



National Heart Foundation of New Zealand

Financial statements for the
year ended 30 June 2018

National Heart Foundation of New Zealand

Financial statements for the year ended 30 June 2018

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National Heart Foundation of New Zealand

Financial statements for the year ended 30 June 2018

Statement of comprehensive revenue and expense

For the year ended 30 June 2018

in New Zealand Dollars

	Note	2018 \$ 000	2017 \$ 000
Revenue			
Fundraising and lottery ticket sales		10,463	10,923
Donations and legacies		6,503	4,934
Contract services		4,209	4,297
Investment income		1,571	1,511
Other income		413	939
Total revenue	2	23,159	22,604
Direct expenses	3	(8,576)	(8,765)
Net operating surplus		14,583	13,839
Expenditure			
Research - grants & administration		(4,115)	(3,335)
Public Health		(2,591)	(2,649)
Pacific Heartbeat		(775)	(871)
Heart Healthcare		(2,126)	(2,122)
Programme support		(4,410)	(3,566)
Depreciation	9	(433)	(490)
Total expenditure	3	(14,450)	(13,034)
Surplus for the year		133	806
Gain / (loss) on investments		1,255	346
Gain / (loss) on disposal of fixed assets		(325)	(125)
Net surplus for the year		1,063	1,026
Other comprehensive revenue and expense			
Net change in fair value of available-for-sale financial assets	13	2,298	1,696
Total other comprehensive revenue and expense for the year		2,298	1,696
Total comprehensive revenue and expense		3,361	2,723

This statement is to be read in conjunction with the notes to the financial statements.

National Heart Foundation of New Zealand


Financial statements for the year ended 30 June 2018

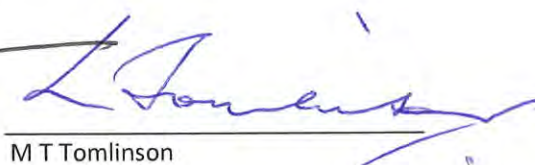
Statement of financial position

As at 30 June 2018
in New Zealand Dollars

	Note	2018 \$ 000	2017 \$ 000
Assets			
Cash and cash equivalents	4	5,580	3,621
Prepayments	5	4,452	3,320
Trade and other receivables	6	462	810
Investments	7, 8	5,539	3,438
Inventories		40	88
Total current assets		16,073	11,277
Investments	7, 8	40,669	40,633
Property, plant and equipment	9	2,971	3,340
Total non-current assets		43,640	43,974
Total assets		59,713	55,250
Liabilities			
Trade and other payables	10	3,493	3,382
Employee entitlements	11	399	415
Provisions	12	3,719	2,712
Total current liabilities		7,611	6,509
Total liabilities		7,611	6,509
Net assets		52,102	48,741
Equity			
Retained earnings		40,079	39,016
Fair value reserve	13	12,023	9,725
		52,102	48,742

For and on behalf of National Heart Foundation of New Zealand


A J Duncan
Executive Director
Date 16 - 10 - 2018


M T Tomlinson
Chairman
Date

This statement is to be read in conjunction with the notes to the financial statements.

National Heart Foundation of New Zealand

Financial statements for the year ended 30 June 2018

Statement of changes in equity

For the year ended 30 June 2017

in New Zealand Dollars

	Note	Retained earnings	Fair value reserve	Total members' equity
		\$ 000	\$ 000	\$ 000
Balance at 1 July 2016		37,990	8,029	46,019
Surplus for the year		1,026		1,026
Other comprehensive revenue and expense		-	1,696	1,696
Balance at 30 June 2017		39,016	9,725	48,741
Balance at 1 July 2017		39,016	9,725	48,741
Surplus for the year		1,063	-	1,063
Other comprehensive revenue and expense		-	2,298	2,298
Balance at 30 June 2018	13	40,079	12,023	52,102

This statement is to be read in conjunction with the notes to the financial statements.

