

LUNG FOUNDATION AUSTRALIA
FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021
DIRECTORS' REPORT

Your directors present their report on the company, Lung Foundation Australia, for the six months ended 30 June 2021.

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 AM
 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) MB BS (Hons II), MD, FRACP |
| Qualifications | |
| Experience | Member of The Australian Lung Foundation Inc. National Council since June 2011. Founding Board Member of Lung Foundation Australia. 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. Member of Investment Advisory Sub-committee. |
| Mr Andrew Churchill | Deputy Chair (Director) FCA, MAICD |
| Qualifications | |
| 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. Chair of the Investment Advisory Sub-committee. Patient/Carer representative. |
| Professor Martin Phillips | Director BSc, MB BS, MRCP, FRACP |
| Qualifications | |
| 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 MB BS, FRACP |
| Qualifications | |
| Experience | Board Member of Lung Foundation Australia since March 2013 |
| Special Responsibilities | Member of the Finance, Audit, Risk Management Sub-committee. Member of Investment Advisory Sub-committee. |
| Ms Kathleen Cummings | Director Grad.Dip in Management (CSU), GAICD |
| Qualifications | |
| 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. Patient/Carer representative. |

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FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021
DIRECTORS' REPORT (continued)

Information on Directors (continued)

| | |
|--|--|
| Professor Sarath Ranganathan | Director MCChB, MRCP,FRCPCH, FRACP, PhD |
| Qualifications | |
| 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 Lui Advisory Group. |
| | |
| Ms Angela Ratcliffe | Director GAICD, B.Bus |
| Qualifications | |
| 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 | Member of Development Sub-committee. Patient/Carer representative. |
| | |
| Ms Melissa Le Mesurier | Director GAICD, B.Arts (Politics and Journalism) |
| Qualifications | |
| 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 | Member of Development Sub-committee. Patient/Carer representative. |
| | |
| Associate Professor Lucy Morgan | Director B.Med PhD, FRACP |
| Qualifications | |
| 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 MB BS PhD, MD, FRACP, FThorSoc |
| Qualifications | |
| Experience | Former Board member and President, Thoracic Society of Australia and New Zealand. Member, Specialist Trainiq 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 | Investigator - Centre of Excellence in Pulmonary Fibrosis |

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FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021
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.

This report represents six months of operations following a decision to move to a 30 June financial year.

The six months in review has seen increased investment by the Commonwealth Government in lung disease and lung cancer programs aimed at improving early detection, increased symptom awareness and improved access for vulnerable populations including Aboriginal and Torres Strait Islander communities. New funded programs are tied to the National Strategic Action Plan for Lung Condition recommendations and the Board continues to advocate to Government for increased investment to deliver all 22 recommendations.

Whilst Lung Foundation Australia's operations and fundraising continues to be challenged by the ongoing COVID-19 pandemic and the associated disruptions from regional and statewide lock downs, our services continue to be delivered both face to face and virtually with excellent engagement. In particular the Foundation's Consumer Engagement Strategy has strengthened both the scope and degree of involvement by people with lived experiences in our program co-design, delivery and evaluation. The Board continues to closely monitor the risks introduced by the COVID 19 pandemic in particular reviewing programs and services to ensure they are keeping pace with community need and fundraising objectives and targets are being met.

The Board's ongoing investment in our fundraising and development capacity has significantly improved the organisation's overall financial position. The Foundation launched the Hope Research Fund in March 2021 which aims to raise \$50 million over the next 10 years. Our ambition is to create one of the world's largest non government lung health research funds. With over \$10M now raised in the last 12 months the interest earned from funds under management will be disbursed through a new research strategy with the following priorities: early and mid career research fellowships, impact partnership grants and innovation grants in aid or seed funding. The Board's key strategic goal of the organisation being financially sustainable without bequests remains on track.

The Foundation is also pleased that our advocacy for early detection for lung cancer screening and improved care coordination resulted in a \$6.9 million investment by the Australian Government. The Lung Cancer Specialist Nurse Pilot Project will see five specialist nurses deployed in a proof of concept pilot project in the year ahead. Equally the Foundation eagerly awaits Cancer Australia's completion of its Business Case which is the precursor of the National Targeted Lung Cancer Screening Program.

As our staff head count continues to grow the Board is delighted that our team continues to thrive, despite the increased work or case load. To accommodate for future growth in positions a new position of Senior Manager People and Culture has been created to manage our human resources strategy and continue our shared commitment to being an Employer of Choice.

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

- 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 via the national pilot project;
- 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.

