Increase) / decrease in inventories	232	988
Increase / (decrease) in payables	59,852	(74,494)
Increase / (decrease) in grants income deferred	(121,538)	(50,918)
Increase / (decrease) in employee benefits	216	15,959
<b>Net cash from / (payments for) operating activities</b>	79,247	(185,807)

National Heart Foundation of Australia (ACT Division)

**Notes to the Financial Statements** (continued)  
for the year ended 31 December 2016

	2016	2015
	\$	\$
<b>8 Trade &amp; other receivables</b>		
Trade receivables owing by other National Heart Foundation Divisions	4,540	250
Trade receivables owing by National Heart Foundation of Australia	16,586	59,966
Grants income accrued	15,689	60,539
Other receivables and prepayments	19,678	95,310
	56,493	216,065

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**

Non-current investments	21,964	21,516
Term Deposits maturing over 90 days	21,964	21,516

**Notes to the Financial Statements** (continued)  
for the year ended 31 December 2016

**10 Property, equipment and vehicles**

	Leasehold Improvements \$	Office furniture & equipment \$	Motor vehicles \$	Total \$
<b>Cost</b>				
Balance at 1 January 2015	10,714	91,849	31,963	134,526
Acquisitions	0	0	0	0
Disposals	0	(7,249)	0	(7,249)
Balance at 31 December 2015	10,714	84,600	31,963	127,277
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
<b>Depreciation &amp; impairment losses</b>				
Balance at 1 January 2015	4,192	56,035	29,730	89,957
Depreciation charge for the year	2,143	8,614	794	11,551
Disposals	0	(6,263)	0	(6,263)
Balance at 31 December 2015	6,335	58,386	30,524	95,245
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
<b>Carrying amounts</b>				
At 1 January 2015	6,522	35,814	2,233	44,568
At 31 December 2015	4,379	26,214	1,439	32,032
At 1 January 2016	4,379	26,214	1,439	32,032
At 31 December 2016	2,237	19,913	643	22,793

National Heart Foundation of Australia (ACT Division)

**Notes to the Financial Statements** (continued)  
for the year ended 31 December 2016

	2016	2015
	\$	\$
<b>11 Trade and other payables</b>		
Trade payables to National Heart Foundation of Australia	46,937	3,836
Other payables and accrued expenses	51,910	35,159
	98,847	38,995

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**

Balance at 1 January	169,055	219,973
Amounts received	495,300	394,558
Income taken to revenue	(616,838)	(445,476)
Balance at 31 December	47,517	169,055

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**

Aggregate liability of employee benefits, including on costs:

Current - long service leave and annual leave	82,184	77,829
Non-current - long service leave	5,640	9,779
Total employee benefits	87,824	87,608
<i>Personnel expenses:</i>		
Wages and salaries	785,725	693,277
Contributions to superannuation plans	51,762	55,660
Total personnel expenses	837,487	748,937
Number of employees at year end (full time equivalents)	9.50	8.80

**14 Equity**

Total Equity at beginning of year	81,525	80,109
Operating (Deficit)	(298,825)	(19,103)
Net Grants to National Heart Foundation of Australia	290,018	20,519
Total Equity at end of year	72,718	81,525

**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.

National Heart Foundation of Australia (ACT Division)

Notes to the Financial Statements (continued)  
for the year ended 31 December 2016

15 Operating leases as lessee	2016	2015
	\$	\$
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	80,868	85,495
Between one and five years	348,472	88,060
Later than five years	149,381	0
	<u>578,721</u>	<u>173,555</u>
Expenditure in the period was as follows:		
Office space	69,575	80,579
	<u>69,575</u>	<u>80,579</u>

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 2015	19,063	16,627	35,690
Future obligations incurred	0	638	638
Incentives offset against lease rental expense	(3,839)	0	(3,839)
Balance at 31 December 2015	<u>15,224</u>	<u>17,265</u>	<u>32,489</u>
Current	6,330	0	6,330
Non-current	8,894	17,265	26,159
	<u>15,224</u>	<u>17,265</u>	<u>32,489</u>

	Office lease incentives deferred \$	Make good of leased premises \$	Total \$
Balance at 1 January 2016	15,224	17,265	32,489
Incentives offset against lease rental expense	(15,224)	0	(15,224)
Expenditure recognised in the statement of comprehensive income	0	(9,624)	(9,624)
Balance at 31 December 2016	<u>0</u>	<u>7,641</u>	<u>7,641</u>
Current	0	0	0
Non-current	0	7,641	7,641
	<u>0</u>	<u>7,641</u>	<u>7,641</u>

**Notes to the Financial Statements (continued)**

for the year ended 31 December 2016

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  
 Mr Keith Bradley AM, BA, LLB (to 23 May 2016)  
 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 Anthony Burton BA – Cardiovascular Health Manager (to 31 July 2016 2016)  
 Mr Kevin Kelly BComm, CPA – Finance Manager  
 Mrs Ann Ronning AA (Comms) – Fundraising Manager  
 Ms Kathleen Moorby – Health Manager (from 11 July 2016)