National Heart Foundation of New Zealand

Financial statements for the year ended 30 June 2018

Statement of cash flows

For the year ended 30 June 2018

in New Zealand Dollars

	2018	2017
	\$ 000	\$ 000
Fundraising activities, donations & legacies	17,709	15,934
Contract and other services	4,210	4,131
Interest received	463	409
Dividends received	558	601
Other income	413	939
GST received/(paid)	(248)	19
Direct expenses for operating income generation	(9,571)	(8,917)
Research and health services	(8,599)	(8,326)
Other operating and administration	(4,473)	(3,803)
Net cash flows from operating activities	462	987
Sale of available-for-sale financial assets	5,127	2,942
Redemption of held-to-maturity investments	10,672	4,271
Purchase of available-for-sale financial assets	(3,070)	(3,871)
Purchase of held-to-maturity investments	(10,835)	(4,994)
Purchase of property, plant and equipment	(397)	(456)
Net cash flows from investing activities	1,497	(2,108)
Net cash flows from financing activities	-	-
Net increase/(decrease) in cash held	1,959	(1,121)
Cash at the beginning of the year	3,621	4,742
Cash at the end of the year	5,580	3,621

This statement is to be read in conjunction with the notes to the financial statements.

Notes to the financial statements

1 Overview

a Reporting Entity

The reporting entity comprises The National Heart Foundation of New Zealand, the Trust for the Chair in Cardiovascular Studies and the Heart Health Research Trust. The National Heart Foundation is a charitable trust based in Auckland, which is incorporated under the Charitable Trusts Act 1957 and registered under the Charities Act 2005 (registration number CC23052).

The National Heart Foundation of New Zealand is engaged in:

- funding research activities, including the provision of grants for post-graduate study
- the delivery of health promotion services to improve the heart health of New Zealand residents
- the improvement of the nutritional aspects of the food supply
- raising funds to pursue its charitable objectives.

The financial statements of the Foundation are for the 12 month period ended 30 June 2018. The financial statements were authorised for issue by the board of directors on the date recorded on page 4.

b Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). For the purposes of financial reporting they comply with PBE Accounting Standards Not-For-Profit and Tier 2 reduced disclosure concessions have been applied.

The Foundation is a Tier 2 entity as it has total annual expenses greater than \$2 million but less than \$30 million in the two preceding reporting periods.

The financial statements are presented in New Zealand Dollars (\$), which is the Foundation's functional currency, rounded to the nearest thousand, and have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value.

The statement of cash flows has been prepared using the direct method. The financial statements are prepared on an accrual basis.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2018.

c Use of estimates and judgements

The preparation of the financial statements in conformity with PBE Accounting Standards Tier 2 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Measurement of fair value

A number of the Foundation's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Foundation has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements and reports directly to the Foundation's Finance and Marketing Strategic Advisory Group.

Significant valuation issues are reported to the Foundation's Finance & Marketing Strategic Advisory Group.

When measuring the fair value of an asset or a liability, the Foundation uses observable market data as far as possible.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 8 - Fair values of investments

d Basis of consolidation

The consolidated financial statements includes the National Heart Foundation of New Zealand (NHF), the Trust for the Chair of Cardiovascular Studies (CVS) and the Heart Health Research Trust (HHRT). All three entities are registered Charitable Trusts.

NHF appoints the Trustees of CVS and HHRT and therefore has control over these entities.

On that basis consolidated financial statements for the group are prepared. All significant intra-group transactions and balances are eliminated on consolidation.

Notes to the financial statements (continued)

1 Overview (continued)

e Impairment

Property, plant and equipment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through use or sale. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive revenue and expense.

