

ANNUAL REPORT + FINANCIAL STATEMENTS 2017

National Heart Foundation of Australia
(Western Australian Division) Incorporated
ABN 99 863 968 377
For the year ended 31 December 2017



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Directors and Office Bearers

Patron

Her Excellency The Governor of Western Australia
Kerry Sanderson AO

Board of Directors

President

Mr G Robson BCom MEd FACA FFSIA

Vice President

Prof M Daube AO (from March 2017)
Ms E Frankish BAgSc (Hons) FAIFST MASM MIAFP (to February 2017)
Mr I Rowe MA (Hons) Psychology

Honorary Treasurer

Mr C Serjeant BAsc(Pharm), GradDip Applied Finance & Investment

Honorary Secretary

Mr A Raiter B Juris, LLB, GAICD

Other Directors appointed by Members

Dr M Ammerer MBBS FRACP
Mr W Ford BEng(ChemEng) MAICD (to February 2017)
Ms L Nelson BCom, MAppEp
Ms K Oliver DipHlthSc(Nurs), BHlthSc(Nurs), GradDipHlthAdmin
Dr J Rankin MBBS FRACP
Prof C Schultz MBChB DPhil MRCP FRACP FCANZ
Dr R Weerasooriya MBBS BMedSc FRACP (to February 2017)

Director appointed by the Cardiac Society
of Australia and New Zealand

Dr R Weerasooriya MBBS BMedSc FRACP (to February 2017)
Dr M Ammerer MBBS FRACP (from March 2017)

Senior Staff

Chief Executive

Mr M Swanson BSc GradDip Nutrition & Dietetics GradDipHlthSci MPH

Director, Cardiovascular Health Programs

Mr T Shilton BEd GradDipHlthSci MHP FAHPA

Director, Finance, HR and Administration

Ms J Bolton BCom MBA (Dist) FCPA MAICD

Director, Fundraising (Acting)

Ms Linda Bolton BA

Solicitors

Norton Rose
Jackson McDonald

Auditors

KPMG Australia

Registered Office

334 Rokeby Road, Subiaco WA 6008

Preferred Postal Address

PO Box 1133, Subiaco WA 6904

National Heart Foundation of Australia (WA Division)

Directors' Report

for the year ended 31 December 2017

The directors present their report together with the financial report of National Heart Foundation of Australia (Western Australian Division) ("the Foundation") for the year ended 31 December 2017 and the auditors' report thereon.

Directors

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

Name and qualifications	Experience and special responsibilities	Meetings held and attended #	Appointment and resignation
Dr M Ammerer MBBS FRACP	General and Interventional Cardiologist with Western Cardiology. Extensive experience in acute coronary care, outpatient cardiology management and cardiac rehabilitation. Fellowships with the Brigham and Women's Hospital (Harvard Medical School) and the Royal Australasian College of Physicians.	6 held 3 attended	Appointed June 2005
Prof Mike Daube (AO)	Prof Mike Daube has been Professor of Health Policy at Curtin University since 2005. Before this he was Director General of Health for Western Australia and Chair of the National Public Health Partnership. His other roles have included President of the Public Health Association of Australia, President of the Australian Council on Smoking and Health, Co-Chair of the National Alliance for Action on Alcohol, Deputy Chair of the Australian Government's National Preventative Health Taskforce and Chair of the Tobacco Expert Committee, Vice-Chair of the WHO-FCTC Expert Review Group, Chair of the UK Centre for Tobacco and Alcohol Studies Advisory Board, CEO of various government and non-government agencies, and chair, member and patron of many further committees and organisations in Australia and elsewhere.	6 held 3 attended	Appointed March 2017
Mr Warren Ford BEng(ChemEng) MAICD	Warren Ford is an oil and gas professional with over 30 years' experience across technical, commercial, managerial and leadership roles in Australia and internationally. Mr Ford was Deputy Managing Director for Apache Energy Limited in Perth and is a former Vice Chair and Board Member of the Australian Petroleum and Exploration Association (APPEA), the peak national body representing Australia's oil and gas exploration and production industry. Mr Ford is a member of the Society of Petroleum Engineers and the Australian Institute of Company Directors.	0 held 0 attended	Appointed December 2013 Resigned February 2017
Ms E Frankish BAgSc (Hons) FAIFST MASM MIAFP	Consultant Food Microbiologist with 30 years' experience in broad range of food science and environmental microbiology in government and private enterprise in Tasmania, NSW and Western Australia. Twelve years managing own diagnostic consulting laboratory. Wide committee experience including executive positions.	1 held 1 attended	Appointed December 2009 Resigned February 2017
Ms L Nelson BCom, MAppEp	Chief Executive Officer of the South West Aboriginal Medical Service. Former Director of Indigenous Banking Solution for WA with Westpac Bank. Lesley has over 25 years' experience in Aboriginal health. Current member on the Cardiovascular Health Network Executive Advisory group.	6 held 3 attended	Appointed October 2012
Ms Kylie Oliver, DipHlthSc(Nurs), BHlthSc(Nurs), GradDipHlthAdmin	Kylie Oliver is a health professional with 25 years' experience in clinical, education, managerial, administrative and executive roles in the tertiary and country sectors in Western Australia and Queensland. Kylie's visionary approach to improving patient outcomes has seen initiatives not only succeed within local organisations but been accepted across the State with significant impact.	6 held 1 attended	Appointed April 2015
Mr Andrew Raiter B Juris, LLB, GAICD	Group Legal Counsel at HBF with 26 years' experience as a lawyer in both private practice and in-house roles, in commerce, banking and finance. Expertise in board support and secretarial functions in not for profit organisations and a AICD Graduate.	6 held 6 attended	Appointed June 2011

