

**LUNG FOUNDATION AUSTRALIA**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**  
**DIRECTORS' REPORT**

Your directors present their report on the company, Lung Foundation Australia, for the financial year ended 31 December 2016.

**Directors**

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

Professor Christine Jenkins  
Mr Andrew Churchill  
Professor Peter Frith  
Professor Martin Phillips  
Dr David Michail  
Ms Kathleen Cummings  
Associate Professor Sarath Ranganathan  
Mr Tony Hyams

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

**Information on Directors**

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

**LUNG FOUNDATION AUSTRALIA**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**  
**DIRECTORS' REPORT (continued)**

**Information on Directors (continued)**

<b>Associate Professor Sarath Ranganathan</b>	Director
Qualifications	MCChB, MRCP, FRCPCH, FRACP, PhD
Experience	Member of Lung Foundation Australia National Council since March 2014. Board member of Lung Foundation Australia since April 2014.
Special Responsibilities	Chair of Research Sub-Committee, Member of Young Lungs Advisory Group.
<b>Mr Tony Hyams</b>	Director
Qualifications	FACID, B.Law, B.Comm
Experience	Member of Lung Foundation Board since November 2014. Experience in Banking, Finance and Investment firms. Former Chairman of Commonwealth Superannuation Corp. and various other commercial organisations. Governor of WWF.
Special Responsibilities	Chair of Fundraising Committee

**Principal activities**

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

**Strategic Objectives**

The company's strategic objectives are to:

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

**Strategies**

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

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

**LUNG FOUNDATION AUSTRALIA**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**  
**DIRECTORS' REPORT (continued)**

**Significant changes**

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

**Meetings of Directors**

During the financial year, 6 meetings of directors were held. Attendances by each director were as follows:

	<b>Directors' Meetings</b>	
	<b>Number eligible to attend</b>	<b>Number Attended</b>
Professor Christine Jenkins	6	6
Mr Andrew Churchill	6	6
Professor Peter Frith	6	6
Professor Martin Phillips	6	6
Dr David Michall	6	5
Ms Kathleen Cummings	6	6
Associate Professor Sarath Ranganthan	6	5
Mr Tony Hyams	6	6

**Members Guarantee**

The company is incorporated under the *Australian Charities and Not-for-profit Commission Act 2012* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$5 each towards meeting the outstanding obligations of the entity. At 31 December 2016, the total amount that members of the company are liable to contribute if the company is wound up is \$1,450 (2015: \$1,780).

**Auditor's Independence Declaration**

The auditor's independence declaration, in accordance with section 60-40 of the *Australian Charities and Not-for-profit Commission Act 2012*, for the year ended 31 December 2016 has been received and can be found on page 18 of the Financial Report.

**Operating results**


The deficit for the year ended 31 December 2016 was \$411,027. (2015: Deficit \$165,918)


**Impact of Investment in Research Awards from Reserves**

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

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Net deficit per Statement of Profit or Loss and other comprehensive income	(411,027)	(165,918)
Less payments made with respect to Research Award income received in prior years	(207,136)	(99,136)
Adjusted net surplus / (deficit)	<u>(203,891)</u>	<u>(66,782)</u>

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

  
 ..... Christine Jenkins

  
 ..... Andrew Churchill

Dated this 17th day of February 2017

**LUNG FOUNDATION AUSTRALIA**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 December 2016**

	Notes	2016 \$	2015 \$
<b>Continuing operations</b>			
Revenue from projects		4,321,636	3,555,004
Donations and bequests		478,170	724,634
Revenue from fundraising and events		472,861	420,499
Revenue from specifically designated funds	3	275,637	246,609
Other income	2	205,831	213,904
<b>Total revenue and other income from continuing operations</b>		<b>5,754,135</b>	<b>5,160,650</b>
Project expenses		(4,321,636)	(3,555,004)
Specifically designated fund expenses	3	(275,637)	(246,609)
Other expenses	4	(1,613,538)	(1,588,361)
<b>Deficit from continuing operations before finance income</b>		<b>(456,676)</b>	<b>(229,324)</b>
Finance income		45,649	63,406
<b>Net deficit</b>		<b>(411,027)</b>	<b>(165,918)</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Fair value gains/(losses) on available-for-sale financial assets		5,808	(42,403)
<b>Total comprehensive loss</b>		<b>(405,219)</b>	<b>(208,321)</b>
<b>Net deficit for the year is attributable to:</b>			
Non-controlling interest		-	-
Members		(411,027)	(165,918)
		<b>(411,027)</b>	<b>(165,918)</b>
<b>Total comprehensive loss for the year is attributable to:</b>			
Non-controlling interest		-	-
Members		(405,219)	(208,321)
		<b>(405,219)</b>	<b>(208,321)</b>