Receivables

Receivables are assessed for impairment at each balance date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive revenue and expense.

f Taxes

The Foundation is wholly exempt from New Zealand income tax and gift duty having fully complied with all statutory conditions for these exemptions. Withholding and other taxes deducted at source from investments income on overseas investments are applied against the respective income in the statement of comprehensive revenue and expense. The statement of comprehensive revenue and expense has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which are stated inclusive of GST.

g Volunteer services

Volunteer services provided at a discount or at no cost are not recognised in the statement of financial performance because they cannot be measured reliably. Donated services and other forms of assistance provided to the Foundation are acknowledged elsewhere in the annual report.

h Research projects and grants

The Foundation makes the following categories of award:

Project Grants

- for work on a clearly defined research project with a maximum term of three years.

Fellowships and Scholarships

- Senior fellowships for cardiologists holding an appropriate postgraduate qualification to work in New Zealand primarily in cardiovascular research.

Maximum duration is three years.

- Overseas training fellowships for medical graduates to engage in further clinical training or research in cardiovascular disease. These are normally tenable for one year and fellows are expected to return to New Zealand to continue a career.

- Research fellowships are granted to support graduates engaged in full-time research related to the aims of the Foundation. These grants are tenable in New Zealand for up to three years.

- Postgraduate scholarships provide personal support to graduate students of New Zealand universities whose cardiovascular research for a higher degree will further the aims of the Foundation. These scholarships are tenable only in New Zealand within a faculty of medicine and are normally awarded for a total of three years.

Limited Budget Grants - these fund a wide variety of research related activities in three areas:

- Small projects have a maximum value of \$15,000
- Grants in aid for purposes such as the publication of a book, a health education project or the purchase of research equipment
- Travel grants for travel in New Zealand or overseas for short-term study or to attend conferences.

The Scientific Committee awards all grants during the first quarter of every year except some travel and some limited budget grants, which are awarded progressively during the year.

Project grants are recognised as an expense in the year granted. The annual amounts granted for Fellowship and Scholarships are recognised in each year of the term of the grant.

The existing grants are reviewed regularly to write off unspent amounts and allow for additional spending on individual grants, if required.

Notes to the financial statements (continued)

2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Foundation and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

a Fundraising activities

Fundraising activities are non-exchange transactions. Income from fundraising activities such as the Mothers Day Walk for Heart is recognised on receipt of the donation.

b Lottery ticket sales

Income from lottery ticket sales are exchange transactions. Income from lottery ticket sales is recognised when the draw is completed for the final prize for the respective lottery.

c Donations and legacies

Donations and legacies include income from donations, legacies and grants and are classified as non-exchange transactions. Grant and donation income is recognised as income when it becomes receivable unless the Foundation has a liability to repay the grant if the requirements of the grant or donation are not fulfilled. A liability is recognised to the extent that such conditions are unfulfilled at the end of the reporting period. Grants include those provided by community trusts. Some community trusts require specific acknowledgement as a condition of their support. Bequests are recognised in the statement of comprehensive revenue and expense when probate of the will has been granted, receipt of the bequest is probable and the amount of the bequest can be measured reliably.

d Contract services

Contract services are classified as exchange transactions. Income from service contracts is recognised when the contracted deliverables are provided. The unused portion of this income is recorded as unearned income.

e Investment income

Investment income includes interest and dividend income and are classified as exchange transactions. Interest is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Foundation's right to receive payments is established.

	2018	2017
Investment income includes:	\$ 000	\$ 000
Interest income	554	444
Dividend income	1,017	1,067
	<u>1,571</u>	<u>1,511</u>

f Other income

Other income includes income from sale of goods and services and royalties and are classified as exchange transactions. Revenue from the sale of goods and services is recognised when the goods or services are delivered to customers. Income from royalties includes licence fees from the now closed Tick programme which are spread over future months according to the term of the licence agreement and any unexpired portion of this income is recorded as unearned income.