National Heart Foundation of Australia (WA Division)

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

Dr Jamie Rankin, MBBS FRACP	Dr Rankin has held the position of Head of Cardiology at Fiona Stanley Hospital since it opened in 2014, having previously held the roles of Head of Cardiology and Director of clinical trials in Cardiology at Royal Perth Hospital. His commitment to excellence in the health system sees him consulting on a number of government advisory groups.	6 held 2 attended	Appointed October 2015
Mr G Robson BCom MEd FACA FFSIA	Partner in Sharyn Long Chartered Accountants. Lectured in accounting and finance for the University of Western Australia, RMIT and the Financial Services Institute of Australasia. Held senior executive positions in banking institutions and public companies. Chairman of the Heart Foundation's Investment Committee since 2009.	6 held 6 attended	Appointed June 2005
Mr Iain Rowe MA (Hons) Psychology	Marketing Consultant, having held a number of senior executive roles in leading Perth Advertising Agencies. Extensive experience in Health and other social marketing campaigns. Member of the National Heart Foundation Marketing Advisory Panel.	6 held 5 attended	Appointed April 2010
Prof Carl Schultz, MBChB, DPhil, MRCP, FRACP, FCSANZ	Professor of Cardiology at Royal Perth Hospital.	6 held 1 attended	Appointed April 2015
Mr Craig Serjeant, BAsc (Pharmacy), Grad Dip Applied Finance & Investment	Trained as a pharmacist and worked in a teaching hospital for the first 12 years of his professional career. This was followed by a year with the Health Department of Western Australia so he has a good insight into health-related matters. He has also been associated with another not for profit organisation for over 8 years. This background has been helpful in his role as a Director of the Heart Foundation of WA.	6 held 6 attended	Appointed April 2015
Dr R Weerasooriya MBBS BMedSc FRACP GAICD	Consultant Cardiologist and Cardiac Electrophysiologist at Royal Perth Hospital since 2003. Clinical Professor of Medicine at the University of Western Australia. Board member of RPH Medical Research Foundation.	0 held 0 attended	Appointed February 2007 Resigned February 2017

meetings attended and meetings held while the director held office.

Meetings of Board Committees

There were six Executive Committee Meetings held in 2017.

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

Corporate Governance Statement

The Foundation is an Incorporated Association, incorporated under the Associations Incorporations Act 1987. Ultimate responsibility for the governance of the organisation 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.

Federation Agreement

The Foundation entered into a new 5 year Federation agreement on the 23rd November 2012. This agreement replaced the previous Memorandum of Understanding, took effect from 1 January 2013 and was extended to 30 June 2018. On 31 March 2018 the Foundation directors notified National Heart Foundation of Australia of their decision to recommend to their members to unify into the new National entity. As a result of this notification National Heart Foundation of Australia has provided a legally enforceable irrevocable letter of financial support confirming their intention to financially support the Foundation in such amounts from time to time sufficient to permit the Foundation to pay its debts as and when they fall due, until the Foundation is able to pay its debts as and when they fall due without the support of National Heart Division. The financial support stated above is provided for a minimum of 12 months from the date the 31 December 2017 financial report of National Heart Foundation of Australia WA Division is signed.

Oversight by the Board

The Board oversees and monitors the performance of management by:

- > Meeting six times during the year
- > Receiving detailed financial and other reports from management at those meetings
- > Receiving additional information and input from management when necessary
- > Assigning to the Cardiovascular Health Advisory Committee; the National Finance Advisory Committee; and the Audit, Governance and Ethics Committee responsibility to oversee particular aspects of the operations and administration of the Foundation.