The accompanying notes form part of the financial report

**LUNG FOUNDATION AUSTRALIA**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2016**

	Notes	2016 \$	2015 \$
<b>Current assets</b>			
Cash and cash equivalents	14(b)	1,496,754	1,450,465
Receivables	7	590,650	496,856
Inventories	6	22,592	7,348
Financial assets	8	2,231,721	1,406,108
<b>Total current assets</b>		<b>4,341,717</b>	<b>3,360,777</b>
<b>Non-current assets</b>			
Financial Assets	8	1,291,692	1,178,729
Property, plant and equipment	9	145,324	159,467
Intangible assets	10	60,692	53,031
<b>Total non-current assets</b>		<b>1,497,708</b>	<b>1,391,227</b>
<b>Total assets</b>		<b>5,839,425</b>	<b>4,752,004</b>
<b>Current liabilities</b>			
Payables	11	348,947	225,891
Income in advance	11	3,315,205	1,946,003
Employee benefits	12	231,473	190,680
<b>Total current liabilities</b>		<b>3,895,625</b>	<b>2,362,574</b>
<b>Non-current liabilities</b>			
Payables	11	54,244	58,444
Employee benefits	12	38,944	65,208
<b>Total non-current liabilities</b>		<b>93,188</b>	<b>123,652</b>
<b>Total liabilities</b>		<b>3,988,813</b>	<b>2,486,226</b>
<b>Net assets</b>		<b>1,850,612</b>	<b>2,265,778</b>
<b>Equity</b>			
Retained earnings		1,852,154	2,263,181
Available-for-sale financial assets reserve	13	(1,542)	2,597
<b>Total equity</b>		<b>1,850,612</b>	<b>2,265,778</b>

The accompanying notes form part of the financial report

**LUNG FOUNDATION AUSTRALIA**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2016**

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from operating activities		7,676,130	5,968,659
Payments for operating activities		(6,702,016)	(5,926,472)
Dividends received		85,969	60,696
Interest received		23,246	65,274
<b>Net cash flows from operating activities</b>	14(a)	1,083,329	168,157
<b>Cash flows from Investing activities</b>			
Investing in term deposits		(866,904)	-
Proceeds from term deposits		-	382,380
Acquisition of securities and equities		(210,687)	(609,595)
Proceeds from sale of securities and equities		124,257	-
Acquisition of plant and equipment		(23,762)	(17,000)
Acquisition of intangible assets		(59,944)	(10,500)
<b>Net cash flows used in investing activities</b>		(1,037,040)	(254,715)
<b>Net increase/(decrease) in cash and cash equivalents held</b>		46,289	(86,558)
<b>Cash and cash equivalents at the beginning of the financial year</b>	14(b)	1,450,465	1,537,023
<b>Cash and cash equivalents at the end of the financial year</b>	14(b)	1,496,754	1,450,465

The accompanying notes form part of the financial report

**LUNG FOUNDATION AUSTRALIA**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2016**

	Notes	2016 \$	2015 \$
<b>Retained earnings</b>			
Balance at 1 January		2,263,181	2,429,099
Surplus/(deficit)		(411,027)	(165,918)
<b>Balance at 31 December</b>		<b>1,852,154</b>	<b>2,263,181</b>
<b>Available-for-sale financial assets reserve</b>			
Balance at 1 January	13	2,597	45,000
Reversal of unrealised gains on sale of listed investments		(10,320)	-
Reversal of unrealised losses on sale of listed investments		373	-
Revaluation (losses)/gains		5,808	(42,403)
<b>Balance at 31 December</b>		<b>(1,542)</b>	<b>2,597</b>
<b>Total change in equity</b>			
Balance at 1 January		2,265,778	2,474,099
Surplus/(deficit)		(411,027)	(165,918)
Movement in Unrealised gains reserve		(4,139)	(42,403)
<b>Balance at 31 December</b>		<b>1,850,612</b>	<b>2,265,778</b>