	2018	2017
Other income includes:	\$ 000	\$ 000
Tick royalties	324	713

3 Direct and Other Expenditure

The following items are included in direct expenses and expenditure:

	2018	2017
	\$ 000	\$ 000
Auditors remuneration for audit services - KPMG	26	28
Other services provided by KPMG	16	9
Depreciation	433	490
Operating lease expense	426	416
Employee related expenses		
- included in direct expenses	673	709
- within Expenditure	6,470	6,779

Payments made under operating leases are recognised in the statement of comprehensive revenue and expense on a straight-line basis over the term of the lease.

Notes to the financial statements (continued)

4 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and cash at bank, deposits held on call with financial institutions, other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. Short term deposits are financial assets that are classified as held-to-maturity.

	2018	2017
	\$ 000	\$ 000
Bank balances - National Office	447	530
Bank balances - Branches	196	240
Cash accounts with investment brokers	240	650
Call deposits	1,186	1,874
Short term deposits - held-to-maturity	3,511	327
	<u>5,580</u>	<u>3,621</u>

5 Prepayments

	2018	2017
	\$ 000	\$ 000
Property acquired and work in progress for lottery prizes	4,142	3,016
Insurance prepaid	-	56
Interest accrued	308	217
Other prepayments	2	31
	<u>4,452</u>	<u>3,320</u>

6 Trade and other receivables

Receivables are initially recognised at the original invoice amount less impairment losses. Receivables are financial assets that are classified as loans and receivables.

	2018	2017
	\$ 000	\$ 000
Trade receivables	462	810
	<u>462</u>	<u>810</u>

7 Investments

The Foundation classifies investments into the following categories: held-to-maturity investments and available-for-sale financial assets.

Recognition and derecognition

The Foundation initially recognises investments on the trade date at which the Foundation becomes a party to the contractual provisions of the instrument.

The Foundation derecognises investments when the contractual rights of the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the investment is transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised investments that are created or retained by the Foundation is recognised as a separate asset or liability.

Measurement*Held-to-maturity investments*

If the Foundation has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity investments. Held-to-maturity financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised costs using the effective interest method, less any impairment/diminution losses. Most of the Foundation's investments in debt securities are classed as held-to-maturity.

Available-for-sale financial assets

The Foundation's investments in equity securities ('shares') are classified as available-for-sale financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment/diminution losses, are recognised in other comprehensive revenue and expense and accumulated in the fair value reserve. The fair value of quoted securities is determined based on bid prices at the balance sheet date. The fair value of unlisted securities is determined using valuation techniques. When an investment in shares is derecognised, the cumulative gain or loss in equity is transferred to the statement of comprehensive revenue and expense.

Notes to the financial statements (continued)

7 Investments (continued)

	2018	2017
Non-current investments	\$ 000	\$ 000
Fixed interest investments - held-to-maturity	3,641	5,645
Equity securities - available-for-sale	37,028	34,988
	<u>40,669</u>	<u>40,633</u>
Current investments		
Fixed interest investments - held-to-maturity	5,539	3,438
	<u>5,539</u>	<u>3,438</u>

Non-current held-to-maturity investments have stated interest rates of 4.10% to 7.20% (2017: 3.70% to 7.50%) and mature in one to five years. Current held-to-maturity investments and investments have stated interest rates of 3.16% to 6.25% (2016: 2.98% to 8.00%) and mature within one year.

8 Fair values of Investments

The fair values of investments are categorised into a fair value category based on inputs used in the valuation technique adopted.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Foundation's investments are measured using Level 1 inputs.

Financial risk management

Exposure to credit, interest rate, foreign currency, equity price and liquidity risks arise in the normal course of the Foundation's operations.

The Foundation is risk averse and seeks to minimise its exposure to risks associated with financial assets and liabilities.

Credit risk

Credit risk is the risk that one party will fail to discharge their obligation and thereby cause a financial loss to the other party.

The Foundation is exposed to credit risk through its customer base and through its investment portfolio.

The customer base is predominantly with the Ministry of Health. The associated credit risk is assessed to be minimal. Geographically, there is no concentration of credit risk. Some "Tick" licences are based in Australia but all invoices are rendered in New Zealand dollars.