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 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 Chief Executive 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:

- > There must be no less than six and no more than 13 directors, of whom up to four may be appointed by the Cardiac Society of Australia and New Zealand (WA branch) - ("CSANZ")
- > No employees of the Foundation, including the Chief Executive, can be a director of the Foundation
- > Directors, other than those appointed by CSANZ, are re-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 page 4 and 5.

Board members receive written advice of the terms and conditions of their appointment and complete a structured induction program when first appointed. Management presentations to the Board enable directors to maintain knowledge of the business and operations of the Foundation.

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

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 every second year by independent staff from another Division. The Foundation has also appointed an external body to undertake the internal audit function at the direction of National.

Ethical standards and code of conduct

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

Involving stakeholders

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

Principal Activities and Achievement of Objectives

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

Alignment to strategic plan "For All Hearts"

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

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

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

Performance Measures and Key Achievements in 2017

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

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

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

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

Review of Results and Operations for Current Year

Total revenue from operating activities was 38% lower (\$5,920,682) compared to last year. The difference was in Bequest income where a significant individual bequest of \$6.2m was received in 2016. Bequest income continues to meet the four year average target, and this source of income continues to vary from year to year as evident between 2017 (\$1,833,373) and 2016 (\$7,065,265). Revenue from other operating activities was 2% lower than last year due to decreased external grants received.

Charitable support from the general public continued to be strong in 2017 although bequest income fluctuates from year to year. Income from non-bequest fundraising is obtained in an increasingly competitive charity climate. Fluctuations in the fundraising costs can sometimes occur when new funding initiatives are at a development stage and the benefits only become evident in the following years.

Total operating expenditure was 4% lower (\$350,994) compared to last year due to decreased fundraising expenditure and decreased expenditure in external grants.

Overall, the financial performance of the Foundation continues to highlight the innovative and efficient actions of management and staff.

A comprehensive discussion about the activities of the Foundation and the Federation can be found in the 2017 Annual Review.

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

Events Subsequent to Reporting Date

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

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

On 31 March 2018 the Foundation's directors notified National Heart Foundation of Australia of their decision to recommend to their members to unify into the new National entity.

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

Likely developments

Should unification proceed the Foundation will alter its Constitution such that the National entity will become the sole member, or one of the required minimum number of members.

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

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

Environmental Regulation

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

Insurance Premiums

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

The insurance premiums relate to:

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

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

Lead auditor's independence

The lead auditor's independence is set out on page 32 and forms part of the auditor's report for financial year 2017.

Dated at Perth this 11th day of May 2018

Signed in accordance with a resolution of the Directors.



Mr I Rowe
Vice President

Directors' Declaration

for the year ended 31 December 2017

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

- (a) the Foundation is not publicly accountable;
- (b) the financial statements and notes, set out on pages 10 to 29, are in accordance with the Associations Incorporations Act 2015 and the Australian Charities and Not-For-Profits Commission Act 2012, including:
 - (i) giving a true and fair view of the financial position of the Foundation as at 31 December 2017 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Australian Charities and Not-For-Profits Regulations 2013; and
- (c) there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable.

Dated at Perth this 11th day of May 2018

Signed in accordance with a resolution of the Directors.



Mr I Rowe
Vice President

Statement of Surplus or Deficit and Comprehensive Income

for the year ended 31 December 2017

	Notes	2017 \$	2016 \$
Revenue			
Revenue from operating activities	4	9,615,380	15,536,062
Total revenue		9,615,380	15,536,062
Net gain on sale of property, plant and equipment		11,768	15,915
Health programs (including those funded by grants)		(6,430,716)	(6,467,871)
Fundraising		(1,894,056)	(2,240,306)
Cost of goods sold		(574)	(2,685)
Communications and publicity		(204,824)	(149,024)
Administration		26,673	1,248
Results from Operating activities		1,123,652	6,693,338
Finance income		30,007	53,336
Net Finance income	6	30,007	53,336
Net Surplus		1,153,659	6,746,674
Net Grants to National Heart Foundation of Australia		(1,208,560)	(6,882,300)
(Deficit) for the year before tax		(54,901)	(135,626)
Income tax expense	3c	0	0
(Deficit) for the year after tax		(54,901)	(135,626)
Total comprehensive income for the year		(54,901)	(135,626)

