

LUNG FOUNDATION AUSTRALIA
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS' REPORT

Your directors present their report on the company, Lung Foundation Australia, for the financial year ended 31 December 2020.

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 Ranganathan
 Ms Angela Ratcliffe
 Ms Melissa Le Mesurier
 Associate Professor Lucy Morgan
 Professor Paul Reynolds

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.

LUNG FOUNDATION AUSTRALIA

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS' REPORT (continued)

Information on Directors (continued)

Professor Sarath Ranganathan	Director
Qualifications	MCChB, MRCP,FRCPCH, FRACP, PhD
Experience	Member of Lung Foundation Australia National Council since March 2014. Board member of Lung Foundation Australia since April 2014.
Special Responsibilities	Member COVID-19 Expert Working Group, Member of Young Lungs Advisory Group.
Ms Angela Ratcliffe	Director
Qualifications	GAICD, B.Bus
Experience	Experience in Marketing, Sales and 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.Arts (Politics and Journalism)
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.
Associate Professor Lucy Morgan	Director
Qualifications	B.Med PhD, FRACP
Experience	Past-President of NSW TSANZ Branch (2017-2019). 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 Bronchiectasis Consortium. Clinical lead for Australian Bronchiectasis Registry.
Professor Paul Reynolds	Director
Qualifications	MB BS PhD, MD, FRACP, FThorSoc
Experience	Former Board member and President, Thoracic Society of Australia and New Zealand. Member, Specialist Training Committee for Respiratory and Sleep Medicine, Royal Australasian College of Physicians. Director, Lung research Laboratory, University of Adelaide. Medical Lead, Heart and Lung Program, Central Adelaide Local Health Network. Director, Department of Thoracic Medicine, Royal Adelaide Hospital. Previous member of National Council. Board Member of Lung Foundation Australia since September 2019.
Special Responsibilities	Nil.

LUNG FOUNDATION AUSTRALIA
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
DIRECTORS' REPORT (continued)

Principal activities

The principal activities of Lung Foundation Australia during the course of the financial year were providing support to those impacted by lung disease and lung cancer, through patient awareness, research, support advocacy and raising funds.

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 placed on both staff and volunteers to be purposeful leaders.

As the Lung Foundation Australia celebrated 30 years of promoting healthy lungs and giving hope to Australians living with lung disease and lung cancer, 2020 was perhaps the most challenging in our charity's history.

The national bushfire emergency, floods and the COVID pandemic placed an enormous strain on the Foundation's resources and capacity during 2020. COVID-19, as a respiratory disease, together with the breathlessness caused by bushfire smoke, have given all Australians cause to rethink the importance of lung health.

The Foundation's Board, management and staff transformed our services to ensure continuity of care whilst also continuing business as usual across advocacy, support, community awareness and research services. The Foundation secured new Commonwealth and State Government funding for Lungs in Action groups, Occupational Lung Disease and Chronic Cough programs and support from the Queensland Government to expand our 1800 Information and Support Service.

The Foundation's lung health and COVID-19 information website was recognised internationally as a trusted source of information. Our digital lung health strategy scaled up our services to new communities as the Maintaining Movement and Exercise program and Peer Support Network went digital; the COPD SMS Text for wellness service was launched; our Patient Webinar series set new records for attendance; 30 new resources for health professionals and patients including the COPDX Concise Guide were launched; the National Roundtable on Young People and Vaping went ahead; and donations and membership were maintained.

Whilst 90% of community and event fundraising were cancelled, including our 30th Anniversary Gala Dinner, the Lung Foundation's virtual fundraising, such as *'Challenge30'*, proved to be an enormous success, as were our annual appeals which recorded double digit growth.

We are excited and pleased to announce that \$8 million was raised or pledged for the *'Lung Foundation Hope Research Fund'* well ahead of our first-year target. The Board has set an ambitious goal of raising \$50 million in the next 10 years for lung disease and lung cancer research and we are off to a very strong start. The Foundation's *'Hero's for Hope Campaign'* for pulmonary fibrosis and rare lung disease research achieved its target raising \$1.6 million well ahead of schedule.

The Foundation is honoured to have been awarded the 2020 Prime Award *'Non-Government Organisation of the Year'*. The *'Lung Cancer Search and Rescue Campaign'* was also acknowledged for best use of data and insights in a consumer health promotions campaign. We celebrate our work in tobacco and health policy having secured funding for the National Vaping and Young People Roundtable and then nib Foundation's *'People's Choice Award'* to develop new resources to young people about vaping and lung health.