The Foundation is guided by its Investment Committee when making investment decisions. The Foundation has developed a Statement of Investment Policy Objectives (SIPO) to be followed by the Investment Committee. The SIPO seeks to minimise the Foundation's exposure to credit risk by adopting the following guidelines:

- For held-to-maturity investments (fixed interest investments), the SIPO permits up to 30% of the fixed interest portfolio to be invested in New Zealand or Australian corporate bonds which are not rated.
- No more than 10% of the investment portfolio may be invested in any one entity or organisation other than the New Zealand government or registered banks with a long term S&P rating of at least A+ (or equivalent credit rating) with authorisation by the Foundation's Board.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity requirements are monitored on an ongoing basis and sufficient cash funds are maintained to meet obligations. The Foundation has a policy of paying its obligations to suppliers in accordance with the agreed terms of trade.

Market risk

Market risk is the risk that the fair value of future cash flows of an investment will fluctuate because of changes in market prices.

The Foundation's investment portfolio is exposed to market risk which includes currency risk, other price risk and interest risk. The Foundation's SIPO is used to guide investment decisions which aim to achieve a balanced and diversified portfolio. The Foundation's Investment Committee has implemented asset allocation bands and associated guideline trading ranges to guide the diversification of the investment portfolio across investment sectors. Diversification across the various asset classes reduces portfolio risk and diversification across countries also reduces portfolio risk. The allocation and range for cash and short term deposits is higher than would normally be adopted in recognition of the timing fluctuations in the receipt of the Foundation's income.

Notes to the financial statements (continued)

8 Fair values of Investments (continued)

Capital management

The Foundation's policy is to maintain a strong capital basis to maintain stakeholder and supplier confidence and a consistent level of service despite potential fluctuations in donated income. The Foundation prepares an annual budget for income and expenditure and endeavours to ensure that expenditure does not exceed planned income. Actual financial results are regularly monitored and reported to the Board on a quarterly basis.

9 Property, plant and equipment

Recognition and measurement

Items of plant and equipment, including land and buildings, are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost is generally the purchase cost, together with any incidental costs of acquisition. The cost of donated items is the fair value at the date of acquisition. Where an item of plant and equipment is disposed of, the gain or loss recognised in the statement of comprehensive revenue and expense is calculated as the difference between the net sale price and the carrying amount of the asset.

Land and buildings consist of the Foundation's Auckland offices. An independent valuation was obtained as at 30 June 2017 for the Foundation's Auckland office; the market value was assessed to be \$6,100,000.

Subsequent costs

The Foundation recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the company and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive revenue and expense as an expense as incurred.

Depreciation

Depreciation is calculated so as to write off the cost of property, plant and equipment, less any assigned residual value, on a straight-line basis over the expected economic lives of the assets concerned. Leasehold improvements are depreciated over the term of the lease. Freehold land is not depreciated.

The estimated economic lives of the assets are as follows:

Freehold buildings	50 to 100 years
Building plant and equipment	6 ½ to 20 years
Office furniture and equipment	5 to 10 years
Computer hardware and software	2½ to 4 years
Office partitions and fittings	5 to 10 years

	Land	Buildings	Office Furniture & equipment	Office partitions & fittings	Motor vehicles	Total
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
2018						
Cost						
Balance as at 30 June 2017	668	2,957	2,875	741	223	7,464
Additions	-	-	314	89	-	403
Disposals	-	-	(451)	-	-	(451)
Reclassifications	-	-	-	-	-	-
Balance as at 30 June 2018	668	2,957	2,738	830	223	7,416
Accumulated Depreciation						
Balance as at 30 June 2017	-	(1,458)	(1,882)	(644)	(140)	(4,124)
Depreciation	-	(73)	(316)	(7)	(37)	(433)
Disposals	-	-	112	-	-	112
Reclassifications	-	-	-	-	-	-
Balance as at 30 June 2018	-	(1,531)	(2,085)	(651)	(178)	(4,445)
Net book value 30 June 2018	668	1,425	652	180	46	2,971
2017						
Net book value 30 June 2017	668	1,499	993	97	83	3,340