Statement of Financial Position

for the year ended 31 December 2017

	Notes	2017 \$	2016 \$
Current assets			
Cash and cash equivalents	7a	5,332,652	4,445,013
Trade and other receivables	8	191,284	505,955
Investments	9	450,000	450,000
Total current assets		5,973,936	5,400,968
Non-current assets			
Property, Plant, equipment and vehicles	10	1,755,684	1,847,586
Total non-current assets		1,755,684	1,847,586
Total assets		7,729,620	7,248,554
Current liabilities			
Trade and other payables	11	803,779	283,897
Grants income deferred	12	3,917,985	3,960,965
Employee benefits	13	550,533	469,836
Total current liabilities		5,272,297	4,714,698
Non-current liabilities			
Employee benefits	13	33,933	55,564
Total non-current liabilities		33,933	55,564
Total liabilities		5,306,230	4,770,262
Net assets		2,423,390	2,478,291
Equity			
Reserves		450,000	450,000
Retained earnings		1,973,390	2,028,291
Total equity	14	2,423,390	2,478,291

Statement of Changes in Equity

as at 31 December 2017

	2017	2016
	\$	\$
Balance of Equity as at 1 January	2,478,291	2,613,916
Comprehensive income for the period		
Surplus/(Deficit)	(54,901)	(135,626)
Total comprehensive income for the period	(54,901)	(135,626)
Balance of Equity as at 31 December	2,423,390	2,478,291

Statement of Cash Flows

for the year ended 31 December 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Cash receipts in the course of operations		10,123,010	15,745,395
Cash payments in the course of operations		(7,010,665)	(9,261,213)
Net grants made to National Heart Foundation of Australia		(2,239,629)	(7,082,373)
Net financial income		31,243	53,336
Net cash from/(used in) operating activities	7b	903,959	(544,856)
Cash flows from investing activities			
Proceeds from sale of property, equipment and vehicles		31,000	42,000
Acquisition of property, equipment and vehicles		(47,320)	(56,596)
Net cash (used in)/from investing activities		(16,320)	(14,596)
Cash flows from financing activities			
Net cash from financing activities		0	0
Net increase/(decrease) in cash and cash equivalents		887,639	(559,452)
Cash and cash equivalents at 1 January		4,445,013	5,004,465
Cash and cash equivalents at 31 December	7a	5,332,652	4,445,013

Notes to the Financial Statements

for the year ended 31 December 2017

1 Reporting entity

The National Heart Foundation of Australia (WA Division) (the "Foundation") (ABN: 99 968 863 377) is an incorporated association domiciled in Australia. The address of the Foundation's registered office is 334 Rokeby Road, Subiaco WA 6053. The Foundation is a not for profit charity, registered under the Australian Charities and Not-For-Profits Commission, devoted to reducing suffering and death from heart, stroke and blood vessel disease in Australia.

2 Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB's) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), the Associations Incorporation Act 1987 and the Australian Charities and Not-For-Profits Commission Act 2012. The financial report was authorised for issue by the directors on 11 May 2018.

(b) Basis of measurement

The financial report is prepared on the historical cost basis.

(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 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.

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:

Provisions for employee benefits

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

(e) Changes in accounting policies

The Foundation has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

(f) Going concern

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

The net deficit after tax for the Foundation for the year ended 31 December 2017 amounted to \$54,901 (2016: Deficit of \$135,626). At 31 December 2017, the Foundation had net current assets of \$701,639 (2016: current net assets \$686,270) and net assets of \$2,423,390 (2016: \$2,478,291). Subsequent to year end the directors agreed to recommend to the members to unify into the new National entity upon 1 July 2018.

Whilst there is no intention to close the Foundation or wind up the Foundation, substantial trading activities, assets and liabilities are expected to be transferred to the unified entity. However, this transition may take some time therefore the Foundation will continue to exist for at least 12 months following unification and will remain active to receive any specific income or meet any contractual obligations under the name of the entity. Furthermore, in the event the Foundation does not proceed with unification (members vote not to unify at the AGM), National Heart Foundation of Australia acknowledge their commitment to the written financial support issued to the Foundation and will assist in ensuring there is an orderly transition of existing commercial arrangements between the National Entity and the Foundation.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

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

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

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

(iii) Grants for health programs and research (deferred income)

Grants received for specific health programs or research are recognised as income only to the extent of work completed on those projects. Any funds attributable to work still to be completed are carried forward as grants income deferred as recognised in note 12. In the circumstances where the terms of the grants stipulate that any unexpended funds are to be returned to the sponsor these unexpended funds are held as deferred income until such time as they are returned to the funding body.

(iv) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(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. The Foundation's big heart doorknock appeal successfully recruited 1,297 volunteers to collect funds in 2017. However, as no objective basis exists for recording and assigning values to these services, they are not reflected in the financial statements as either revenue or expenses.

(b) Goods and services tax

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)

(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 fall under item 1 of the table in section 30-15 of the Income Tax Assessment Act 1997.