Our organisational culture and the safety of our people remains a strategic priority and the Foundation was recognised with The Voice Project recognising the Foundation with the *'Best Workplace Award'* for 2020. Whilst we don't seek these accolades, they give us confidence that Lung Foundation Australia will be here for another 30 years.

The Foundation was accredited under the Government's Health and Community Service Standards noting Foundation's governance and operational systems reflect a modern charity as well as an efficient and effective business enterprise.

Looking forward, the Lung Foundation will face a number of challenges in the year ahead including:

- increased pressure on the Foundation's research budget as University investment is anticipated to decline and government research investment remains very competitive;
- keeping our community connected and sustaining our community programs as they adjust to the new normal caused by the continuing disruptions of COVID-19;
- partnering with Government, health services and the community to promote the importance of the COVID and other vaccinations;
- keeping health professionals aware of and utilising all Lung Foundation resources to enhance patient care, education and self management;
- prosecuting and progressing greater investment in lung disease and lung cancer specialist nurses and equity of research investment;
- taking the opportunity created by Australia's renewed focus on lung health to raise and invest funds against a backdrop of economic uncertainty; and
- ensuring our workplaces, programs and staff are kept safe and well.

The Board thanks the patients, families, donors and corporate partners, health care professionals and researchers for their support which enables the Foundation to provide the very best information and support, and advocate for equitable access to treatment, care and support for every Australian impacted by lung disease or lung cancer.

LUNG FOUNDATION AUSTRALIA
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
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, eight meetings of directors were held. Attendances by each director were as follows:

	Directors' Meetings	
	Number eligible to attend	Number Attended
Professor Christine Jenkins AM	8	8
Mr Andrew Churchill	8	7
Professor Martin Phillips	8	8
Dr David Michail	8	7
Ms Kathleen Cummings	8	6
Professor Sarath Ranganathan	8	6
Ms Angela Ratcliffe	8	7
Ms Melissa Le Mesurier	8	8
A/Professor Lucy Morgan	8	7
Professor Paul Reynolds	8	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 2020, the total amount that members of the company are liable to contribute if the company is wound up is \$2,000 (2018: \$1,470).

Auditor's Independence Declaration

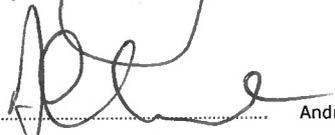
The auditor's independence declaration, in accordance with section 60-40 of the *Australian Charities and Not-for-profit Commission Act 2012*, for the year ended 31 December 2020 has been received and can be found on page 23 of the Financial Report.

Operating results

The surplus for the year ended 31 December 2020 was \$2,730,490. (2019: Surplus \$289,009)

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

 Christine Jenkins AM

 Andrew Churchill

Dated this 30th day of April 2021

LUNG FOUNDATION AUSTRALIA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	2020 \$	2019 \$
Continuing operations			
Grants - Government	17(a)	1,239,424	1,010,586
Grants - other sources		393,831	319,982
Sponsorships		1,855,405	2,869,985
Donations		1,148,820	1,211,381
Bequests		2,332,470	622,547
Events		137,875	308,058
Revenue from specifically designated funds	4	191,939	293,837
Other income	3	1,518,524	591,427
Total revenue and other income from continuing operations		8,818,288	7,227,803
Research expenses		(1,403,443)	(1,661,651)
Programs and services expenses		(997,402)	(1,546,722)
Employee Expenses		(2,838,641)	(2,696,621)
Fundraising expenses		(158,583)	(278,707)
Marketing expenses		(214,485)	(325,707)
Other expenses	5	(503,283)	(449,936)
Surplus / (deficit) from continuing operations before finance income		2,702,451	268,459
Finance income		28,039	20,550
Net surplus / (deficit)		2,730,490	289,009
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value gains/(losses) on Equity FVOCI financial assets		315,934	160,623
Total comprehensive income / (loss)		3,046,424	449,632
Net surplus / (deficit) for the year is attributable to:			
Members		2,730,490	289,009
		2,730,490	289,009
Total comprehensive income / (loss) for the year is attributable to:			
Members		3,046,424	449,632
		3,046,424	449,632

The accompanying notes form part of the financial report.