Notes to the financial statements (continued)

10 Trade and other payables

Included in Trade and other payables is Trade payables, GST payable, unearned income and other payables and accruals. Trade payables and other payables and accruals represent liabilities of goods and services provided to the Foundation and which have not been paid at the end of the financial year. These amounts are usually settled within 30 days. Unearned income relates to funds received for services not yet delivered as at balance date. These include proceeds from the sale of lottery tickets for the lotteries subsequently drawn after the end of the financial year, any unexpired portion of proceeds from Tick license fees and funds received for specific projects and/or contracts where deliverables have not been completed by the end of the financial year. Given their short term nature, the carrying values of trade and other payables are considered a reasonable approximation of their fair values. Trade and other payables are classified as other financial liabilities at amortised cost.

	2018	2017
	\$ 000	\$ 000
Trade payables	1,703	1,680
GST payable (receivable)	(138)	110
Unearned income	1,418	1,030
Other payables and accruals	510	562
	<u>3,493</u>	<u>3,382</u>

11 Employee entitlements

A provision for employee entitlements is recognised for benefits earned by employees but not paid at reporting date. Employee benefits include salaries, wages, annual leave, long service leave and sick leave. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries and annual leave which will be settled after one year have been measured at their nominal amount. Other employee benefits payable after more than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

	2018	2017
	\$ 000	\$ 000
Annual leave provision	312	316
Accrued leave in lieu of provision	9	16
Long service leave provision	78	83
	<u>399</u>	<u>415</u>

12 Provisions

The provision for unclaimed grants represents the unpaid balances as at the balance sheet date on research and related grants awarded to successful applicants and projects. Awarded grants relate to current and ongoing research funded by the Foundation and to which the Foundation is firmly committed. Provisions for unclaimed grants are recognised when the Foundation has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

	Unclaimed Grants \$ 000
Balance as at 1 July 2017	2,712
Provisions made during the period	3,820
Provisions used during the period	(2,813)
Unused amounts reversed during the period	-
Balance as at 30 June 2018	<u>3,719</u>

Notes to the financial statements (continued)

13 Equity and reserves

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

The net change in the fair value of available-for-sale financial assets are allocated to the following entities:

	NHF	CVS	HHRT	Total
	\$ 000	\$ 000	\$ 000	\$ 000
Balance as at 1 July 2017	37,006	4,006	7,729	48,741
Net surplus for the year	326	608	129	1,063
Change in fair value of available-for-sale financial assets	1,956	(44)	386	2,298
Balance as at 30 June 2018	<u>39,288</u>	<u>4,570</u>	<u>8,244</u>	<u>52,102</u>

Key:

NHF: National Heart Foundation of New Zealand

CVS: Trust for the Chair in Cardiovascular Studies

HHRT: Heart Health Research Trust

14 Contingent liabilities

At the date of this report there are no known contingent liabilities for which the Foundation may be liable (2017: Nil).

15 Commitments

Since balance date, the Scientific Committee has awarded \$3,611,499 in Project and Travel Grants, Fellowships and Grants-in-Aid (2017: \$2,310,939). In addition, there is a commitment to fund existing and new Fellowships for a further \$1,162,369 for the second and third years of those Fellowships (2017: \$1,155,614).

The Foundation has commitments for the completion of property purchases and building contracts in connection with the lottery programme. Progress payments made or invoiced up to balance date are included in Prepayments. The balance remaining to be invoiced and paid on these contracts is \$1,569,189 (2017: \$1,641,932).

