LUNG FOUNDATION AUSTRALIA

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS' REPORT

Your directors present their report on the company, Lung Foundation Australia, for the financial year ended 31 December 2019.

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 Martin Phillips
Dr David Michail
Ms Kathleen Cummings
Professor Sarath Ranganthan
Ms Angela Ratcliffe
Ms Melissa Le Mesurier (appointed 6 September 2019)
Professor Lucy Morgan (appointed 6 September 2019)
Professor Paul Reynolds (appointed 6 September 2019)
Mr Tony Hyams (resigned 18 March 2019)

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

Information on Directors

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

Information on Directors (continued)

Professor Sarath Ranganthan	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.
Ms Angela Ratcliffe	Director
Qualifications	GAICD, B.Bus
Experience	Experience in Marketing, Sales amd General Management in Consumer, Industrial and Healthcare sectors in Australia and overseas. Experienced director in NFP and commercial sectors. Board Member of Lung Foundation Australia since December 2018.
Special Responsibilities	Nil
Ms Melissa Le Mesurier	Director
Qualifications	GAICD, B.Bus
Experience	Experience in Senior Corporate Affairs in the Consumer, Industrial and Healthcare sectors in Australia advising Boards on strategy , reputation, cultural change and communications. Board Member of Lung Foundation Australia September 2019.
Special Responsibilities	Nil
Professor Lucy Morgan	Director
Qualifications	MB BS, FRACP
Experience	President of NSW TSANZ Branch. Director of Research for Nepean Lung Cancer Group. Previous member of the National Council. Board Member of Lung Foundation Australia since September 2019.
Special Responsibilities	Chair of Australasian Brobchiectasis Consortium. Clinical lead for Australian Bronchiectasis Registry.
Professor Paul Reynolds	Director
Qualifications	MB BS, FRACP, PhD Philosophy
Experience	Past President for the Thoracic Society of Australia and New Zealand. Director of Lung Research Institute at Hanson Institute. Previous member of National Council. Board Member of Lung Foundation Australia since September 2019.
Special Responsibilities	Nil
Mr Tony Hyams AO	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	Nil

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 mission is that by 2030, Lung Foundation Australia will be recognised as one of the world's most innovative and effective lung health charities and a fearless leader of lung health policy, programs and research.

Strategies

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

- Driving evidence based and scientifically rigorous lung disease policy and program development across the Foundation.
- Acknowledging the global and national importance of climate change and championing its impact on air quality and lung health.
- Catalysing collaboration and consumer engagement in programs and research to bring about lasting change and positive impact.
- Closing the gap in lung disease which disproportionately affects First Nation Australians and we commit to targeting our services to those in our community that need it most.
- Mobilising our communities so all Australians living with lung disease are afforded equitable, dignified and timely health care, and shifting the narrative so it is free from stigma.
- Generating and sharing knowledge and informing lung and public health policy.
- Influencing funding by changing the gross disparity that exists in lung health and lung cancer research investment.
- Raise, invest and ethically apply funds to advance this Mission.
- Celebrate the passion and talents of our people and partners and the accountabilities place on both staff and volunteers to be purposeful leaders.

Significant changes

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

Meetings of Directors

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

	Directors' Meetings	
	Number eligible to attend	**Number Attended**
Professor Christine Jenkins AM	7	7
Mr Andrew Churchill	7	6
Professor Martin Phillips	7	7
Dr David Michail	7	7
Ms Kathleen Cummings	7	7
Professor Sarath Ranganthan	7	5
Ms Angela Ratcliffe	7	6
Ms Melissa Le Mesurier (appointed 6 September 2019)	3	3
A/Professor Lucy Morgan (appointed 6 September 2019)	3	1
Professor Paul Reynolds (appointed 6 September 2019)	3	1
Mr Tony Hyams AO (resigned 18 March 2019)	2	1

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 2019, the total amount that members of the company are liable to contribute if the company is wound up is $1,470 (2018: $1,270).

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 2019 has been received and can be found on page 20 of the Financial Report.

Operating results

The surplus for the year ended 31 December 2019 was $289,009. (2018: Surplus $39,919)

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 rewards 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.