LUNG FOUNDATION AUSTRALIA
STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	2020 \$	2019 \$
Current assets			
Cash and cash equivalents	16(b)	1,334,516	1,776,409
Receivables	7	528,274	749,347
Financial assets - Hope Research Fund	8	-	295,353
Financial assets - Company	8	1,161,008	447,750
Total current assets		3,023,798	3,268,859
Non-current assets			
Financial assets - Hope Research Fund	8	5,813,801	480,417
Financial assets - Company	8	76,756	1,764,284
Property, plant and equipment	9	153,621	193,496
Right of Use Asset	13	569,676	711,431
Intangible assets	10	-	175,362
Total non-current assets		6,613,854	3,324,991
Total assets		9,637,652	6,593,850
Current liabilities			
Payables	11(a)	222,018	219,094
Income in advance	11(b)	2,426,641	1,631,596
Contract liability	12	838,425	1,465,631
Lease liabilities	13(a)	214,422	199,230
Employee benefits	14	139,127	122,323
Total current liabilities		3,840,633	3,637,874
Non-current liabilities			
Payables	11(a)	-	-
Lease liabilities	13(a)	403,829	545,353
Employee benefits	14	58,180	37,885
Total non-current liabilities		462,009	583,238
Total liabilities		4,302,642	4,221,112
Net assets		5,335,010	2,372,738
Equity			
Retained earnings		5,040,276	2,309,786
Equity FVOCI financial assets reserve	15	294,734	62,952
Total equity		5,335,010	2,372,738

The accompanying notes form part of the financial report.

LUNG FOUNDATION AUSTRALIA
STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from operating activities from government		1,239,454	1,010,586
Receipts from operating activities (except government grants)		8,615,912	6,731,547
Payments for operating activities		(6,287,296)	(7,802,148)
Dividends received		130,974	126,612
Interest received		29,313	36,591
Interest paid		(39,863)	(45,954)
Net cash flows from operating activities	16(a)	3,688,494	57,234
Cash flows from investing activities			
Proceeds from term deposits		10,929	451,205
Acquisition of securities and equities		(6,730,640)	(217,591)
Proceeds from sale of securities and equities		2,837,242	282,330
Acquisition of plant and equipment		(23,077)	(131,623)
Acquisition of intangible assets		-	(71,298)
Net cash flows used in investing activities		(3,905,546)	313,023
Cash flows from financing activities			
Payment of finance lease liabilities (principal)		(224,841)	(165,502)
Net cash flows used in financing activities		(224,841)	(165,502)
Net increase/(decrease) in cash and cash equivalents held		(441,893)	204,755
Cash and cash equivalents at the beginning of the financial year	16(b)	1,776,409	1,571,654
Cash and cash equivalents at the end of the financial year	16(b)	1,334,516	1,776,409

The accompanying notes form part of the financial report.

LUNG FOUNDATION AUSTRALIA
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Notes	2020 \$	2019 \$
Retained earnings			
Balance at 1 January		2,309,786	2,020,777
Surplus/(deficit)		2,730,490	289,009
Balance at 31 December		5,040,276	2,309,786
Financial assets reserve			
Balance at 1 January		62,952	(99,433)
Reversal of unrealised gains on sale of listed investments		(124,277)	(715)
Reversal of unrealised losses on sale of listed investments		40,125	2,477
Revaluation (losses)/gains		315,934	160,623
Balance at 31 December	15	294,734	62,952
Total change in equity			
Balance at 1 January		2,372,738	1,921,344
Surplus/(deficit)		2,730,490	289,009
Movement in Unrealised gains reserve		231,782	162,385
Balance at 31 December		5,335,010	2,372,738

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 2020**

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 30 April 2021.

(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 \$6,974,808 (2019: \$2,900,119) 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.

**LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2020**

1. Statement of significant accounting policies (continued)

(c) Leases

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

Revenue from contracts with customers

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.

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

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.

Other Revenue

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.

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.

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.

(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.

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. Statement of significant accounting policies (continued)

(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.

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

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

For comparative year

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.

For current year

Any expenditure for items that were previously classed as intangible assets is recognised in the profit and loss at the time the expenditure is incurred.

(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.

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. Statement of significant accounting policies (continued)

(j) Financial Instruments (continued)

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.

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.

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. Statement of significant accounting policies (continued)

(j) Financial Instruments (continued)

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.

(l) 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

The Company has adopted all standards which became effective for the first time at 31 December 2020.

