



Lung Foundation Australia

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

Approved 19 February 2016

Lung Foundation Australia
Financial Statements
For the year ended 31 December 2015

Research awards (unaudited)

Prior to 31 December 2013, Lung Foundation Australia had a specifically designated reserve which represented funds that had been set aside from retained earnings for specific research award payments that would be made in future financial periods. Effective 1 January 2014, the balance of the specifically designated reserve was transferred into Opening Retained Earnings. For all future research award payments that are made from the funds that formed a part of the specifically designated reserve prior to 1 January 2014, the impact of these research award payments is not able to be offset by an allocation of the specifically designated reserve into revenue. Hence, revenue was recognised when it was received and expenditure related to these research awards is only recognised when incurred, which may be in a subsequent financial year. The following reconciliation illustrates the impact these research award expenses have had on the financial results for the last two years.

	2015	2014
	\$	\$
Impact of Investment in Research Awards from Reserves (Unaudited)		
Net deficit per Statement of Profit or Loss and other comprehensive income	(165,918)	(55,445)
Less payments made with respect to Research Award income received in prior years	(99,136)	(66,750)
Adjusted net surplus / (deficit)	<u>(66,782)</u>	<u>11,305</u>

LUNG FOUNDATION AUSTRALIA
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
DIRECTORS' REPORT

Your directors present their report on the company, Lung Foundation Australia, for the financial year ended 31 December 2015.

Directors

The following persons were directors of Lung Foundation Australia at any time during the year and up to the date of signing this report.

Professor Christine Jenkins
 Mr Andrew Churchill
 Professor Peter Frith
 Professor Martin Phillips
 Dr David Michail
 Ms Kathleen Cummings
 Associate Professor Sarath Ranganthan
 Mr Tony Hyams
 Mr David Hayne (resigned 31 March 2015)
 Associate Professor David Serisier (deceased 31 May 2015)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Information on Directors

Professor Christine Jenkins AM	Chair (Non-Executive)
Qualifications	MB BS (Hons II), MD, FRACP
Experience	Member of The Australian Lung Foundation Inc National Council since June 2011, Founding Board Member of Lung Foundation Australia, and Past President of Thoracic Society of Australia and New Zealand.
Special Responsibilities	Chair of the Remuneration Sub-committee
Mr Andrew Churchill	Director
Qualifications	FCA, FCIS
Experience	Member and Treasurer of The Australian Lung Foundation Inc. National Council since March 2010, Founding Board Member of Lung Foundation Australia.
Special Responsibilities	Member of the Remuneration Sub-committee, Chair of the Finance, Audit, Risk Management Sub-committee.
Special Responsibilities	Nil
Professor Peter Frith	Director
Qualifications	MB BS, FRACP
Experience	Member of The Australian Lung Foundation Inc. National Council since March 2010. Board Member of Lung Foundation Australia since March 2013.
Special Responsibilities	Member of COPD National Program Executive Committee, and COPD Coordinating Committee. Chair of COPDX Concise Guide Writing Group Advisory Committee
Professor Martin Phillips	Director
Qualifications	BSc, MB BS, MRCP, FRACP
Experience	Member of The Australian Lung Foundation Inc. National Council since August 2001. Founding Board Member of Lung Foundation Australia.
Special Responsibilities	Nil
Dr David Michail	Director
Qualifications	MB BS, FRACP
Experience	Board Member of Lung Foundation Australia since March 2013
Special Responsibilities	Member of the Finance, Audit, Risk Management Sub-committee.
Ms Kathleen Cummings	Director
Qualifications	Grad Dip in Management (CSU), GAICD,
Experience	Thirty years in banking and finance industry. Past board member of Mortgage Finance Association Aust. Board member of Lung Foundation Australia since April 2014
Special Responsibilities	Member of the Finance, Audit, Risk Management Sub-committee.