The Foundation has a commitment to the University of Otago to provide funding of \$180,000 per annum towards the costs of the Chair in Cardiovascular Studies at the Christchurch School of Medicine. The commitment was extended during the year until the end of 2019.

In August 2010, the Foundation entered into a Memorandum of Understanding with the University of Auckland by which the Foundation committed to provide indexed funding of \$200,000 per annum for an initial term of five years. The funding is to support the costs of the University's Chair in Heart Health. In June 2016 the Foundation confirmed continued funding for a further five years from 1st July 2016.

Rental commitments for all non-cancellable operating leases are:

	2018	2017
	\$ 000	\$ 000
Less than one year	343	314
Between 1 and 5 years	398	563
More than five years	-	-
Total operating lease commitments	<u>741</u>	<u>877</u>

Notes to the financial statements (continued)

16 Related parties

a Key management personnel
Members

	2018	2017	2018	2017
	# of personnel	# of personnel	\$ 000	\$ 000
Board Chair	1	1	24	24
Leadership Group	11	13	1,599	1,743
			<u>1,623</u>	<u>1,767</u>

Board members, other than the chair were not remunerated. At the 30 June 2018, the Leadership comprised of 8 people (2017:10).

b Other related party transactions

The Trust for the Chair in Cardiovascular Studies and the Heart Health Research Trust are charitable endowment trusts established by the National Heart Foundation of New Zealand. The Foundation settles investment and operating expenses incurred on behalf of the trusts and is reimbursed as funds become available.

		2018			
		Balances \$000		Transactions \$000	
		Due by	Owed to	To	From
Trust for the Chair in Cardiovascular Studies	Control	71	-	-	180
Heart Health Research Trust	Control	59	-	344	413
Total		<u>140</u>	<u>-</u>	<u>344</u>	<u>593</u>

		2017			
		Balances \$000		Transactions \$000	
		Due	Owed	To	From
Trust for the Chair in Cardiovascular Studies	Control	-	109	-	311
Heart Health Research Trust	Control	109	-	506	613
Total		<u>109</u>	<u>109</u>	<u>506</u>	<u>924</u>

17 Events subsequent to balance date

There have been no events subsequent to 30 June 2017 that would have a material impact on the financial statements (2016: nil).



Independent Auditor's Report

To the trustees of National Heart Foundation of New Zealand

Report on the financial statements

Qualified opinion

In our opinion, the accompanying financial statements of National Heart foundation of New Zealand (the foundation) on pages 3 to 15, except for the possible effects of the matter described in the basis for qualified opinion:

- i. present fairly in all material respects the foundation's financial position as at 30 June 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with Public Benefit Entity Standards Reduced Disclosure Regime (Not for Profit).

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 30 June 2018;
- the statements of comprehensive revenue and expense, changes in members' equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for qualified opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

The foundation's recorded revenue includes donations and legacy bequests, appeals and fundraising events of \$8,085,438 (2017:\$6,775,046). Control over such revenues prior to being recorded is limited and there were no practical audit procedures that we could perform to confirm independently that all revenue from donations and legacy bequests, appeals and fundraising events were properly recorded. Accordingly, we were not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for revenue, net profit and cash flows from fundraising activities, donations and legacies. Our audit opinion on the financial statements for the year ended 30 June 2017 was also modified in respect of this matter. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

We are independent of the foundation in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to the foundation in relation to the issue of reasonable assurance reports of lotteries drawn throughout the year and general taxation advice. Subject to certain restrictions, partners and employees of our firm may also deal with the foundation on normal terms within the ordinary course of trading activities of the business of the foundation. These matters have not impaired our independence as auditor of the foundation. The firm has no other relationship with, or interest in, the foundation.



Use of this independent auditor's report

This independent auditor's report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the financial statements

The Directors, on behalf of the foundation, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit));
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the 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 or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent 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 ISAs NZ 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 these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/>

This description forms part of our independent auditor's report.



KPMG
Auckland

16 October 2018