2. Change in Accounting Policy

As there were no new Accounting Standards requiring adoption during the year ended 31 December 2020, there were no changes in accounting policy required.

	2020	2019
	\$	\$
3. Other income		
JobKeeper income	744,900	-
PAYG cash boost	100,000	-
Sales - merchandise and training	181,692	207,507
Dividends received	130,974	144,827
Membership fees	39,954	35,830
Sundry income	321,004	203,263
Total other income	1,518,524	591,427

	2020	2019
	\$	\$
4. Specifically designated funds		
Revenue		
Funds received for research awards	191,939	293,837
	<u>191,939</u>	<u>293,837</u>
Expenses		
Research awards	(191,939)	(293,837)
Net surplus from specifically designated funds	<u>-</u>	<u>-</u>

Expenditure for research awards is included in the total for research expenditure.

	2020	2019
	\$	\$
5. Other expenses		
Depreciation and amortization	235,279	96,745
Premises	317,282	325,771
Telecommunication	38,975	18,842
Website and internet	68,686	81,561
Educational leaflets and guides	2,108	1,829
Strategic planning & national action plan	-	35,672
General, administrative and other costs	140,968	232,904
Advocacy costs	66,445	164,738
Loss on sale of investments	42,951	-
Overhead recovery	(409,411)	(508,127)
Total other expenses	503,283	449,935

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

6. Net surplus/(deficit)	2020	2019
	\$	\$
The net surplus/(deficit) for the year has been determined after including the following items of expenditure:		
Amounts paid to Auditors	14,040	18,665
Amounts paid - other accounting services	2,508	10,832
	<u>16,548</u>	<u>29,497</u>

7. Receivables	2020	2019
	\$	\$
Trade receivables	257,131	606,876
Prepayments	148,623	141,073
Other current receivables	122,396	-
Accrued interest income	124	1,398
Total receivables	<u>528,274</u>	<u>749,347</u>

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 and lung cancer. An allocation of financial assets has been included in the Statement of financial position as follows:

	2020	2019
	\$	\$
Financial assets - Hope Research Fund		
Current		
Term deposits	-	11,462
Corporate debt securities	-	283,892
	<u>-</u>	<u>295,353</u>
Non-current		
Listed investments	4,835,154	-
Unlisted investments	601,996	-
Corporate debt securities	376,651	480,417
	<u>5,813,801</u>	<u>480,417</u>
Total financial assets - Hope Research Fund	<u>5,813,801</u>	<u>775,771</u>
Financial assets - company		
Current		
Term deposits	-	-
Unlisted investments	1,161,008	-
Listed investments	-	447,750
	<u>1,161,008</u>	<u>447,750</u>
Non-current		
Term Deposits	76,756	76,224
Listed investments	-	1,387,500
Corporate debt securities	-	300,560
	<u>76,756</u>	<u>1,764,284</u>
Total financial assets - company	<u>1,237,763</u>	<u>2,212,033</u>
Total financial assets	<u>7,051,564</u>	<u>2,987,804</u>

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

Balance at 1 January 2020	2,900,119	2,799,269
Purchases	6,714,634	217,591
Disposals	(2,887,733)	(279,126)
Interest reinvested in portfolio	16,007	-
Reversal of unrealised gains on disposals	(124,278)	(715)
Reversal of unrealised losses on disposals	40,125	2,477
Fair value remeasurement gains/(losses)	315,934	160,623
Balance at 31 December 2020	<u>6,974,808</u>	<u>2,900,119</u>

Term deposits have an average maturity of 180 days (2019: 90 days).

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

	Computer equipment	Office furniture & equipment	Leasehold Improvements	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 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
Year ended 31 December 2020				
Carrying amount at 1 January 2020	26,764	60,349	106,383	193,496
Additions	19,149	3,928	-	23,077
Depreciation	(18,678)	(16,147)	(28,127)	(62,952)
Carrying amount at 31 December 2020	27,235	48,130	78,256	153,621
At 31 December 2020				
Historical cost	94,156	112,446	257,504	464,106
Accumulated depreciation	(66,921)	(64,316)	(179,248)	(310,485)
Net carrying amount	27,235	48,130	78,256	153,621

	2020 \$	2019 \$
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 2020		
Carrying amount at 1 January 2020	175,362	144,418
Additions	-	71,298
Amortisation	(175,362)	(40,354)
Carrying amount at 31 December 2020	-	175,362
At 31 December 2020		
Historical cost	346,322	346,322
Accumulated amortisation	(346,322)	(170,960)
Net carrying amount	-	175,362

During the year, the Lung Foundation Australia Board approved a change in accounting policy for intangible assets, resulting in the full write down of the balance of intangible assets as at 31 December 2020. Refer to Note 1(i).