LUNG FOUNDATION AUSTRALIA
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
DIRECTORS' REPORT (continued)

Information on Directors (continued)

Associate Professor Sarath Ranganathan	Director
Qualifications	MCChB, MRCP, FRCPCH, FRACP, PhD
Experience	Member of Lung Foundation Australia National Council since March 2014. Board member of Lung Foundation Australia since April 2014.
Special Responsibilities	Chair of Research Sub-Committee, Member of Young Lungs Advisory Group.
Mr Tony Hyams	Director
Qualifications	FACID, B.Law, B.Comm
Experience	Member of Lung Foundation Board since November 2014. Experience in Banking, Finance and Investment firms. Former Chairman of Commonwealth Superannuation Corp. and various other commercial organisations. Governor of WWF.
Special Responsibilities	Chair of Fundraising Committee
Associate Professor David Serisier	Chair (non-executive)
Qualifications	MB BS, DM, FRACP
Experience	Member of The Australian Lung Foundation Inc National Council since June 2011 and appointed to the position of Chair in June 2012, Past Treasurer of Thoracic Society Australia and New Zealand, Founding Chair and Board Member of Lung Foundation Australia.
Mr David Hayne	Director (Consumer Representative)
Qualifications	PhC, MPS, MACPP, AACP
Experience	Member of The Australian Lung Foundation Inc National Council since April 2012, Founding Board Member of Lung Foundation Australia, Consultant Pharmacist, and President of Heart & Lung Transplant Trust (Vic) Inc.

Principal activities

The principal activities of Lung Foundation Australia during the course of the financial year were providing support to those burdened by respiratory disease through patient support groups, education and raising funds for research.

Strategic Objectives

The company's strategic objectives are to:

- promote lung health so that all Australians take their lung health seriously;
- promote early diagnosis of lung disease which will lead to better health outcomes for patients;
- support those with lung disease and their carers to ensure they have access to information, support and are encouraged to have a significant role in the management of their lung disease;
- promote equitable access to evidence-based care by advocating on behalf of those with lung disease and developing clinical resources for use across a variety of settings; and
- support quality research by raising funds for research and working collaboratively with other entities to support research.

Strategies

To achieve its stated objectives, the company has adopted the following strategies:

- Broaden the services that are offered by the company to include all aspects of lung disease through the identification of areas of high impact, the establishment of a program infrastructure and the development of program plans for the disease areas identified. Particular attention is to be given to Respiratory Infectious Diseases and Asbestos related diseases.
- Work across the entire Health Promotion continuum by not only working with those who have a lung disease, but also working to protect the lung health of all Australians, particularly the younger population. Health promotion activities to promote lung health and prevent disease are to become a significant part of the Lung Foundation work.
- Communicate well and communicate often, so that the Lung Foundation can become widely regarded as the primary organisation for lung health. This will involve the Lung Foundation becoming more proactive and consistent in its advocacy work.
- Develop and promote clinical resources for a range of clinical settings and translate these resources through the development delivery of education programs, particularly for primary care. It is in the primary care clinical setting that the Lung Foundation will have the biggest opportunity to affect early diagnosis and timely care of patients with lung disease.
- Develop and foster strategic relationships to achieve our goals. It will be through our work and collaborations with a range of other organisations, that the Lung Foundation will increasingly be regarded as an important organisation with which to collaborate on lung health and wider health promotion/chronic disease issues.

LUNG FOUNDATION AUSTRALIA
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
DIRECTORS' REPORT (continued)

Significant changes

There was no significant change in the nature of these activities during the year.

Meetings of Directors

During the financial year, 5 meetings of directors were held. Attendances by each director were as follows:

	Directors' Meetings	
	Number eligible to attend	Number Attended
Professor Christine Jenkins	5	5
Mr Andrew Churchill	5	5
Professor Peter Frith	5	4
Professor Martin Phillips	5	4
Dr David Michail	5	5
Ms Kathleen Cummings	5	5
Associate Professor Sarath Ranganathan	5	4
Mr Tony Hyams	5	5
Mr David Hayne (resigned 31 March 2015)	2	2
Associate Professor David Serisier (deceased 31 May 2015)	2	2

Members Guarantee

The company is incorporated under the *Australian Charities and Not-for-profit Commission Act 2012* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$5 each towards meeting the outstanding obligations of the entity. At 31 December 2015, the total amount that members of the company are liable to contribute if the company is wound up is \$1,780 (2014: \$2,155).