	2019 $	2018 $
Net surplus / (deficit) per Statement of Profit or Loss and other comprehensive income	289,009	39,919
Plus payments made with respect to Research Award income received in prior years	15,500	85,000
Adjusted net surplus / (deficit)	304,509	124,919

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

……………………………………………………. Christine Jenkins AM

……………………………………………………. Andrew Churchill

Dated this 13th day of March 2020

LUNG FOUNDATION AUSTRALIA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 $	2018 $
Continuing operations			
Revenue from projects		4,491,795	4,881,736
Donations		768,945	383,175
Bequests		622,547	309,454
Revenue from fundraising and events		767,708	520,954
Revenue from specifically designated funds	4	293,837	338,828
Other income	3	282,970	230,813
Total revenue and other income from continuing operations		7,227,803	6,664,960
Project expenses		(4,491,795)	(4,881,736)
Specifically designated fund expenses	4	(293,837)	(338,828)
Other expenses	5	(2,173,712)	(1,444,409)
Surplus / (deficit) from continuing operations before finance income		268,459	(13)
Finance income		20,550	39,932
Net surplus / (deficit)		289,009	39,919
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gains/(losses) on Equity FVOCI financial assets		160,623	(126,497)
Total comprehensive income / (loss)		449,632	(86,578)
Net surplus / (deficit) for the year is attributable to:			
Members		289,009	39,919
		289,009	**39,919**
Total comprehensive income / (loss) for the year is attributable to:			
Members		449,632	(86,578)
		449,632	**(86,578)**

The Company has initially applied AASB 15 and AASB 1058 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118, AASB 1004 and related interpretations.

The Company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of the financial report.

LUNG FOUNDATION AUSTRALIA
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 $	2018 $
Current assets			
Cash and cash equivalents	15(b)	1,776,409	1,571,654
Receivables	7	749,347	616,804
Financial assets - Research	8	295,353	336,871
Financial assets - Company	8	447,750	404,921
Total current assets		3,268,859	2,930,250
Non-current assets			
Financial assets - Research	8	480,417	621,918
Financial assets - Company	8	1,764,284	1,974,449
Property, plant and equipment	9	193,496	118,265
Right of Use Asset	12	711,431	-
Intangible assets	10	175,362	144,418
Total non-current assets		3,324,991	2,859,050
Total assets		6,593,850	5,789,300
Current liabilities			
Payables	11	219,094	201,881
Income in advance	11	1,631,596	2,004,555
Contract Liability	12	1,465,631	1,466,434
Lease liabilities	13(a)	199,230	-
Employee benefits	14	122,323	98,227
Total current liabilities		3,637,874	3,771,097
Non-current liabilities			
Payables	11	-	32,193
Lease liabilities	13(a)	545,353	-
Employee benefits	14	37,885	64,666
Total non-current liabilities		583,238	96,859
Total liabilities		4,221,112	3,867,956
Net assets		2,372,738	1,921,344
Equity			
Retained earnings		2,309,786	2,020,777
Equity FVOCI financial assets reserve	15	62,952	(99,433)
Total equity		2,372,738	1,921,344

The Company has initially applied AASB 15 and AASB 1058 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118, AASB 1004 and related interpretations.

The Company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of the financial report.

LUNG FOUNDATION AUSTRALIA
STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from operating activities		7,742,133	7,538,256
Payments for operating activities		(7,802,148)	(8,087,299)
Dividends received		126,612	128,558
Interest received		36,591	41,608
Interest paid		(45,954)	-
Net cash flows from operating activities	16(a)	57,234	(378,877)
Cash flows from investing activities			
Proceeds from term deposits		451,205	596,899
Acquisition of securities and equities		(217,591)	(1,230,970)
Proceeds from sale of securities and equities		282,330	757,913
Acquisition of plant and equipment		(131,623)	(28,569)
Acquisition of intangible assets		(71,298)	(110,880)
Net cash flows used in investing activities		313,023	(15,607)
Cash flows from financing activities			
Payment of finance lease liabilities (principal)		(165,502)	-
Net cash flows used in financing activities		(165,502)	-
Net increase/(decrease) in cash and cash equivalents held		204,755	(394,484)
Cash and cash equivalents at the beginning of the financial year	16(b)	1,571,654	1,966,138
Cash and cash equivalents at the end of the financial year	16(b)	1,776,409	1,571,654

The Company has initially applied AASB 15 and AASB 1058 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118, AASB 1004 and related interpretations.