(d) 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 3g(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 comprehensive income.

(ii) Depreciation

Depreciation is charged to the statement of surplus or deficit and comprehensive income on a straight-line basis over the estimated useful lives of each item of property, equipment and vehicles from the date they are acquired and are ready for use. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

> buildings	40 years
> leasehold improvements	5 - 10 years
> office furniture and equipment	3 - 10 years
> motor vehicles	6 - 7 years

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

(e) Non-derivative financial assets

The Foundation early adopted AASB9 on 1 January 2011, the classification of financial assets that the Foundation held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date.

(i) Fair Value through Other Comprehensive Income

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

(ii) Amortised Cost

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

(iii) Other financial instruments

A financial instrument is recognised on the date the Foundation becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Foundation's contractual rights to the cashflows from the financial assets expire. Purchases and sales of financial assets are accounted for at trade date. Accounting for finance income is discussed in note 3(k).

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 3g(i).

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)

(f) Non-derivative financial liabilities

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

(g) Impairment

(i) Non-derivative financial assets including receivables

Each financial asset apart from those classified at fair value through other comprehensive income is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount owed to the Foundation and/or a Division on terms that the Foundation and/or Division would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. An impairment loss in respect of amortised cost investments is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at an appropriate effective interest rate and is recognised directly in Surplus/(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 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 comprehensive income, whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is recognised in the statement of surplus or deficit and comprehensive income to the extent that an impairment loss was previously recognised in the statement of surplus or deficit and comprehensive income. The recoverable amount of an asset is the greater of its depreciated replacement cost and its fair value less costs to sell. Depreciated replacement cost is defined as the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. The current replacement cost of an asset is its cost measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Impairment losses are recognised in surplus or deficit. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Calculation of recoverable amount

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)

(h) Employee benefits

(i) Short term benefits

The provisions for employee entitlements to wages, salaries, annual and paid maternity leave represent obligations resulting from employees' services provided up to reporting date, that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees rendered the related services. These are calculated at 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.

The Foundation's net obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

(iii) Defined contribution plans

The Foundation's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

(i) 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.

(j) Segment reporting

The Foundation operates in only one business segment as a charity. The Foundation operates in one geographical segment (Western Australia).

(k) Finance income

Finance income comprises interest income. Interest income is recognised using the effective interest method.

(l) Financial risk management

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

Financial instruments

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

Further details in respect of each of these risks are set out in note 19 Financial Instruments. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Foundation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Foundations activities. The Foundation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Capital management

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)

Economic dependency

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

(m) New standards and interpretations not yet adopted

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

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

AASB 15 Revenue from Contracts with Customers

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

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

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

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 replaces the income recognition requirements relating to private sector NFP entities, as well as the majority of income recognition requirements relating to public sector NFP entities previously reflected in AASB 1004 Contributions for financial years beginning 1 January 2019 onwards.

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

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

AASB 16 Leases

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

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

3 Significant accounting policies (continued)

AASB 9 Financial instruments

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

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

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

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

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

(n) 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) 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.

(ii) Property, plant and equipment

The fair value of items of plant, equipment, fixtures and fittings is based on replacement cost. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

(o) Reserve

The reserve represents monies received from a trust for a travel scholarship. The monies gifted are accounted for as income in the current period and transferred to the reserve from accumulated reserves as the use of the monies is restricted to providing a travel scholarship to a medical research awardee.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017 \$	2016 \$
4 Revenue from operating activities		
Charitable support - bequests	1,833,373	7,065,265
Charitable support - non-bequests	2,665,533	3,197,934
Sale of goods	2,560	44,796
<i>Total revenue from fundraising activities</i>	<u>4,501,466</u>	<u>10,307,995</u>
Grants for specific health programs - Government	4,242,721	4,066,260
Grants for specific health programs and research - other	839,821	1,143,781
Other	31,372	18,026
<i>Total revenue from other operating activities</i>	<u>5,113,914</u>	<u>5,228,067</u>
Total revenue from operating activities	<u>9,615,380</u>	<u>15,536,062</u>
5 Auditors' remuneration		
KPMG Australia: Audit services	29,030	28,517
KPMG Australia: Other services	16,275	20,700
	<u>45,305</u>	<u>49,217</u>
6 Finance income and costs		
Recognised in Surplus/(Deficit)		
Interest income	30,007	53,336
Finance income	<u>30,007</u>	<u>53,336</u>
Net finance income and costs recognised in Surplus	<u>30,007</u>	<u>53,336</u>
7a Cash and cash equivalents		
Cash and cash equivalents include bank accounts and short term deposits maturing within 90 days paying interest rates of 0.01% to 2.19% (2016: 0.01% to 2.42%)	5,332,652	4,445,013
	<u>5,332,652</u>	<u>4,445,013</u>
The Foundation's exposure to interest rate risk for financial assets and liabilities are disclosed in note 19. The carrying value of cash and cash equivalents is equal to fair value.		