Auditor's Independence Declaration

The auditor's independence declaration, in accordance with section 60-40 of the *Australian Charities and Not-for-profit Commission Act 2012*, for the year ended 31 December 2015 has been received and can be found on page 18 of the Financial Report.

Operating results

The deficit the year ended 31 December 2015 was \$165,918 (2014: Deficit \$55,445)

Signed in accordance with a resolution of the Board of Directors.

 Christine Jenkins
 Andrew Churchill

Dated this 19th day of February 2016

LUNG FOUNDATION AUSTRALIA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Notes	2015 \$	2014 \$
Continuing operations			
Revenue from projects		3,555,004	4,312,555
Revenue from donations and bequests		724,634	467,394
Revenue from specifically designated funds	3	246,609	313,116
Other income	2	634,403	588,693
Total revenue and other income from continuing operations		5,160,650	5,681,758
Project expenses		(3,555,004)	(4,312,554)
Specifically designated fund expenses	3	(246,609)	(313,116)
Other expenses	4	(1,588,361)	(1,198,283)
Surplus/(deficit) from continuing operations before finance income		(229,324)	(142,195)
Finance income		63,406	86,750
Net surplus/(deficit)		(165,918)	(55,445)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gains/(losses) on available-for-sale financial assets		(42,403)	28,455
Total comprehensive income / (loss)		(208,321)	(26,990)
Net surplus/(deficit) for the year is attributable to:			
Non-controlling interest		-	-
Members		(165,918)	(55,445)
		(165,918)	(55,445)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	-
Members		(208,321)	(26,990)
		(208,321)	(26,990)

The accompanying notes form part of the financial report

**LUNG FOUNDATION AUSTRALIA
STATEMENT OF FINANCIAL POSITION
As at 31 December 2015**

	Notes	2015 \$	Restated* 2014 \$
Current assets			
Cash and cash equivalents	14(b)	1,450,465	1,537,023
Receivables	7	496,856	476,109
Inventories	6	7,348	22,491
Financial assets	8	1,406,108	1,748,771
Total current assets		3,360,777	3,784,394
Non-current assets			
Financial Assets	6	1,178,729	651,254
Property, plant and equipment	9	159,467	180,506
Intangible assets	10	53,031	89,000
Total non-current assets		1,391,227	920,760
Total assets		4,752,004	4,705,154
Current liabilities			
Payables	11	2,171,894	1,890,503
Employee benefits	12	190,680	185,810
Total current liabilities		2,362,574	2,076,313
Non-current liabilities			
Payables	11	58,444	62,644
Employee benefits	12	65,208	92,098
Total non-current liabilities		123,652	154,742
Total liabilities		2,486,226	2,231,055
Net assets		2,265,778	2,474,099
Equity			
Retained earnings		2,263,181	2,429,099
Available-for-sale financial assets reserve	13	2,597	45,000
Total equity		2,265,778	2,474,099

The accompanying notes form part of the financial report

*Refer to Note 1(n).

LUNG FOUNDATION AUSTRALIA
STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from operating activities		5,968,659	6,752,277
Dividends received		60,696	15,909
Interest received		65,274	93,311
Payments for operating activities		<u>(5,926,472)</u>	<u>(6,807,884)</u>
Net cash flows from operating activities	14(a)	168,157	53,613
Cash flows from investing activities			
Investing in term deposits		-	(1,748,771)
Proceeds from term deposits		382,380	-
Acquisition of securities and equities		(609,595)	(758,396)
Proceeds from sale of securities and equities		-	347,518
Proceeds from sale of plant and equipment		-	1,523
Acquisition of plant and equipment		(17,000)	(16,980)
Acquisition of intangible assets		<u>(10,500)</u>	<u>(89,000)</u>
Net cash flows used in investing activities		(254,715)	(2,264,106)
Net increase/(decrease) in cash and cash equivalents held		(86,558)	(2,210,493)
Cash and cash equivalents at the beginning of the financial year	14(b)	1,537,023	3,747,516
Cash and cash equivalents at the end of the financial year	14(b)	1,450,465	1,537,023