The Company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of the financial report.

LUNG FOUNDATION AUSTRALIA
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Notes	2019 $	2018 $
Retained earnings			
Balance at 1 January		2,020,777	1,980,858
Surplus/(deficit)		289,009	39,919
Balance at 31 December		2,309,786	2,020,777
Financial assets reserve			
Balance at 1 January	14	(99,433)	70,061
Reversal of unrealised gains on sale of listed investments		(715)	(63,052)
Reversal of unrealised losses on sale of listed investments		2,477	20,055
Revaluation (losses)/gains		160,623	(126,497)
Balance at 31 December		62,952	(99,433)
Total change in equity			
Balance at 1 January		1,921,344	2,050,919
Surplus/(deficit)		289,009	39,919
Movement in Unrealised gains reserve		162,385	(169,494)
Balance at 31 December		2,372,738	1,921,344

The Company has initially applied AASB 15 and AASB 1058 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118, AASB 1004 and related interpretations.

The Company has initially applied AASB 16 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

The accompanying notes form part of the financial report.

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 13 March 2020.

(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) Grant Income
For many of the grant agreements received, the determination of whether the contract is considered to be the contract with a customer and other considerations outlined in Note 2 Change in accounting policy were significant judgements involving discussions with a number of parties at the Company and consideration of the terms and conditions.

Grants received by the Company have been accounted for under both AASB 15 and AASB 1058 depending on the terms and conditions and decisions made.

If this determination was changed then the revenue recognition pattern would be different from that recognised in these financial statements.
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) Fair value through other comprehensive income (Equity FVOCI)

Equity FVOCI financial assets represent a portfolio of securities maintained by the company with a carrying amount of $2,900,119 (2018: $2,799,269) at the end of the reporting period. Upon acquisition of the financial asset, an irrevocable election is made to present subsequent changes in the fair value of the financial asset in other comprehensive income.

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.

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

(c) Leases

For comparative year

Lease of fixed assets where substantially all of the risks and benefits incidental to the ownership of the asset, but no the legal ownership that are transferred to entities in the Company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a lability and amortised on a straight-line basis over the life of the lease term.

For current year

At inception of a contract, the Company assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves the assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout out the period of use.
- The Company has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

i) Right-of-use asset

At the lease commencement, the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension period where the Company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

ii) Lease liability

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined, then the Company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lessee accounting

The Company has elected to apply the exceptions to lessee accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases for low-value items. The Company recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(d) Revenue and other income

For comparative year

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

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

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

(d) Revenue and other income *(continued)*

Sale of goods
Revenue from the sale of goods is recognised upon the delivery of goods to customers as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

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. When revenue from projects is received whereby the Company incurs an obligation to deliver economic benefit directly back to the funding party, this is considered a reciprocal transaction and the grant revenue is recognised in the Income-in-Advance balance in the Statement of Financial Position until the service has been delivered to the funding party.

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.

Revenue from contracts with customers

For current year

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for these goods and services. Revenue is recognised by applying a five-step model as follows:
1. Identify the contract with the customer.
2. Identify the performance obligations.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations.
5. Recognise revenue as and when control of the performance obligations is transferred.

None of the revenue streams of the Company have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Grant Income

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations, then the revenue is recognised when control of each performance obligation is satisfied.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements, there may be some performance obligations where control transfers at a point in time and other which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

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

(d) Revenue and other income *(continued)*

Revenue recognition policy for contracts which are either not enforceable or do not have sufficiently specific performance obligations (AASB 1058)

Grant Income

Amounts arising from grants in the scope of AASB 1058 are recognised at the assets fair value when the asset is received. The Company considers whether there are any related liability items associated with the asset which is recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

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

Statement of financial position balances relating to revenue recognition.

Contract assets and liabilities

Where the amounts billed to customers are based on achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, the Company presents the contract as a contract asset, unless the Company's rights to that amount of consideration are unconditional, in which case the Company recognises a receivable.