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017	2016
	\$	\$
7b Reconciliation of cash flows from operating activities		
Net (deficit) from ordinary activities	(54,901)	(135,626)
Adjustments for:-		
Depreciation/Amortisation	119,989	157,592
Net (gain) on disposal of property, equipment and vehicles	(11,768)	(16,056)
Net cash from operating activities before changes in working capital and provisions	53,320	5,910
Decrease/(increase) in receivables	314,671	(73,536)
Increase/(decrease) in payables	519,882	(552,535)
(Decrease)/increase in grants income deferred	(42,980)	29,975
Increase/(decrease) in employee benefits	59,066	45,329
Net cash from/(to) operating activities	903,959	(544,856)
8 Trade and other receivables		
Trade receivables owing by other National Heart Foundation divisions	-	500
Trade receivables owing by National Heart Foundation of Australia (National)	91,431	146,797
Other receivables and prepayments	99,853	358,659
	191,284	505,955

The carrying value of trade and other receivables is equal to fair value. The Foundation's exposure to credit risk relating to trade and other receivables is disclosed in note 19.

	2017	2016
	\$	\$
9 Investments		
Current investments		
Restricted cash	450,000	450,000
	450,000	450,000

Investments include term deposits with maturity longer than 3 months and restricted cash received as a gift from a trust to be used for a travel scholarship.

The carrying value of investments is equal to fair value. The Foundation's exposure to interest rate risk and equity price risk are disclosed in note 19.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

10 Property, equipment and vehicles

	Freehold land	Buildings	Office furniture & equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$

Balance at 1 January 2016	1,110,000	690,000	1,575,457	89,900	3,465,357
Acquisitions	0	0	0	56,596	56,596
Disposals	0	0	(22,209)	(52,160)	(74,369)
Balance at 31 December 2016	1,110,000	690,000	1,553,248	94,336	3,447,584

Balance at 1 January 2017	1,110,000	690,000	1,553,248	94,336	3,447,584
Acquisitions	0	0	8,140	39,180	47,320
Disposals	0	0	(16,930)	(37,740)	(54,670)
Balance at 31 December 2017	1,110,000	690,000	1,544,458	95,776	3,440,234

Depreciation & Impairment losses

Balance at 1 January 2016	0	181,243	1,281,476	28,112	1,490,831
Depreciation charge for the year	0	17,250	116,670	23,672	157,592
Disposals	0	0	(22,209)	(26,216)	(48,425)
Balance at 31 December 2016	0	198,493	1,375,937	25,568	1,599,998

Balance at 1 January 2017	0	198,493	1,375,937	25,568	1,599,998
Depreciation charge for the year	0	17,250	78,828	23,911	119,989
Disposals	0	0	(16,930)	(18,507)	(35,437)
Balance at 31 December 2017	0	215,743	1,437,835	30,972	1,684,550

Carrying amounts

At 1 January 2016	1,110,000	508,757	293,981	61,788	1,974,526
At 31 December 2016	1,110,000	491,507	177,311	68,768	1,847,586

At 1 January 2017	1,110,000	491,507	177,311	68,768	1,847,586
At 31 December 2017	1,110,000	474,257	106,623	64,804	1,755,684

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

	2017 \$	2016 \$
11 Trade and other payables		
Trade payables to National Heart Foundation of Australia	56,995	12,260
Trade payables to other National Heart Foundation divisions	16,591	0
Other payables and accrued expenses	730,193	271,637
	<u>803,779</u>	<u>283,897</u>
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 19.		
12 Grants income deferred		
Balance at 1 January	3,960,965	3,930,990
Amounts received	2,956,545	2,202,311
Income taken to revenue	(2,999,525)	(2,172,336)
Balance at 31 December	<u>3,917,985</u>	<u>3,960,965</u>
The carrying value of grants income deferred is equal to fair value. The Foundation's exposure to liquidity risk relating to grants income deferred is disclosed in note 19.		
13 Employee benefits		
Aggregate liability for employee benefits including oncosts:		
Current - long service leave and annual leave	550,533	469,836
Non-current - long service leave	33,933	55,564
Total employee benefits	<u>584,466</u>	<u>525,400</u>
<i>Personnel expenses:</i>		
Wages and salaries	2,507,028	2,404,473
Contributions to superannuation plans	234,471	227,311
Total personnel expenses	<u>2,741,499</u>	<u>2,631,784</u>
14 Reserves and Equity		
<i>Specific or restricted purposes</i>		
Balance at beginning of year	450,000	450,000
Total Reserves Balance at year end	<u>450,000</u>	<u>450,000</u>
<i>Reserves at beginning of year</i>		
Retained Earnings at beginning of year	450,000	450,000
Total Equity at beginning of year	<u>2,028,291</u>	<u>2,163,916</u>
Operating Surplus/(deficit)	<u>2,478,291</u>	<u>2,613,916</u>
	1,153,659	(135,626)
Net Grants to National Heart Foundation of Australia	<u>(1,208,560)</u>	<u>(6,882,300)</u>
Total Equity at end of year	<u>2,423,390</u>	<u>2,478,291</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