The accompanying notes form part of the financial report

LUNG FOUNDATION AUSTRALIA
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Notes	2015 \$	2014 \$
Retained earnings			
Balance at 1 January 2015		2,429,099	1,706,593
Surplus/(deficit)		(165,918)	(55,445)
Transfer of General Reserve opening balance		-	300,000
Transfer of SDF Reserve opening balance		-	477,951
Balance at 31 December 2015		2,263,181	2,429,099
General reserve			
Balance at 1 January 2015	13	-	300,000
Transfer opening balance to Retained earnings		-	(300,000)
Balance at 31 December 2015		-	-
Specifically designated funds reserve			
Balance at 1 January 2015	13	-	477,951
Transfer opening balance to Retained earnings		-	(477,951)
Balance at 31 December 2015		-	-
Available-for-sale financial assets reserve			
Balance at 1 January 2015	13	45,000	43,036
Reversal of unrealised gains on sale of listed investments		-	(26,489)
Revaluation (losses)/gains		(42,403)	28,453
Balance at 31 December 2015		2,597	45,000
Total change in equity			
Balance at 1 January 2015		2,474,099	2,527,580
Surplus/(deficit)		(165,918)	(55,445)
Movement in Unrealised gains reserve		(42,403)	1,964
Balance at 31 December 2015		2,265,778	2,474,099

The accompanying notes form part of the financial report

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

1. Statement of significant accounting policies

(a) Reporting Entity

Lung Foundation Australia (the company) is a company limited by guarantee incorporated under the *Australian Charities and Not-for-profit Commission Act 2012* and is domiciled in Australia. The financial report covers Lung Foundation Australia as an individual entity and is presented in Australian dollars.

From 1 January 2013, the company completed a corporate restructure by transferring from an incorporated association to a company limited by guarantee.

The company is primarily involved in the alleviation of the impact of lung disease throughout Australia.

The financial report was authorised for issue by the Board of Directors on 19 February 2016.

(b) Basis of preparation

Statement of Compliance

Lung Foundation Australia applies Australian Accounting Standards - Reduced Disclosure Requirements as set out in AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*.

The financial statements are general purpose financial statements that has been prepared in accordance with the requirements of the *Australian Charities and Not-for-profit Commission Act 2012*, Australian Accounting Standards - Reduced Disclosure Requirements, and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The company is a not-for-profit entity for financial reporting purposes under the Australian Accounting Standards.

Reporting Basis and Conventions

The preparation of financial statements in conformity with Australian Accounting Standards - Reduced Disclosure Requirements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, revenue and expenses.

Critical Accounting Estimates and Judgments

The estimates and judgments incorporated into the financial statements are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the entity. The estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

Key Estimates – Impairment

The company assesses impairment of fixed assets at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Available-for-sale financial assets represent a portfolio of securities maintained by the company with a carrying amount of \$1,218,446 (2014: \$651,254) at the end of the reporting period. Should share values decline to a level which is in excess of 20% below cost or should prices remain at levels below cost for a period in excess of 12 months, the directors have determined that such investments will be considered impaired in the future.

Provisions for employee provisions payable after 12 months from the reporting date are based on future wage and salary levels, experience of employee departures and periods of service. The amount of these provisions would change should any of these factors change in the next 12 months.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There were no key adjustments during the year which required accounting estimates and judgements.

The financial statements has been prepared on an accruals basis and is based on historical costs modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied. The amounts presented in the financial statements have been rounded to the nearest dollar.