	2020 \$	2019 \$
11. Payables		
a. CURRENT		
Trade payables	91,126	86,989
Other payables	130,892	132,105
Total current payables	222,018	219,094
NON-CURRENT		
Other payables	-	-
Total non-current payables	-	-
Total payables	222,018	219,094

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

11. Payables (continued)	\$	\$
Revenue received in advance		
b. CURRENT		
Specifically designated funds	248,785	345,411
Grants Income Accrual	1,310,472	-
Sponsorship Income Accrual	413,636	-
Project income received in advance	453,748	1,286,184
Total current income in advance	2,426,641	1,631,596

Analysis of government revenue included in revenue received in advance

Revenue received in advance - government	897,009	460,464
Revenue received in advance - non-government	1,529,632	1,171,132
Total current income in advance	2,426,641	1,631,596

12. Contract liability	2020	2019
	\$	\$
Contract liability	838,425	1,465,631
Total contract liabilities	838,425	1,465,631

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

Year ended 31 December 2020		
Balance at 1 January 2020	1,465,631	
Balance brought to account due to program closure	(457,372)	
Carried forward donations recognised as revenue in current year	(122,834)	
Research contribution from company	8,000	
Research Expenditure	(55,000)	
Balance at 31 December 2020	838,425	

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.

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
Year ended 31 December 2020			
Right-of-use assets	875,431	91,943	967,374
Accumulated amortisation	(392,061)	(5,637)	(397,698)
Balance as at 31 December 2020	483,370	86,306	569,676

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

13. Leases (continued)

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
2020	242,797	428,586		671,383	618,251

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:

	2020 \$	2019 \$
Interest expense on lease liabilities	39,863	45,954
Amortisation of right-of-use assets	217,642	198,654
	<u>257,505</u>	<u>244,608</u>

Statement of Cash Flows

Total cash outflow for leases	<u>264,704</u>	<u>211,545</u>
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(a) CURRENT

Lease Liabilities	214,422	199,230
Total current lease liabilities	<u>214,422</u>	<u>199,230</u>

NON-CURRENT

Lease Liabilities	403,829	545,353
Total non-current lease liabilities	<u>403,829</u>	<u>545,353</u>

Total payables	<u>618,251</u>	<u>744,583</u>
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14. Employee benefits

	2020 \$	2019 \$
Accrued Annual Leave - employee benefit - current	108,508	78,795
Provision for long service leave - current	30,619	43,527
Total employee benefits - current	<u>139,127</u>	<u>122,323</u>
Provision for long service leave - non-current	58,180	37,885
Total employee benefits	<u>197,308</u>	<u>160,208</u>

Analysis of total employee benefits:

Balance at 1 January 2020	160,208	162,893
Additional employee benefits raised during the year	253,707	190,561
Amount of employee benefits used during the year	(216,607)	(193,246)
Balance at 31 December 2020	<u>197,308</u>	<u>160,208</u>

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

	2020 \$	2019 \$
Financial assets (Equity FVOCI)	294,734	62,952
Total other reserves	<u>294,734</u>	<u>62,952</u>

Nature and purpose of reserves

The Financial assets (Equity FVOCI) 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 2020

16. Notes to the statement of cash flows

	2020	2019
	\$	\$
(a) Reconciliation of net cash from operating activities to operating surplus/(deficit)		
Net surplus/(deficit)	2,730,490	289,009
Depreciation	62,952	56,392
Amortization - intangibles	175,362	40,354
Amortization - leased assets	217,644	198,654
Loss / (gain) on disposal of investments	50,491	(3,205)
Loss / (gain) on early termination of lease agreements	22,621	-
Transfer to / (from) provision for annual leave	29,713	(4,862)
Transfer to / (from) provision for long service leave	7,386	2,177
(Increase)/decrease in assets		
Trade receivables	221,071	(152,896)
Inventory	-	-
Increase/(decrease) in liabilities		
Trade & Other payables	2,925	5,373
Project income received in advance	167,839	(373,762)
Net cash flows available from operations	3,688,494	57,234
	2020	2019
	\$	\$
(b) Components of cash and cash equivalents		
Cash on hand	819	1,463
Cash at bank	1,333,697	1,774,946
Cash and cash equivalents per statement of cash flow	1,334,516	1,776,409

The effective interest rate on short term bank deposits was 1.91% (2019: 1.99%).