14 Reserves and Equity (continued)

Accumulated reserves

Each year when budgets for the following year are being formulated, an estimate is made of an optimum level of accumulated reserves. 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 accumulated reserves over the optimum level so calculated is remitted to the National Heart Foundation of Australia ("National") as a contribution towards national health programs and research.

15 Contingencies

The Heart Foundation has a bank guarantee amounting to \$30,000 with LotteryWest which may be payable in the event of a default on any competition or promotion.

16 Incorporated Status

The National Heart Foundation of Australia (Western Australian Division) is an association incorporated in Australia under the Associations Incorporations Act 1987.

17 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 Foundation for the entire period:

Non executive directors

Mr G Robson BCom MEd ACA FFSIA ATIA
Ms E Frankish BAgrSc (Hons) FAIFST MASM MIAFP (to February 2017)
Prof M Daube AO (from March 2017)
Mr I Rowe MA (Hons) Psychology
Mr C Serjeant BSc (Pharm) GradDip Applied Finance and Investment
Mr A Raiter B Juris LLB GAICD
Dr M Ammerer MBBS FRACP
Mr W Ford BEng(ChemEng) MAICD (to February 2017)
Ms L Nelson BCom, MAppEp
Ms K Oliver DipHlthSc(Nurs) BHlthSc(Nurs) GradDip HlthAdmin
Dr Jamie Rankin MBBS FRACP
Prof C Schultz MBChB DPhil MRCP FRACP FCSANZ
Dr R Weerasooriya MBBS BMedSc FRACP (to February 2017)

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

Executive Staff

Mr M Swanson BSc Grad Dip Nutrition & Dietetics Grad Dip Hlth Sc MPH - Chief Executive
Mr T Shilton BEd Grad Dip Hlth Sc MHP FAHPA - Director Cardiovascular Health
Ms J Bolton BCom MBA (Dist) FCPA MAICD - Director Finance and Human Resources
Ms Linda Bolton BA – Acting Director Fundraising

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

17 Related Parties (continued)

The compensation of key management personnel was as follows:

Short term employee benefits
Total

2017	2016
\$	\$
615,642	585,288
615,642	585,288

Net Surplus/(Deficit)

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 by Divisions/National
Contributions (received)/paid for purchase of services to Divisions/Nat.
Grants for research and other national initiatives

2017	2016
\$	\$
(54,901)	(135,626)
1,145,815	1,129,746
76,511	(58,543)
(1,208,560)	(6,882,300)

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

Other related parties

Classes of other related parties are the National Heart Foundation of Australia ("National") and all other state and territory divisions ("Divisions") and directors of related parties and their director-related entities. The Foundation makes grants to National Heart Foundation of Australia ("National") primarily to fund research and other health programs conducted on an Australia-wide basis. Such grants are payable under the terms of the Federation agreement between the Foundation and the National Heart Foundation of Australia ("National"). The grant payable by the Foundation is equal to its net operating surplus (payable monthly in arrears) representing the excess of income received less capital expenditure and operating expenditure (excluding depreciation). If there is a deficit from application of the above arrangement, a grant is paid by National to the Foundation. Net Grants made by the Foundation to the National Foundation were as follows:

Grants for research and other national initiatives

2017	2016
\$	\$
1,208,560	6,882,300

18 Subsequent events

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

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

On 31 March 2018 the Foundation's directors notified National Heart Foundation of Australia of their decision to recommend to their members to unify into the new National entity.

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

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

19 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 if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

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.

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	2017 \$	2016 \$
Financial assets			
Cash	7a	5,332,652	4,445,013
Restricted cash		450,000	450,000
Total cash and cash equivalents		5,782,652	4,895,013
Trade and other receivables	8	191,284	505,955
		5,973,936	5,400,968

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

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they fall due. The Foundation'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 Foundation's reputation.