The following is a summary of the material accounting policies adopted by the company. The accounting policies have been consistently applied to all periods presented in the financial statements, unless otherwise stated.

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

1. Statement of significant accounting policies (continued)

(c) Revenue

Revenue is recognised at the fair value of consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Membership fees

Memberships received in the current year are recognised on a straight line basis over the period of the memberships.

Membership fees received in the current year and relating to future periods are included within Payables in the Statement of Financial Position.

Donations and fundraising income

General and specific donations, fundraising income and bequests are recognised as revenue when received. Donations, fundraising income and bequests received in kind are ascribed a value and recognised as revenue when received.

Sponsorship and grant income

Sponsorship and grant income is recognised as revenue when received, except when the monies are for a specific purpose and expenditure attributable to the sponsorship will occur beyond the current financial year. In such a case the amount attributable to expenditure to be incurred in the following financial years is recorded in the statement of financial position as unearned income.

Research and other annual awards

Amounts received in respect of research and other annual awards are recognised as a liability until disbursement to the award recipients. At time of disbursement, both the amount paid and the amount received are transferred to the statement of comprehensive income as expenses and revenue, respectively.

Dividends

Dividend revenue is recognised when the right to receive payment has been established.

Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. These benefits include salaries and wages, annual leave and long service leave.

Liabilities that are expected to be settled within one year are valued at the amounts expected to be paid.

Employee benefit liabilities expected to be settled after one year are measured at the present value of the estimated future cash outflows to be made to employees. Consideration is given to expected future wage and salary levels, and periods of service when determining future cash outflows. These cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of the cash flows.

(e) Taxation

Income tax

The company has been endorsed as an income tax exempt charitable entity.

Goods and services tax (GST)

Revenues, expenses, assets and liabilities are recognised net of GST except where the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

The net amount of GST recoverable from, or payable to the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authority are classified as an operating cash flow.

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

1. Statement of significant accounting policies (continued)

(f) Plant and equipment

Plant and equipment is carried at cost less depreciation and, where applicable, any impairment losses.

The carrying amount of plant and equipment is reviewed annually by management to ensure that it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is provided on a straight line basis over their useful lives, as determined by management, commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Category of asset	Depreciation rate
Computer equipment	33%
Office furniture & equipment	10%, 15% & 20%
Leasehold Improvements	11%

The assets' residual value and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

(g) Intangible Assets

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Amortisation

Amortisation is recognised on a straight-line basis over the assets estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Category of asset	Amortization rate
Software	50%

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the assets is derecognised.

(h) Financial Instruments

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets. Loans and receivables are included within receivables (note 7).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurement other than impairment losses and, if any, foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2015**

1. Statement of significant accounting policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, and short term deposits with original maturities of three months or less from their date of placement. Term deposits with original maturities of more than three months from their date of placement are included as a financial asset.

(j) Inventories

Inventories are measured at cost, adjusted where applicable for any loss of service potential. Loss of service potential results when educational leaflet inventories become factually outdated.

(k) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(l) Comparative figures

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(m) New, revised or amended Accounting Standards and Interpretations adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods. The company has assessed the impact of these new standards and interpretations and they are not expected to have any significant effect on the financial report.

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2015:

- AASB 2014-2 Amendments to AASB 1053 - Transition to and between Tiers, and related Tier 2 Disclosure Requirements;
- AASB 2014-1 Amendments to Australian Accounting Standards - Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles;
- AASB 2014-1 Amendments to Australian Accounting Standards - Part C: Materiality
- AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (December 2013) - Part B: Materiality;
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures to Non-Financial Assets

None of these new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2015 affected any of the amounts recognised in the current year or prior year.

(n) In the prior year, \$651,254 of financial assets was incorrectly classified as current assets. In accordance with the Australian Accounting Standards, these assets have been reclassified to non-current financial assets, as outlined below:

	Original 2014	Adjustments	Restated 2014
Financial assets - current	2,400,025	(651,254)	1,748,771
Financial assets - non-current	-	651,254	651,254

The error related only to the 2014 classification, therefore a third balance sheet is not considered necessary.