	2020	2019
	\$	\$
(c) Cash balances held for project expenditure	-	263,231

During the year, these funds were transferred into the Hope Research Fund (represented by the Lung Foundation Australia investment portfolio). The returns from these funds are to be used to fund research awards (including the awards that have been funded by these funds in prior years) and operations costs.

At balance date, the amount of cash utilised as security for bank guarantees associated with leases for the company's office space totalled \$76,756 (2019: \$76,224).

17. Additional information - government grants

(a) Listing of sources of government revenue by level of government and department or agency name

	2020	2019
	\$	\$
Commonwealth government		
Department of Health	489,052	300,000
Department of Education, Skills and Employment	237,738	-
Cancer Australia	66,000	207,680
Murray Primary Health Network	65,000	195,000
North Coast Primary Health Network	-	52,610
Total	857,790	755,290
State government		
QLD Health Department	371,634	255,296
VIC Department of Jobs, Precincts and Regions	10,000	-
Total	381,634	255,296
Total	1,239,424	1,010,586

(b) Economic dependency on government revenue

Lung Foundation Australia is dependent on the ongoing receipts of financial assistance from the State Government of Queensland to continue delivering the services provided by its Information Support Centre. At the time of this report, the directors are aware that this significant government contract with QLD Health is due to expire on 30 June 2024 and have no reason to believe that the government will discontinue its support of Lung Foundation Australia.

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

18. Contingent liabilities

There are no contingent liabilities at the date of this financial report (2019: Nil).

19. 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 2020, the total amount that members of the company are liable to contribute if the company is wound up is \$2,000 (2019: \$1,470).

20. Financial risk management	2020	2019
	\$	\$
Financial assets		
Cash and cash equivalents	1,334,516	1,776,409
Receivables	528,274	749,347
Financial assets	7,051,564	2,987,804
Total financial assets	<u>8,914,354</u>	<u>5,513,560</u>
Financial liabilities		
Trade and other payables	470,804	564,506
Total financial liabilities	<u>470,804</u>	<u>564,506</u>

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 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.

21. Subsequent Events

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

22. 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 \$763 (2019: \$7,069) incurred by the directors in fulfilling their role were reimbursed and speaker fees totalling \$6,000 were paid for webinar presentations during the year, which were subsequently donated to the Foundation.

(b) Transaction with Director-related entities

During the year, there were no transactions with director-related entities (2019: \$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:

	2020	2019
	\$	\$
Key management personnel compensation	<u>889,057</u>	<u>793,044</u>

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

23. Effects of COVID-19

From March 2020, Lung Foundation Australia experienced a downturn in donations received and event income due to restrictions in place as a result of COVID-19. This downturn in revenue was partially offset by Job Keeper subsidies and PAYG Cash Boost received from the Australian Taxation Office and a large bequest received in the last month of the financial year. A small number Lung Foundation's research grants were delayed until the next financial year due to health care professionals not being available as they focused their attention on COVID-19 matters. Due to careful management of expenses and the adequate financial reserves in place, COVID-19 will not impact the Lung Foundation's ability to operate as a going concern.

24. 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 21 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 2020 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 30th day of April 2021

Auditor's Independence Declaration to the members of Lung Foundation Australia

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2020, there have been:

- (i) no contraventions of the auditor independence requirements as set out in s. 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Mazars Audit (QLD) Pty Limited
Authorised Audit Company: 338599



Michael Georghiou
Director
Brisbane, 30 April 2021

Independent Auditor's Report to the members of Lung Foundation Australia

Report on the Financial Report

We have audited the accompanying financial report of Lung Foundation Australia (the Company), which comprises the statement of financial position as at 31 December 2020, 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 comprising a summary of significant accounting policies and other explanatory information, and the director's declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for 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 Company in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to the director of the Company, would be in the same terms if given to the director as at the time of this auditor's report.

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

Other Information

The director 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 2020 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.

Responsibilities of the director for the Financial Report

The director of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the director determine is necessary to enable the preparation of the 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 director are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director' 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.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the director 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 Audit (QLD) Pty Limited
Authorised Audit Company: 338599



Michael Georghiou
Director
Brisbane, 6 May 2021