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FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021
DIRECTORS' REPORT (continued)

Significant changes

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

Meetings of Directors

A summary of the meetings held and attendances of Board Members for the six months up to 30 June 2021 is set out below:

| | Board # | Finance, Audit & Risk Management Sub-committee # | Investment Advisorv Sub-committee # |
|--------------------------------|------------|---|--|
| Professor Christine Jenkins AM | 3/3 | 3/3 | 2/2 |
| Mr Andrew Churchill | 3/3 | 3/3 | 2/2 |
| Professor Martin Phillips | 3/3 | | |
| Dr David Michail | 2/3 | 3/3 | 2/2 |
| Ms Kathleen Cummings | 1/3 | 3/3 | |
| Professor Sarath Ranganathan | 3/3 | | |
| Ms Angela Ratcliffe | 2/3 | | |
| Ms Melissa Le Mesurier | 3/3 | | |
| A/Professor Lucy Morgan | 3/3 | | |
| Professor Paul Reynolds | 3/3 | | |

Corporate Governance Statement

As a charitable institution and Company Limited by Guarantee Lung Foundation Australia relies upon community and corporate goodwill to achieve its goals.

The Lung Foundation Australia Board consists of ten directors who volunteer their expertise and time to help improve lung health and reduce the impact of lung disease for all Australians. The Board is made up of six global leaders in lung health and lung cancer and four patients each of whom also has substantial corporate and business experience in international corporations.

The Board's role is to ensure a range of strategies that support people impacted by lung disease are achieved. To undertake this role, the Board is responsible for the overall corporate governance of the organisation.

This includes:

- Formulating its strategic direction
- Approving and monitoring financial performance
- Setting executive remuneration
- Appointing, removing and creating policies
- Establishing and monitoring the achievement of organisational goals
- Ensuring the integrity of internal control and management information systems.

The Board delegates responsibility for the operation and administration of the organisation to the Chief Executive Officer. Responsibilities are delineated by formal authority delegations.

Board planning framework

The Board adopted a five-year Strategic Plan in 2020. This outlines our mission, purpose, values, goals and strategies. These strategies are outcome-focused and are measured by clearly defined Key Performance Indicators (KPIs).

Our Strategic Plan includes:

- An annual business plan and budget relating to the Strategic Plan
- A reporting framework against KPIs
- Delegated authorities, recorded in a policy framework, from the Board to the CEO and staff, built around a performance culture measured by a performance appraisal process
- A risk management plan.

Board of Directors education

Lung Foundation Australia has a formal process to induct and educate new and continuing Directors about the nature of the organisation, health and medical issues, the corporate strategy and the expectations concerning performance and conduct of Board Members. An independent review of the Board's performance is scheduled for October 2021.

Role of Board of Directors

The Board is skills-based and is broadly representative of the lung health and disease stakeholders.

Critical risk and mitigations impacting Lung Foundation Australia

The strategic risks being actively managed by the Board and leadership team include:

The ongoing financial sustainability of the organisation through increased, and a greater diversity of fundraising. This is monitored monthly to ensure the company has enough reserves to meet short and long-term liabilities.

Increasing awareness of lung health within government and the broader community, including the stigma of lung disease and cancer to attract increased funding and investment. The Board has approved an advocacy strategy starting with the National Strategic Action Plan for Lung Conditions, and Lung Cancer Blueprint to actively engage State and Federal Governments so as to secure funding core service priorities. This work has resulted in \$6.4 million in funding over the next four years.

LUNG FOUNDATION AUSTRALIA
FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021
DIRECTORS' REPORT (continued)

Critical risk and mitigations impacting Lung Foundation Australia (continued)

Attracting and retaining talented staff and volunteers remains a critical risk for the community health sector. The Board recognises the transformation underway within the organisation to develop existing staff skills to meet the challenges of fundraising and service delivery. A plan is now in place to upskill staff and identify gaps in skills with pro bono support via skilled volunteers as a core activity. Volunteer and consumer engagement has significantly strengthened the number and participation of volunteers and advocates with a survey of these groups highlighting improved decision making and transparency, engagement and contribution to strategy.

Responding to the existing and future impact of the COVID-19 pandemic including the impact of such on community and third party fundraising. The Board and Finance, Audit and Risk Management Subcommittee have continued to monitor cash flow and contractual obligations with and to government as well as research institutions funded by the Foundation. Mitigations enacted include a strengthening of virtual fundraising, improved donor appeals and major gifts acquisition and strengthening funding from both government and philanthropic grants groups.

Funding from pharmaceutical companies

Lung Foundation Australia recognises the importance of working in partnership with all stakeholders who have an interest in lung disease and lung cancer. This includes the pharmaceutical, biotechnology, diagnostic and device industries. Funding from these industries assists Lung Foundation Australia to achieve its mission and to deliver better outcomes for patients living with a lung disease.

Lung Foundation Australia accepts funding from pharmaceutical companies in line with our Working with Industry Policy, which requires absolute transparency, and complies with the Medicines Australia Guidelines for patient organisations working with pharmaceutical companies.

This policy ensures that we retain full independence in considering all proposals and clearly document contracts that specify our independence. We offer no exclusive arrangements with industry partners. Our Working with Industry Policy can be read in full at lungfoundation.com.au

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 30 June 2021, the total amount that members of the company are liable to contribute if the company is wound up is \$1,755 (31 December 2020: \$2,000).