When an amount of consideration is received from customer prior to the entity transferring a good or service to the customer, the Company presents the contract as a contract liability.

(e) 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.

(f) 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.

(g) Volunteer services

No amounts are included in the financial statements for services donated by volunteers.

(h) 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.

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

(h) Plant and equipment *(continued)*

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.

(i) 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	20-50%

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.

(j) Financial Instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit and loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through profit and loss (FVPL);
- equity instruments at fair value through other comprehensive income (FVOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial asset; and
- The contractual cash flow characteristics of the financial assets.

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

(j) Financial Instruments *(continued)*

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as long-term deposit that were previously classified as held-to-maturity under AASB 139.

Financial assets at fair value through profit and loss (FVPL)

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial assets fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Equity instruments at fair value through other comprehensive income (Equity FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Under Equity FVOCI, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

Impairment of financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses- the "expected credit loss (ECL) Model". Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are initially measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated as FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in the instruments fair value that are reported in profit or loss are included within finance costs or finance income.

(k) 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.

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

(l) 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.

(m) 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.

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

The Company has adopted all standards which became effective for the first time at 31 December 2019 - refer to Note 2 for details of all changes due to standards adopted.

2. Change in Accounting Policy

Revenue from Contracts with Customers - Adoption of AASB 15

The Company has adopted AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* for the first time in the current year with a date of initial application of 1 January 2019.

The Company has applied AASB 15 and AASB 1058 using the cumulative effect method which means the comparative information has not been restated and continues to be reported under AASB 111, AASB 118, AASB 1004 and related interpretations. All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 January 2019.

The key changes to the Company's accounting policies and the impact on these financial statements from applying AASB 15 and AASB 1058 are described below.

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 the entity would recognise direct costs associated with fulfilling customer contracts, as expenses when incurred as they did not qualify for recognition as assets under any other accounting standard.

Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts and are expected to be recovered, they are capitalised as "costs to fulfil a contract" asset and released through profit and loss on the same basis as the revenue is recognised.

These costs include costs to set up resources to establish a program and the development of activities and resources to deliver the requirements of the contract.

Principal v agent

Prior to adoption of AASB 15, the Company had assessed that they were a principal in transactions where another party was involved in providing the services particularly where monies were received with the intention of passing them through to another entity.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Company is acting as an agent. In these circumstances, the result is that the Company can only recognise the revenue to which it is entitled as the agent rather than the gross revenue and expenses, there is no change to reported profit.

Grants - operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 1058 and AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed or recognised at the point in time that the control of the services pass to the customer.

Having reviewed the terms and conditions of grants received by the Company, some of them are within the scope of AASB 1058 and others within AASB 15, which has resulted in deferral of revenue for these monies.

2. Change in Accounting Policy *(continued)*

Revenue from Contracts with Customers - Adoption of AASB 15 *(continued)*

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year.

The following tables show the impact of adopting AASB 15 on the Company's financial statements for the year ended 31 December 2019.

Statement of Profit or Loss and other Comprehensive income

The table below shows for comparability purposes the statement of profit or loss and other comprehensive income for the year ended 31 December 2019 under AASB 15 / AASB 1058 and the 'old' standards, as if AASB 15 and AASB 1058 had not been adopted.

	Note	Balance per Statement of Profit or Loss and Other Comprehensive Income under AASB15 and AASB 1058 $	Re-classification $	Re-measurement $	Balance Prior to adoption of AASB 15 and AASB 1058 $
Revenue from Projects	(a)	4,491,795	221,923	-	4,713,718
Project Expenses	(a)	(4,491,795)	(221,923)	-	(4,713,718)
Other Expenses	(b)	(2,173,712)	-	(113,448)	(2,287,160)
Net Surplus / (deficit)		289,009	-	(113,448)	175,561

(a) Reclassifications due to income in advance now being recognised as contract liability with transactions for year being disclosed in a note to the accounts and not brought to profit or loss.

(b) The remeasurement is due to revenue being recorded under AASB 1058 in this reporting period for two projects.