The accompanying notes form part of the financial report

**LUNG FOUNDATION AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

**1. Statement of significant accounting policies**

**(a) Reporting Entity**

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

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

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

The financial report was authorised for issue by the Board of Directors on 17 February 2017.

**(b) Basis of preparation**

**Statement of Compliance**

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

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

**Reporting Basis and Conventions**

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

**Critical Accounting Estimates and Judgements**

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

**Key Estimates**

**a) Fixed Assets**

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

**b) Available-for-sale Financial Assets**

Available-for-sale financial assets represent a portfolio of securities maintained by the company with a carrying amount of \$1,290,118 (2015: \$1,218,446) at the end of the reporting period. Should share values decline to a level which is in excess of 20% below cost or should prices remain at levels below cost for a period in excess of 12 months, the directors have determined that such investments will be considered impaired in the future.

**c) Provisions for Employee Provisions**

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

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

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

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



**LUNG FOUNDATION AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

**1. Statement of significant accounting policies (continued)**

**(c) Revenue**

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

*Sale of goods*

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

*Revenue from projects*

Revenue from projects is recognised at the point that the revenue is utilised by a project to fund its project activities during the year. Revenue received in the current year but not utilised in the current year is included in the Income-in-Advance balance in the Statement of Financial Position.

*Specifically designated funds*

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

*Membership fees*

Memberships received in the current year are recognised on a straight line basis over the period of the memberships. Membership fees received in the current year and relating to future periods are included within Payables in the Statement of Financial Position.

*Donations and fundraising income*

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

*Sponsorship and grant income*

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

*Dividends*

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

*Interest*

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

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

**(d) Employee benefits**

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

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

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

**(e) Taxation**

*Income tax*

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

*Goods and services tax (GST)*

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

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

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

**LUNG FOUNDATION AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

**1. Statement of significant accounting policies (continued)**

**(f) Plant and equipment**

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

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

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

*Depreciation*

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

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

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

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

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

**(g) Intangible Assets**

*Intangible assets acquired separately*

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

*Amortisation*

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

Category of asset	Amortization rate
Software	50%

*Derecognition of intangible assets*

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

**(h) Financial instruments**

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

*Loans and receivables*

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

*Available-for-sale financial assets*

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

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

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

*Financial liabilities*

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

**LUNG FOUNDATION AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

**1. Statement of significant accounting policies (continued)**

**(i) Cash and cash equivalents**

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

**(j) Inventories**

Inventories are measured at cost, adjusted where applicable for any loss of service potential. Loss of service potential results when PiKo products inventories become technically obsolete.

**(k) Provisions**

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

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

Certain new accounting standards and Interpretations have been published that are not mandatory for 31 December 2016 reporting periods. The company has assessed the impact of these new standards and Interpretations and they are not expected to have any significant effect on the financial report.

*AASB 15 Revenue from Contracts with Customers - The company is currently assessing the impact of this new standard together with AASB 1058 Income for Not-for-profit Entities.*

*AASB 16 Leases - The company has assessed the impact of this new standard and concluded that it is not expected to have any significant effect on the financial report.*

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2016:

*AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle;*

*AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101;*

*AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality;*

*AASB 2015-9 Amendments to Australian Accounting Standards - Scope and Application Paragraphs.*

None of these new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2016 affected any of the amounts recognised in the current year or prior year.