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

	2015	2014
	\$	\$
2. Other income		
Dividends received	60,696	15,909
Membership fees	42,660	56,408
Sales of educational publications	6,851	7,073
Fundraising and events	420,499	241,380
Sundry income	103,697	267,923
Total other income	634,403	588,693
3. Specifically designated funds		
	2015	2014
	\$	\$
Revenue		
Donations	246,609	313,116
	<u>246,609</u>	<u>313,116</u>
Expenses		
Research awards	(246,609)	(313,116)
Net surplus from specifically designated funds	-	-
4. Other expenses		
	2015	2014
	\$	\$
Premises	228,614	229,059
Depreciation	59,419	41,841
Fixed assets written off	-	420
Telecommunication	27,152	15,332
Website and internet	36,921	21,472
Marketing and fundraising events	569,299	299,913
Employee benefits	531,948	736,857
Superannuation	171,596	176,168
Educational leaflets and guides	23,220	17,485
Research Awards	101,011	90,889
Strategic planning	8,388	-
General, administrative and other costs	185,720	174,927
Overhead recovery	(354,927)	(606,081)
Total other expenses	1,589,361	1,198,283
5. Net surplus/(deficit)		
	2015	2014
	\$	\$
The net surplus/(deficit) for the year has been determined after including the following items of expenditure:		
Amounts paid to Auditors	10,000	14,400
Amounts paid to Crowe Horwath - Other Audit Services (Grant Acquittals)	5,100	2,600
	<u>15,100</u>	<u>17,000</u>
Minimum operating lease expenses	<u>198,796</u>	<u>180,133</u>
6. Inventories		
	2015	2014
	\$	\$
PiKo Products	7,348	22,491
Total inventories	7,348	22,491
A provision for inventory obsolescence of \$Nil was recognised (2014: \$Nil).		
7. Receivables		
	2015	2014
	\$	\$
Trade receivables	431,590	393,039
Prepayments	60,285	76,221
Accrued interest income	4,981	6,849
Total receivables	496,856	476,109

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

	2015	Restated 2014
	\$	\$
8. Financial Assets		
Term Deposits - Current	1,366,391	1,748,771
Available-for-sale financial assets - listed investments - current	39,717	-
Available-for-sale financial assets - listed investments - non-current	1,178,729	651,254
Total financial assets	2,584,837	2,400,025

Movement in listed investments at fair value:

Balance at 1 January 2015	651,254	202,607
Purchases	609,595	758,396
Disposals	-	(311,713)
Reversal of unrealised gains on disposals	-	(26,489)
Fair value remeasurement gains/(losses)	(42,403)	28,453
Balance at 31 December 2015	1,218,446	651,254

Term deposits have an average maturity of 90 days (2014: 100 days).

	Computer equipment	Office furniture & equipment	Leasehold Improve- ments	Total
	\$	\$	\$	\$
9. Property, plant and equipment				
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:				
Year ended 31 December 2014				
Carrying amount at 1 January 2014	16,392	30,967	159,951	207,310
Additions	6,747	8,258	1,975	16,980
Assets written off	(972)	(971)	-	(1,943)
Depreciation	(10,931)	(11,205)	(19,705)	(41,841)
Carrying amount at 31 December 2014	11,236	27,049	142,221	180,506
At 31 December 2014				
Historical cost	79,050	108,035	183,823	370,908
Accumulated depreciation	(67,814)	(80,986)	(41,602)	(190,402)
Net carrying amount	11,236	27,049	142,221	180,506
Year ended 31 December 2015				
Carrying amount at 1 January 2015	11,236	27,049	142,221	180,506
Additions	7,082	5,719	4,199	17,000
Depreciation	(7,866)	(9,863)	(20,310)	(38,039)
Carrying amount at 31 December 2015	10,452	22,905	126,110	159,467
At 31 December 2015				
Historical cost	72,662	95,072	188,022	355,756
Accumulated depreciation	(62,210)	(72,167)	(61,912)	(196,289)
Net carrying amount	10,452	22,905	126,110	159,467