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
The compensation of key management personnel was as follows:		
Short term employee benefits	408,047	370,340
Other long term benefits	8,498	6,980
Total	<u>416,545</u>	<u>377,320</u>

**Other related parties**

Classes of other related parties are the National Heart Foundation of Australia ("National") and all other state and territory divisions ("Divisions") and directors of related parties and their director-related entities. The Foundation makes grants to National Heart Foundation of Australia ("National") primarily to fund research and other health programs conducted on an Australia-wide basis. Such grants are payable under the terms of the Federation agreement between the Foundation and the National Heart Foundation of Australia ("National"). The grant payable by the Foundation is equal to it's net operating surplus (payable monthly in arrears) representing the excess of income



**Notes to the Financial Statements (continued)**

for the year ended 31 December 2016

**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:

	2016	2015
	\$	\$
<b>Net Surplus/(Deficit)</b>	(8,807)	1,416
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	32,968	52,638
Contributions paid for purchase of services	(430,923)	(481,949)
Grants for research and other national initiatives	290,018	20,519

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 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	2016	2015
		\$	\$
<b>Financial assets</b>			
Total cash and cash equivalents	7a	211,117	137,645
Trade and other receivables*	8	40,804	155,526
Grants income accrued*	8	15,689	60,539
Term deposits over 90 days*	9	21,964	21,516
		<u>289,574</u>	<u>375,226</u>

\* Financial assets held at cost/amortised cost

Of the Foundation's trade receivables balance of \$40,804, \$300 is past due (2015, \$83,672) 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.

**Notes to the Financial Statements (continued)**

for the year ended 31 December 2016

**20 Financial instruments (continued)****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	2016 \$	2015 \$
<b>Non derivative financial liabilities</b>	11	98,847	38,995
Trade and other payables	12	47,517	169,055
Grants income deferred		<u>146,364</u>	<u>208,050</u>

**Market risk**

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

**Interest rate risk**

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

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

Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk. The exposure to interest rate risk for financial assets and liabilities at the reporting date are shown below in the Sensitivity Analysis Disclosure on page 27.

*Fair value sensitivity analysis for fixed rate instruments*

The surplus/(deficit) would be affected by changes in the fixed interest rate as shown in the Sensitivity Disclosure Analysis. The analysis assumes all other variables remain constant. The analysis is performed using a change of 1% on page 27. The analysis is performed on the same basis as that used in 2015.

*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 2015.

**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:

**Notes to the Financial Statements (continued)**

for the year ended 31 December 2016

**20 Financial instruments (continued)**

- 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 2.20%

	2016					2015				
	-1%		+1%			-1%		+1%		
	Carrying Amount/ Market Value	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity	Carrying Amount/ Market Price	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
<b>Interest rate risk</b>										
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>										
<b>Fixed rate instruments</b>										
Term deposits-maturing beyond 90 days	21,964	(220)	(220)	220	220	21,516	(215)	(215)	215	215
<b>Variable rate instruments</b>										
Cash at bank	211,117	(2,111)	(2,111)	2,111	2,111	137,645	(1,376)	(1,376)	1,376	1,376
<b>Total increase/(decrease)</b>	233,081	(2,331)	(2,331)	2,331	2,331	159,161	(1,591)	(1,591)	1,591	1,591



# 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 accompanying financial report of the National Heart Foundation of Australia (ACT Division) (the Foundation).

#### True and fair view

In our opinion, except for the possible effects of the matter described in the Basis for Qualified opinion section of our report, the *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 2016, 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*.

#### Presents fairly

In our opinion except for the possible effects of the matter described in the basis for qualified opinion paragraph, the accompanying *Financial Report* of the Foundation presents fairly, in all material respects the Foundation's financial position as at 31 December 2016, and of its financial performance and its cash flows for the year ended on that date:

- (i) in accordance with the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, and
- (ii) in compliance with *Australian Accounting Standards* and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The *Financial Report* comprises:

- (i) Statement of Financial Position as at 31 December 2016.
- (ii) Statement of Surplus or Deficit and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended.
- (iii) Notes including a summary of significant accounting policies.
- (iv) Directors' declaration.

## Basis for Qualified opinion

Charitable fundraising is a significant source of fundraising revenue for the National Heart Foundation of Australia. The Foundation has determined that it is impracticable to establish controls over the collection of charitable fundraising revenue, mainly comprising of cash donations, prior to entry into its financial records. Accordingly, as the evidence available to us regarding fundraising revenue from this source was limited, our audit procedures with respect to charitable 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, 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:

- (i) Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the ACNC.
- (ii) Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- (iii) Assessing the Foundation's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the 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:

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

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

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

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

Our responsibilities include:

- (i) Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.
- (ii) Designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (iii) Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.
- (iv) Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (v) Concluding on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- (vi) Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.



In addition we have:

- (i) Obtained an understanding of the internal control structure for fundraising appeal activities.
- (ii) Examined on a test basis of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Act[s] and Regulation[s].

We have not audited on a continuous basis the accounting records relied upon for reporting on 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

A handwritten signature in blue ink that reads 'Phillip Sands'.

Phillip Sands  
Partner  
Canberra  
3 April 2017

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