**LUNG FOUNDATION AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

<b>2. Other income</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Dividends received	85,969	60,696
Membership fees	49,429	42,660
Sales of educational publications	4,206	6,851
Sundry income	66,227	103,697
<b>Total other income</b>	<b>205,831</b>	<b>213,904</b>
<b>3. Specifically designated funds</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Funds received for research awards	275,637	246,609
	<u>275,637</u>	<u>246,609</u>
<b>Expenses</b>		
Research awards	(275,637)	(246,609)
<b>Net surplus from specifically designated funds</b>	<b>-</b>	<b>-</b>
<b>4. Other expenses</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Premises	228,013	228,614
Depreciation	64,047	59,419
Telecommunication	9,568	27,152
Website and internet	47,051	36,921
Marketing and fundraising events	571,062	569,299
Employee benefits	561,489	531,948
Superannuation	174,694	171,596
Educational leaflets and guides	8,403	23,220
Research Awards	169,136	101,011
Strategic planning	1,906	8,388
General, administrative and other costs	175,140	185,720
Loss on Sales of Investment	10,619	-
Overhead recovery	(407,592)	(354,927)
<b>Total other expenses</b>	<b>1,613,538</b>	<b>1,588,361</b>
<b>5. Net surplus/(deficit)</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
The net surplus/(deficit) for the year has been determined after including the following items of expenditure:		
Amounts paid to Auditors	11,000	10,000
Amounts paid to Crowe Horwath - Other Audit Services (Grant Acquisitions)	-	5,100
	<u>11,000</u>	<u>15,100</u>
Minimum operating lease expenses	<u>191,323</u>	<u>198,796</u>
<b>6. Inventories</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
PiKo Products	22,592	7,348
<b>Total inventories</b>	<b>22,592</b>	<b>7,348</b>
PiKo products are monitoring devices used by people with lung disease to measure their airway capacity. A provision for inventory obsolescence of \$Nil was recognised (2015: \$Nil).		
<b>7. Receivables</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	492,650	431,590
Prepayments	57,322	60,285
Other receivables	13,284	-
Accrued interest income	27,384	4,981
<b>Total receivables</b>	<b>590,650</b>	<b>496,856</b>

**LUNG FOUNDATION AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

	2016 \$	2015 \$
<b>8. Financial Assets</b>		
<b>Current</b>		
Term Deposits	2,157,071	1,290,167
Corporate debt securities	74,650	39,717
	<u>2,231,721</u>	<u>1,329,884</u>
<b>Non-current</b>		
Term Deposits	76,224	76,224
Listed investments	1,065,685	922,003
Corporate debt securities	149,783	256,726
	<u>1,291,692</u>	<u>1,254,953</u>
<b>Total financial assets</b>	<b>3,523,413</b>	<b>2,584,837</b>

Movement in listed investments and corporate debt securities at fair value:

Balance at 1 January 2016	1,218,446	651,254
Purchases	210,687	609,595
Disposals	(134,875)	-
Reversal of unrealised gains on disposals	(10,321)	-
Reversal of unrealised losses on disposals	373	-
Fair value remeasurement gains/(losses)	5,808	(42,403)
<b>Balance at 31 December 2016</b>	<b>1,290,118</b>	<b>1,218,446</b>

Term deposits have an average maturity of 90 days (2015: 90 days).

	Computer equipment	Office furniture & equipment	Leasehold improvements	Total
	\$	\$	\$	\$
<b>9. Property, plant and equipment</b>				
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:				
<b>Year ended 31 December 2015</b>				
Carrying amount at 1 January 2015	11,236	27,049	142,221	180,506
Additions	7,082	5,719	4,199	17,000
Depreciation	(7,866)	(9,863)	(20,310)	(38,039)
<b>Carrying amount at 31 December 2015</b>	<b>10,452</b>	<b>22,905</b>	<b>126,110</b>	<b>159,467</b>
<b>At 31 December 2015</b>				
Historical cost	72,662	95,072	188,022	355,756
Accumulated depreciation	(62,210)	(72,167)	(61,912)	(196,289)
<b>Net carrying amount</b>	<b>10,452</b>	<b>22,905</b>	<b>126,110</b>	<b>159,467</b>
<b>Year ended 31 December 2016</b>				
Carrying amount at 1 January 2016	10,452	22,905	126,110	159,467
Additions	11,322	5,778	6,662	23,762
Depreciation	(7,772)	(9,592)	(20,541)	(37,905)
<b>Carrying amount at 31 December 2016</b>	<b>14,002</b>	<b>19,091</b>	<b>112,231</b>	<b>145,324</b>
<b>At 31 December 2016</b>				
Historical cost	72,926	96,377	194,683	363,986
Accumulated depreciation	(58,924)	(77,286)	(82,452)	(218,662)
<b>Net carrying amount</b>	<b>14,002</b>	<b>19,091</b>	<b>112,231</b>	<b>145,324</b>