Trade and other payables, and grants income deferred have contractual cashflows which are 6 months or less.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

19 Financial instruments (continued)

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

	Notes	2017 \$	2016 \$
Non derivative financial liabilities			
Trade and other payables	11	803,778	283,897
Grants income deferred	12	3,917,985	3,960,965
		<u>4,721,763</u>	<u>4,244,862</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 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.

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 29.

Fair value sensitivity analysis for fixed rate instruments

The surplus/(deficit) would be affected by changes in the interest rate as shown in the Sensitivity Disclosure Analysis. The analysis assumes all other variables remain constant. The analysis is performed using a change of 1% on page 28. The analysis is performed on the same basis as that used in 2016.

Cash flow sensitivity analysis for variable rate instruments

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

Operational risk

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

The Foundations objective is to manage operational risk so as to prevent financial losses and damage to the Foundations reputation. The primary responsibility for the development and implementation of controls to address operational risk is assigned to the management of the Foundation. This responsibility is supported by the development of overall guidelines for the management of risk in the following areas:

- requirements for appropriate segregation of duties including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced and adequacy of controls and procedures
- to address the risks identified
- development of contingency plans
- ethical and high level business standards
- risk mitigation including insurance

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

19 Financial instruments (continued)

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, term deposits and restricted cash. 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 movement is 'reasonably possible' over a 12 month period: a parallel shift of +1%/-1% in market interest rates (AUD).

	2017					2016				
		-1%		+1%		Carrying Amount/ Market Price	-1%		+1%	
Interest rate risk	Carrying Amount/ Face Value	Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity		Surplus/ (Deficit)	Equity	Surplus/ (Deficit)	Equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets										
Restricted cash	450,000	(4,500)	(4,500)	4,500	4,500	450,000	(4,500)	(4,500)	4,500	4,500
Variable rate instruments										
Cash at bank	5,332,652	(53,327)	(53,327)	53,327	53,327	4,445,013	(44,450)	(44,450)	44,450	44,450
Total increase/(decrease)		(57,827)	(57,827)	57,827	57,827		(48,950)	(48,950)	48,950	48,950



Independent Auditor's Report

To the members of National Heart Foundation (Western Australian Division)

Report on the audit of the Financial Report

Qualified Opinion

We have audited the **Financial Report**, of the National Heart Foundation (Western Australian Division) (the Foundation).

In our opinion except for the possible effects of the matter described in the Basis for Qualified opinion section of our report, the accompanying **Financial Report** of the Foundation is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, and the *Associations Incorporations Act 2015* including:

- (i) giving a true and fair view of the Foundation's financial position as at 31 December 2017, and of its financial performance and its cash flows for the year ended on that date; and
- (ii) complying with *Australian Accounting Standards* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- (i) Statement of financial position as at 31 December 2017.
- (ii) Statement of surplus or deficit and 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 (Western Australia Division). 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 (Western Australia Division), reported in the accompanying financial report is complete. In respect of the qualification however, based on our understanding of the internal controls, nothing has come to our attention which would cause us to believe that the internal controls over revenue from fundraising appeal activities by the Foundation, are not appropriate given the size and nature of the Foundation.



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

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

We are independent of the Foundation in accordance with the auditor independence requirements of the ACNC Act 2012 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in the Foundation's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. Directors' Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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) Preparing the Financial Report in accordance with Section 15(1) and 15(2) of the WA Charitable Collections Act 1946 and Regulations 1947 (the Acts and Regulations).
- (iii) Preparing the Financial Report in accordance with the Associations Incorporations Act 2015.
- (iv) 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.
- (v) 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.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

Our responsibilities include:

- (i) Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (ii) Obtaining an understanding of internal control relevant to the Audit 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 registered Foundation's internal control.
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (iv) Conclude on the appropriateness of the Directors' 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 registered 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 registered Foundation to cease to continue as a going concern.
- (v) Evaluate 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.

We communicate with the Directors of the registered Foundation regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Acts and Regulations.



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.

Report on Other Legal and Regulatory Requirements

Opinion pursuant to the Charitable Collections Act (WA) 1946 and Charitable Collections Regulations (WA) 1947

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph the Foundation has complied, in all material respects, with the requirements of the *Charitable Collections Act (WA) 1946* and *Charitable Collections Regulations (WA) 1947* for the year ended 31 December 2017.

KPMG

Jane Bailey

KPMG

Jane Bailey
Partner

Perth

11 May 2018



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

To: the Directors of National Heart Foundation of Australia (West Australian
Division)

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year
ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Australian
Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Jane Bailey

KPMG

Jane Bailey
Partner

Perth

11 May 2018



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