	2015	2014
	\$	\$
10. Intangible assets		
Movement in the carrying amount for intangible assets - computer software between the beginning and the end of the current financial year:		
Year ended 31 December 2015		
Carrying amount at 1 January 2015	89,000	-
Additions	10,500	89,000
Amortisation	(46,469)	-
Carrying amount at 31 December 2015	53,031	89,000
At 31 December 2015		
Historical cost	99,500	89,000
Accumulated amortisation	(46,469)	-
Net carrying amount	53,031	89,000

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

	2015	2014
	\$	\$
11. Payables		
CURRENT		
Trade payables	65,126	27,666
Specifically designated funds	472,183	422,820
Project income received in advance	1,473,820	1,269,455
Rent Incentive - current	4,200	4,200
Other payables	156,565	166,362
Total current payables	2,171,894	1,890,503
NON-CURRENT		
Rent Incentive - non-current	58,444	62,644
Total non-current payables	58,444	62,644
Total payables	2,230,338	1,953,147

	2015	2014
	\$	\$
12. Employee benefits		
Accrued Annual Leave - employee benefit - current	142,036	150,908
Provision for long service leave - current	48,644	34,902
Provision for long service leave - non-current	65,208	92,098
Total employee benefits	255,888	277,907

Analysis of total employee benefits:

Balance at 1 January 2015	127,000	151,330
Additional employee benefits raised during the year	352,807	262,552
Amount of employee benefits used during the year	(223,919)	(286,882)
Balance at 31 December 2015	255,888	127,000

The current portion for employee benefits includes the total amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service, which is ten years as per company policy. Based on knowledge of the company, the company does expect the full amount of long service leave balances classified as current liabilities to be settled within the next 12 months. Where the company does not have an expectation of these long service leave balances to settle within 12 months, they are still required to be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their entitlement.

The non-current portion for employee benefits includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been discussed in Note 1(d) Employee Benefits.

	2015	2014
	\$	\$
13. Other reserves		
Available-for-sale financial assets	2,597	45,000
Total other reserves	2,597	45,000

Nature and purpose of reserves

The available-for-sale financial assets reserve records revaluations of available-for-sale financial assets.

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

14. Notes to the statement of cash flows

	2015	2014
	\$	\$
(a) Reconciliation of net cash from operating activities to operating surplus/(deficit)		
Net surplus/(deficit)	(165,918)	(55,445)
Depreciation	38,039	41,841
Amortization	46,469	-
Loss / (gain) on disposal of fixed assets	-	420
Loss / (gain) on disposal of investments	-	(35,805)
Transfer to provision for annual leave	(8,872)	(11,346)
Transfer to provision for long service leave	(13,148)	(24,330)
(Increase)/decrease in assets		
Trade receivables	(20,747)	(27,812)
Inventory	15,143	(7,288)
Increase/(decrease) in liabilities		
Trade & Other payables	23,463	17,884
Project income received in advance	253,728	155,494
Net cash flows available from operations	168,157	53,613

	2015	2014
	\$	\$
(b) Components of cash and cash equivalents		
Cash on hand	923	1,000
Cash at bank	1,449,542	1,536,023
Cash and cash equivalents per statement of cash flow	1,450,465	1,537,023

The effective interest rate on short term bank deposits was 2.85% (2014: 2.88%).

	2015	2014
	\$	\$
(c) Cash balances held for project expenditure	633,421	717,796

At balance date, the amount of cash utilised as security for bank guarantees associated with leases for the company's office space totalled \$76,224 (2014: \$76,224).

15. Contingent liabilities

There are no contingent liabilities at the date of this financial report (2014: Nil).

16. Members Guarantee

The company is incorporated under the *Australian Charities and Not-for-profit Commission Act 2012* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$5 each towards meeting the outstanding obligations of the entity. At 31 December 2015, the total amount that members of the company are able to contribute if the company is wound up is \$1,780 (2014: \$2,155).