Statement of Financial Position

The table below shows for comparability purposes the statement of financial position as at 31 December 2019 under AASB 15 / AASB 1058 and the 'old' standards, as if AASB 15 and AASB 1058 had not been adopted.

	Note	AASB 15 and AASB 1058 carrying amount per Statement of Financial Position $	Re-classification $	Re-measurement $	Carrying amount prior to adoption of AASB 15 and AASB 1058 $
Income in advance	(a) (b)	1,631,596	1,465,631	113,448	3,210,675
Contract liability	(a)	1,465,631	(1,465,631)	-	-
Retained earnings		2,309,786	-	(113,448)	2,196,338

(a) Reclassification of income in advance balances as contract liabilities.
(b) The remeasurement is due to revenue being recorded under AASB 1058 in this reporting period for two projects.

Statement of Cash Flows

The statement of cash flows is not materially different under AASB 15 / AASB 1058 from that which presented under the previous revenue standards.

Leases - Adoption of AASB 16

The Company has adopted AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method from 1 January 2019 and therefore the comparative information for the year ended 31 December 2018 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations.

2. Change in Accounting Policy *(continued)*

Leases - Adoption of AASB 16 *(continued)*

Impact of adoption of AASB 16

The impact of adopting AASB 16 is described below:

The Company as a lessee

Under AASB 117, the Company assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Company or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases, which meet the definition of a lease, are recognised on a consolidated statement of financial position (except for short-term leases and leases of low value assets).

The Company has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit and loss on a straight line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. The Company has used the following expedients:

- contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16;
- lease liabilities have been discounted using the Company's incremental borrowing rate at 1 January 2019;
- right-of-use assets at 1 January 2019 have been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments;
- a single discount rate has been applied to all leases with similar characteristics;
- the Company used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- for leases which were classified as finance lease under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are the same value as the leased asset and liability on 31 December 2018.

Financial statement impact of adoption of AASB 16

The Company has recognised right-of-use assets of $753,720 and lease liabilities of $757,860 at 31 January 2019, for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 January 2019 was 5.75%.

	$
Operating lease commitments at 31 December 2018 financial statements	960,906
Discounted using the incremental borrowing rate at 1 January 2019	757,860
Lease Liabilities recognised at 1 January 2019	757,860

3. Other income

	2019 $	2018 $
Dividends received	126,612	128,558
Membership fees	35,830	43,133
Sales of educational publications	-	26,627
Sundry income	120,528	32,494
Total other income	282,970	230,813

4. Specifically designated funds

	2019 $	2018 $
Revenue		
Funds received for research awards	293,837	338,828
	293,837	338,828
Expenses		
Research awards	(293,837)	(338,828)
Net surplus from specifically designated funds	-	-

5. Other expenses

	2019 $	2018 $
Premises	325,771	235,805
Depreciation and amortization	96,745	57,389
Telecommunication	18,842	22,876
Website and internet	81,561	65,040
Marketing and fundraising events	797,034	332,920
Employee benefits	862,240	974,888
Superannuation	230,230	218,310
Educational leaflets and guides	1,829	1,870
Research Awards	26,893	98,000
Strategic planning & National Action Plan	35,672	68,079
General, administrative and other costs	232,904	249,828
Advocacy Costs	164,738	-
Overhead recovery	(700,747)	(880,598)
Total other expenses	2,173,712	1,444,409

6. Net surplus/(deficit)

The net surplus/(deficit) for the year has been determined after including the following items of expenditure:

	2019 $	2018 $
Amounts paid to Auditors	18,665	12,000
Amounts paid - Other Accounting services	10,832	9,647
	29,497	21,647

7. Receivables

	2019 $	2018 $
Trade receivables	606,876	516,613
Prepayments	141,073	77,679
Other receivables	-	20,353
Accrued interest income	1,398	2,159
Total receivables	749,347	616,804

8. Financial Assets

The Strategic Plan 2020-2025 approved by the Lung Foundation Australia Board includes a strategic objective to build an Research Corpus to be invested with revenue being generated to fund research into lung disease. An allocation of financial assets has been included in the Statement of financial position as follows:

	2019 $	2018 $
Financial assets - research		
Current		
Term Deposits	11,462	132,666
Corporate debt securities	283,892	204,205
	295,353	336,871
Non-current		
Corporate debt securities	480,417	621,918
	480,417	621,918
Total financial assets - research	775,771	958,789
Financial assets - company		
Current		
Term Deposits	-	330,000
Corporate debt securities	447,750	74,921
	447,750	404,921
Non-current		
Term Deposits	76,224	76,224
Listed investments	1,387,500	1,226,683
Corporate debt securities	300,560	671,543
	1,764,284	1,974,449
Total financial assets - company	2,212,033	2,379,370
Total financial assets	2,987,804	3,338,159

8. Financial Assets *(continued)*

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

Balance at 1 January 2019	2,799,269	2,491,651
Purchases	217,591	1,230,970
Disposals	(279,126)	(753,858)
Reversal of unrealised gains on disposals	(715)	(63,052)
Reversal of unrealised losses on disposals	2,477	20,055
Fair value remeasurement gains/(losses)	160,623	(126,497)
Balance at 31 December 2019	2,900,119	2,799,269

Term deposits have an average maturity of 90 days (2018: 90 days).

	Computer equipment	Office furniture & equipment	Leasehold Improve-ments	Total
9. Property, plant and equipment	**$**	**$**	**$**	**$**
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:				
Year ended 31 December 2018				
Carrying amount at 1 January 2018	26,621	11,316	94,954	132,891
Additions	14,416	4,159	9,994	28,569
Assets disposed / scrapped	(31,984)	-	-	(31,984)
Depreciation	(15,041)	(5,882)	(22,272)	(43,195)
Reversal of Accumulated Depreciation on disposals	31,984	-	-	31,984
Carrying amount at 31 December 2018	25,996	9,593	82,676	118,265
At 31 December 2018				
Historical cost	61,189	96,602	208,844	366,635
Accumulated depreciation	(35,193)	(87,009)	(126,168)	(248,370)
Net carrying amount	25,996	9,593	82,676	118,265
Year ended 31 December 2019				
Carrying amount at 1 January 2019	25,996	9,593	82,676	118,265
Additions	18,830	62,895	49,897	131,623
Assets disposed / scrapped	(5,012)	(50,979)	(1,237)	(57,228)
Depreciation	(18,061)	(12,139)	(26,191)	(56,391)
Reversal of accumulated depreciation on disposals	5,012	50,979	1,237	57,228
Carrying amount at 31 December 2019	26,764	60,349	106,383	193,496
At 31 December 2019				
Historical cost	75,007	108,518	257,504	441,029
Accumulated depreciation	(48,243)	(48,169)	(151,121)	(247,533)
Net carrying amount	26,764	60,349	106,383	193,496

	2019	2018
10. Intangible assets	**$**	**$**
Movement in the carrying amount for intangible assets - computer software between the beginning and the end of the current financial year:		
Year ended 31 December 2019		
Carrying amount at 1 January 2019	144,418	47,732
Additions	71,298	110,880
Amortisation	(40,354)	(14,194)
Carrying amount at 31 December 2019	175,362	144,418
At 31 December 2019		
Historical cost	346,322	275,024
Accumulated amortisation	(170,960)	(130,606)
Net carrying amount	175,362	144,418

11. Payables

	2019 $	2018 $
a. CURRENT		
Trade payables	86,989	47,635
Rent Incentive - current	-	16,799
Other payables	132,105	137,447
Total current payables	219,094	201,881
NON-CURRENT		
Rent Incentive - non-current	-	32,193
Total non-current payables	-	32,193
Total payables	219,094	234,073

	2019 $	2018 $
b. CURRENT		
Specifically designated funds	345,411	452,268
Project income received in advance	1,286,184	1,552,287
Total current income in advance	1,631,596	2,004,555

Project income received in advance includes an amount being donations, third party fundraising and major donations that have been received to fund research or program delivery in future years. In accordance with the Australian Accounting Standard AASB 1058: Income for Not-for-Profit Entities, these funds have not been recognised as revenue in the year that were received, but have been brought forward until the funds are required to be used. As at 31 December 2019, this amount is $Nil (2018: $93,516).