	2016 \$	2015 \$
<b>10. Intangible assets</b>		
Movement in the carrying amount for intangible assets - computer software between the beginning and the end of the current financial year:		
<b>Year ended 31 December 2016</b>		
Carrying amount at 1 January 2016	53,031	89,000
Additions	59,944	10,500
Amortisation	(52,283)	(46,469)
<b>Carrying amount at 31 December 2016</b>	<b>60,692</b>	<b>53,031</b>
<b>At 31 December 2016</b>		
Historical cost	159,444	99,500
Accumulated amortisation	(98,752)	(46,469)
<b>Net carrying amount</b>	<b>60,692</b>	<b>53,031</b>

**LUNG FOUNDATION AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

	2016 \$	2015 \$
<b>11. Payables</b>		
<b>a. CURRENT</b>		
Trade payables	129,234	65,126
Rent Incentive - current	4,200	4,200
Other payables	215,513	156,565
<b>Total current payables</b>	<b>348,947</b>	<b>225,891</b>
<b>NON-CURRENT</b>		
Rent Incentive - non-current	54,244	58,444
<b>Total non-current payables</b>	<b>54,244</b>	<b>58,444</b>
<b>Total payables</b>	<b>403,191</b>	<b>284,335</b>
<b>b. CURRENT</b>		
Specifically designated funds	379,729	472,183
Project income received in advance	2,935,476	1,473,820
<b>Total current income in advance</b>	<b>3,315,205</b>	<b>1,946,003</b>

	2016 \$	2015 \$
<b>12. Employee benefits</b>		
Accrued Annual Leave - employee benefit - current	148,909	142,036
Provision for long service leave - current	82,564	48,644
<b>Total employee benefits - current</b>	<b>231,473</b>	<b>190,680</b>
Provision for long service leave - non-current	38,944	65,208
<b>Total employee benefits</b>	<b>270,417</b>	<b>255,888</b>

Analysis of total employee benefits:

Balance at 1 January 2016	255,888	127,000
Additional employee benefits raised during the year	311,656	352,807
Amount of employee benefits used during the year	(297,127)	(223,919)
<b>Balance at 31 December 2016</b>	<b>270,417</b>	<b>255,888</b>

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

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

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

	2016 \$	2015 \$
<b>13. Other reserves</b>		
Available-for-sale financial assets	(1,542)	2,597
<b>Total other reserves</b>	<b>(1,542)</b>	<b>2,597</b>

*Nature and purpose of reserves*

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

**LUNG FOUNDATION AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2016

**14. Notes to the statement of cash flows**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Reconciliation of net cash from operating activities to operating surplus/(deficit)</b>		
<i>Net surplus/(deficit)</i>	(411,027)	(165,918)
Depreciation	37,905	38,039
Amortization	52,283	46,469
Loss / (gain) on disposal of fixed assets	-	-
Loss / (gain) on disposal of investments	10,619	-
Transfer to provision for annual leave	6,873	(8,872)
Transfer to provision for long service leave	7,656	(13,148)
<i>(Increase)/decrease in assets</i>		
Trade receivables	(93,794)	(20,747)
Inventory	(15,244)	15,143
<i>Increase/(decrease) in liabilities</i>		
Trade & Other payables	118,856	23,463
Project income received in advance	1,369,202	253,728
<b>Net cash flows available from operations</b>	<b>1,083,329</b>	<b>168,157</b>

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>(b) Components of cash and cash equivalents</b>		
Cash on hand	1,168	923
Cash at bank	1,495,586	1,449,542
<b>Cash and cash equivalents per statement of cash flow</b>	<b>1,496,754</b>	<b>1,450,465</b>

The effective interest rate on short term bank deposits was 2.69% (2015: 2.85%).