17. Financial risk management

	2015	2014
	\$	\$
Financial assets		
Cash and cash equivalents	1,450,465	1,537,023
Receivables	496,856	476,109
Financial assets	2,584,837	2,400,025
Total financial assets	4,532,158	4,413,157
Financial liabilities		
Trade and other payables	693,874	616,848
Total financial liabilities	693,874	616,848

Fair values

For listed available-for-sale financial assets and financial assets at fair value through profit or loss, the fair values have been based on closing quoted bid prices at the end of the reporting period.

In determining the fair values of the unlisted available-for-sale financial assets and financial assets at fair value through profit or loss, management have used inputs that are observable either directly (as prices) or indirectly (derived from prices).

Equity price risk

Equity price risk arises as a result of the available-for-sale and financial assets held by the company at balance date. The company has appointed Morgans, an experienced Funds Manager to manage the market risk associated with the movement in equity prices. The Funds Manager works within the parameters and objectives set out by the Statement of Investment Policy that has been approved by the Board. The Board (through its FARM Committee) receive performance reports from the Funds Manager every six months and meet with the Funds Manager on an annual basis.

**LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2015**

18. Subsequent Events

There are no events after year-end that require disclosure.

19. Lease Commitments

The company leases the office space that houses the national secretariat office with the lease expiring within six years, with the option to extend the lease for another three years. The company also leases some pieces of office equipment under non-cancellable operating leases expiring within one to five years. The leases have varying terms and renewal rights.

	2015	2014
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	115,454	117,344
Later than one year but not later than five years	213,059	328,513
Later than five years	-	-
	<u>328,513</u>	<u>445,857</u>

During December 2012, Lung Foundation Australia entered into a lease for new office accommodation, which expires within 6 years, with an option to extend the lease for another three years. Built into the new lease is a minimum annual increase of the lease rate of 4%.

20. Related parties and related-party transactions

(a) Directors' compensation

The directors act in an honorary capacity and receive no compensation for their services. During the year, travel expenses totalling \$6,113 (2014: \$2,545) incurred by the directors in fulfilling their role were reimbursed.

(b) Transaction with Director-related entities

During the year, there were no transactions with director-related entities (2014: \$Nil). Any transactions that do take place are conducted under normal commercial terms and conditions. No amounts are payable to or receivable from directors or director-related entities at the reporting date.

(c) Key management personnel compensation

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of the company, is considered key management personnel.

The total remuneration paid to key management personnel of the company during the year is as follows:

	2015	2014
	\$	\$
Key management personnel compensation	<u>608,434</u>	<u>706,832</u>

21. Company details

The registered office of Lung Foundation Australia is located at:

Level 2, 11 Finchley Street
Milton
Queensland 4064

The principal place of business is:

Level 2, 11 Finchley Street
Milton
Queensland 4064

**LUNG FOUNDATION AUSTRALIA
DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Lung Foundation Australia, the directors declare that in their opinion:

1. The financial statements and notes, as set out on pages 4 to 16, satisfy the requirements of the *Australian Charities and Not-for-profit Commission Act 2012* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position of the company as at 31 December 2015 and of the company's performance for the year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that Lung Foundation Australia will be able to pay all of its debts, as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed on behalf of the Board by:

Chairman,  Christine Jenkins

Director,  Andrew Churchill

Dated this 19th day of February 2016



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 Lung Foundation Australia

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2015 there have been:

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

KPMG

KPMG

Stephen Board
Partner

Brisbane
19 February 2016



Independent auditor's report to the members of Lung Foundation Australia

We have audited the accompanying financial report of Lung Foundation Australia (the Company), which comprises the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

This audit report has also been prepared for the members of the Foundation pursuant to the *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC).

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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



Independence

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

Auditor's opinion

In our opinion the financial report of Lung Foundation Australia is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation 2013.

KPMG

KPMG

Stephen Board
Partner

Brisbane
19 February 2016