12. Contract liability

	2019 $	2018 $
Contract liability	1,465,631	1,466,434
Total contract liabilities	1,465,631	1,466,434

Movement in the balance for contract liabilities between the beginning and the end of the current financial year:

Year ended 31 December 2019	
Balance at 1 January 2019	1,466,434
Research Income	221,120
Research Expenditure	(221,923)
Balance at 31 December 2019	1,465,631

13. Leases

The Company has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related interpretations.

The Company as a lessee

The Company has leases over a range of assets including property and office equipment.

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

Property

The Company lease office space at 11 Finchley Street, Milton, QLD for their headquarter office; the lease is for 5 years with no option to renew. This lease contains an annual pricing mechanism based on CPI movements and fixed 4% increase at each anniversary of the lease inception.

The Company lease office space at 65 Hume Street, Crows Nest, NSW for their Sydney Office; the lease is for 2 years with an option to renew for 1 year. This lease contains an annual pricing mechanism based on CPI movements and fixed 4% increase at each anniversary of the lease inception.

The Company lease office space at 153-161 Park Street, South Melbourne, VIC for their Melbourne Office; the lease is for 2 years with an option to renew for 2 years. This lease contains an annual pricing mechanism based on CPI movements and fixed 4% increase at each anniversary of the lease inception.

Office Equipment

The Company leases 4 photocopiers and a franking machine; the lease payments are fixed during the lease term.

13. Leases *(continued)*

Right-of-use assets

	Property $	Office equipment $	Total $
Year ended 31 December 2019			
Right-of-use assets	875,431	34,654	910,085
Accumulated amortisation	(187,994)	(10,660)	(198,654)
Balance as at 31 December 2019	687,437	23,994	711,431

Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below.

	< 1 year $	1 - 5 years $	> 5 years $	Total undiscounted lease liabilities $	Lease liabilities included in this Statement of Financial Position $
2019	236,874	590,672	-	827,546	744,583

Statement of Profit and Loss and Other Comprehensive income

The amounts recognised in the statement of profit and loss and other comprehensive income relating to leases where the Company is a lessee are shown below:

	2019 $	2018 $
Interest expense on lease liabilities	45,954	-
Amortisation of right-of-use assets	198,654	-
	244,608	-
Statement of Cash Flows		
Total cash outflow for leases	211,545	-

(a) CURRENT

Lease Liabilities	199,230	-
Total current lease liabilities	199,230	-
NON-CURRENT		
Lease Liabilities	545,353	-
Total non-current lease liabilities	545,353	-
Total payables	744,583 -	0

14. Employee benefits

	2019 $	2018 $
Accrued Annual Leave - employee benefit - current	78,795	83,657
Provision for long service leave - current	43,527	14,570
Total employee benefits - current	122,323	98,227
Provision for long service leave - non-current	37,885	64,666
Total employee benefits	160,208	162,893

Analysis of total employee benefits:

Balance at 1 January 2019	162,893	266,164
Additional employee benefits raised during the year	190,561	266,330
Amount of employee benefits used during the year	(193,246)	(369,601)
Balance at 31 December 2019	160,208	162,893

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 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.

15. Other reserves	**2019 $**	**2018 $**
Financial assets (Equity FVOCI)	62,952	(99,433)
Total other reserves	62,952	(99,433)

Nature and purpose of reserves

The Financial assets (Equity FVOCI) reserve records revaluations of available-for-sale financial assets.

16. Notes to the statement of cash flows

(a) Reconciliation of net cash from operating activities to operating surplus/(deficit)	**2019 $**	**2018 $**
Net surplus/(deficit)	289,009	39,919
Depreciation	56,392	43,195
Amortization - intangibles	40,354	14,194
Amortization - leased assets	198,654	-
Loss / (gain) on disposal of investments	(3,205)	(4,056)
Transfer to / (from) provision for annual leave	(4,862)	(70,781)
Transfer to / (from) provision for long service leave	2,177	(30,620)
(Increase)/decrease in assets		
Trade receivables	(152,896)	26,202
Inventory	-	13,694
Increase/(decrease) in liabilities		
Trade & Other payables	5,373	(121,971)
Project income received in advance	(373,762)	(288,653)
Net cash flows available from operations	57,234	(378,877)

(b) Components of cash and cash equivalents	**2019 $**	**2018 $**
Cash on hand	1,463	1,149
Cash at bank	1,774,946	1,570,505
Cash and cash equivalents per statement of cash flow	1,776,409	1,571,654

The effective interest rate on short term bank deposits was 1.99% (2017: 1.90%).