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>(c) Cash balances held for project expenditure</b>	<b>402,081</b>	<b>633,421</b>

At balance date, the amount of cash utilised as security for bank guarantees associated with leases for the company's office space totalled \$76,224 (2015: \$76,224).

**15. Contingent liabilities**

There are no contingent liabilities at the date of this financial report (2015: Nil).

**16. Members Guarantee**

The company is incorporated under the *Australian Charities and Not-for-profit Commission Act 2012* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$5 each towards meeting the outstanding obligations of the entity. At 31 December 2016, the total amount that members of the company are liable to contribute if the company is wound up is \$1,450 (2015: \$1,780).

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>17. Financial risk management</b>		
<b>Financial assets</b>		
Cash and cash equivalents	1,496,754	1,450,465
Receivables	590,650	496,856
Financial assets	3,523,413	2,584,837
<b>Total financial assets</b>	<b>5,610,817</b>	<b>4,532,158</b>
<b>Financial liabilities</b>		
Trade and other payables	724,476	693,874
<b>Total financial liabilities</b>	<b>724,476</b>	<b>693,874</b>

**Fair values**

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

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

**Equity price risk**

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

**LUNG FOUNDATION AUSTRALIA**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

**18. Subsequent Events**

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

**19. Lease Commitments**

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

	2016	2015
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	113,568	115,454
Later than one year but not later than five years	113,909	213,059
Later than five years	-	-
	<u>227,477</u>	<u>328,513</u>

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

**20. Related parties and related-party transactions**

**(a) Directors' compensation**

The directors act in an honorary capacity and receive no compensation for their services. During the year, travel expenses totalling \$6,064 (2015: \$6,113) incurred by the directors in fulfilling their role were reimbursed.

**(b) Transaction with Director-related entities**

During the year, there were no transactions with director-related entities (2015: \$Nil). Any transactions that do take place are conducted under normal commercial terms and conditions. No amounts are payable to or receivable from directors or director-related entities at the reporting date.

**(c) Key management personnel compensation**

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

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

	2016	2015
	\$	\$
Key management personnel compensation	<u>592,380</u>	<u>608,434</u>

**21. Company details**

The registered office of Lung Foundation Australia is located at:

Level 2, 11 Finchley Street  
Milton  
Queensland 4064

The principal place of business is:

Level 2, 11 Finchley Street  
Milton  
Queensland 4064



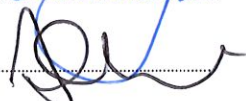
**LUNG FOUNDATION AUSTRALIA  
DIRECTORS' DECLARATION**

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

1. The financial statements and notes, as set out on pages 4 to 16, satisfy the requirements of the *Australian Charities and Not-for-profit Commission Act 2012* and:
  - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
  - b. give a true and fair view of the financial position of the company as at 31 December 2016 and of the company's performance for the year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that Lung Foundation Australia will be able to pay all of its debts, as and when they become due and payable.

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

Chairman.......... Christine Jenkins

Director.......... Andrew Churchill

Dated this 17th day of February 2017

# Independent Auditor's Report

To the members of Lung Foundation Australia

## Opinion

We have audited the **Financial Report**, of Lung Foundation Australia (the Company).

In our opinion, the accompanying **Financial Report** of the Company is in accordance with the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- (i) giving a true and fair view of the Company's financial position as at 31 December 2016, and of its financial performance and its cash flows for the year ended on that date; and
- (ii) complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- (i) Statement of financial position as at 31 December 2016.
- (ii) Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- (iii) Notes including a summary of significant accounting policies.
- (iv) Directors' declaration of the Company.

## Basis for opinion

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

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

We are independent of the Company 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 Lung Foundation's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Directors Report and Annual 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 Directors Report. We did not receive the Annual Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- (i) Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosures Requirements* and the ACNC.
- (ii) Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- (iii) Assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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



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

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

Our responsibilities include:

- (i) Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.
- (ii) Designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (iii) Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.
- (iv) Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (v) Concluding on the appropriateness of the 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 Company'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 Company to cease to continue as a going concern.
- (vi) Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

  
KPMG

  
Stephen Board  
Partner

Brisbane  
17 February 2017