	2019 $	**2018 $**
(c) Cash balances held for project expenditure	263,231	252,366

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 (2018: $76,224).

17. Contingent liabilities

There are no contingent liabilities at the date of this financial report (2018: Nil).

18. 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 2019, the total amount that members of the company are liable to contribute if the company is wound up is $1,470 (2017: $1,270).

19. Financial risk management	**2019 $**	**2018 $**
Financial assets		
Cash and cash equivalents	1,776,409	1,571,654
Receivables	749,347	616,804
Financial assets	2,987,804	3,338,159
Total financial assets	5,513,560	5,526,617
Financial liabilities		
Trade and other payables	564,506	637,350
Total financial liabilities	564,506	637,350

19. Financial risk management *(continued)*

Fair values

For listed financial assets at fair value through other comprehensive income, 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 financial assets at fair value through other comprehensive income, 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 financial assets held by the company at balance date. The company has appointed Morgans, an experienced Funds Manager to manage the maket 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 Managment Committee) receive performance reports from the Funds Manager every six months and meet with the Funds Manager on an annual basis.

20. Subsequent Events

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

21. 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 $7,069 (2018: $10,877) 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 (2018: $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:

	2019 $	**2018 $**
Key management personnel compensation	793,044	699,151

22. 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 5 to 23, 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 2019 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.

3. In the directors' opinion, there are reasonable grounds to believe that Lung Foundation Australia have complied with the provisions of the Charitable Fundraising Act 1991 (NSW) ('The Act"), the regulations under the Act and the conditions attached to the NSW Fair Trading Charitable Fundraising Authority have been complied with.

Signed in accordance with subsection 60.15(2) of the Australian Charities and Not-for-profit Commission Regulation 2013.

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

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

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

Dated this 13th day of March 2020

Lung Foundation Australia

Independent Audit Report to the members of Lung Foundation Australia

Opinion

We have audited the financial report of Lung Foundation Australia (registered entity), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the responsible entities declaration.

In our opinion the financial report of Lung Foundation Australia is in accordance with the Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

a) giving a true and fair view of the registered entity's financial position as at 31 December 2019 and of its financial performance for the year then ended; and

b) complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis of opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 registered entity in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) 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 also fulfilled our other ethical responsibilities in accordance with the Code.

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

MAZARS AUDIT (QLD) PTY LIMITED
(FORMERLY HANRICK CURRAN AUDIT)
AUTHORISED AUDIT COMPANY: 338599 ABN: 13 132 902 188
LEVEL 11, 307 QUEEN STREET, BRISBANE QLD 4000 GPO BOX 2268, BRISBANE QLD 4001
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Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2019 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Responsible Entities and Those Charged with Governance for the Financial Report

The responsible entities of the registered entity are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of Australian Accounting Standards – Reduced Disclosures Requirements and the ACNC Act. The responsible entities of the registered entity are responsible for the preparation of the financial report in accordance with Section 24(2) of the Charitable Fundraising (NSW) Act 1991 and Regulations (the Act and Regulations).The responsible entities' responsibility also includes such internal control as the responsible entities determine is necessary 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.

In preparing the financial report, the responsible entities are responsible for assessing the registered entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the responsible entities either intend to liquidate the registered entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the committees.

- Conclude on the appropriateness of the committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association'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 Association to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Opinion pursuant to the Charitable Fundraising Act (NSW) 1991

In our opinion:

a) The financial report gives a true and fair view of the company's financial results of fundraising appeal activities for the financial year ended 31 December 2019;

b) The financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 January 2019 to 31 December 2019, in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations;

c) Money received as a result of fundraising appeal activities conducted during the period from 1 January 2019 to 31 December 2019 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act (NSW) 1991* and Regulations; and

d) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Mazars

MAZARS AUDIT (QLD) PTY LIMITED
Authorised audit company: 338599

Michael Georghiou
Director

Brisbane, 13 March 2020