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 six months ended 30 June 2021 has been received and can be found on page 24 of the Financial Report.

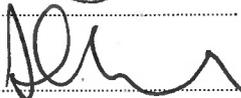
Operating results

The surplus for the six months ended 30 June 2021 was \$2,286,276. (for year ended 31 December 2020: Surplus \$2,962,272).

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



..... Christine Jenkins AM



..... Andrew Churchill

Dated this 29th day of October 2021

LUNG FOUNDATION AUSTRALIA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2021

| | Notes | 6 months to 30 June 2021 \$ | Restated Year to 31 December 2020 \$ |
|--|-------|-----------------------------------|--|
| Continuing operations | | | |
| Grants - Government | 17(a) | 577,905 | 1,239,424 |
| Grants - other sources | | 531,828 | 393,831 |
| Sponsorships | | 581,007 | 1,855,405 |
| Donations | | 927,186 | 1,148,820 |
| Bequests | | 2,444,575 | 2,332,470 |
| Events | | - | 137,875 |
| Net change in fair value of financial assets classified at fair value through profit or loss | 1(j) | 612,485 | 231,782 |
| Revenue from specifically designated funds | 4 | 107,750 | 191,939 |
| Other income | 3 | 391,513 | 1,518,524 |
| Total revenue and other income from continuing operations | | 6,174,249 | 9,050,070 |
| Research expenses | | (908,740) | (1,403,443) |
| Programs and services expenses | | (440,790) | (997,402) |
| Employee Expenses | | (1,572,318) | (2,838,641) |
| Fundraising expenses | | (300,697) | (158,583) |
| Marketing expenses | | (227,269) | (214,485) |
| Other expenses | 5 | (450,289) | (503,283) |
| Surplus / (deficit) from continuing operations before finance income | | 2,274,146 | 2,934,233 |
| Finance income | | 12,130 | 28,039 |
| Net surplus / (deficit) | | 2,286,276 | 2,962,272 |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| | | - | - |
| Total comprehensive income / (loss) | | 2,286,276 | 2,962,272 |
| Net surplus / (deficit) for the year is attributable to: | | | |
| Members | | 2,286,276 | 2,962,272 |
| | | 2,286,276 | 2,962,272 |
| Total comprehensive income / (loss) for the year is attributable to: | | | |
| Members | | 2,286,276 | 2,962,272 |
| | | 2,286,276 | 2,962,272 |

The accompanying notes form part of the financial report.

LUNG FOUNDATION AUSTRALIA
STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

| | Notes | 6 months to 30 June 2021 \$ | restated Year to 31 December 2020 \$ |
|---------------------------------------|-------|-----------------------------------|--|
| Current assets | | | |
| Cash and cash equivalents | 16(b) | 870,365 | 1,334,516 |
| Receivables | 7 | 262,675 | 379,650 |
| Other current assets | 8 | 239,643 | 148,624 |
| Financial assets - Hope Research Fund | 9 | - | - |
| Financial assets - Company | 9 | 781,833 | 1,161,008 |
| Total current assets | | 2,154,516 | 3,023,798 |
| Non-current assets | | | |
| Financial assets - Hope Research Fund | 9 | 9,136,275 | 5,813,801 |
| Financial assets - Company | 9 | 76,756 | 76,756 |
| Property, plant and equipment | 10 | 132,580 | 153,621 |
| Right of Use Asset | 14 | 522,804 | 569,676 |
| Intangible assets | 11 | - | - |
| Total non-current assets | | 9,868,415 | 6,613,854 |
| Total assets | | 12,022,931 | 9,637,652 |
| Current liabilities | | | |
| Payables | 12(a) | 131,610 | 222,018 |
| Income in advance | 12(b) | 2,683,181 | 2,426,641 |
| Contract liability | 13 | 785,425 | 838,425 |
| Lease liabilities | 14(a) | 204,998 | 214,422 |
| Employee benefits | 15 | 184,325 | 139,127 |
| Total current liabilities | | 3,989,539 | 3,840,633 |
| Non-current liabilities | | | |
| Payables | 12(a) | - | - |
| Lease liabilities | 14(a) | 368,427 | 403,829 |
| Employee benefits | 15 | 43,679 | 58,180 |
| Total non-current liabilities | | 412,106 | 462,009 |
| Total liabilities | | 4,401,645 | 4,302,642 |
| Net assets | | 7,621,286 | 5,335,010 |
| Equity | | | |
| Retained earnings | | 7,621,286 | 5,335,010 |
| Total equity | | 7,621,286 | 5,335,010 |

The accompanying notes form part of the financial report.

LUNG FOUNDATION AUSTRALIA
STATEMENT OF CASH FLOWS
For the six months ended 30 June 2021

| | Notes | 6 months to 30 June 2021 \$ | Year to 31 December 2020 \$ |
|---|-------|-----------------------------------|--------------------------------------|
| Cash flows from operating activities | | | |
| Receipts from operating activities from government | | 577,905 | 1,239,454 |
| Receipts from operating activities (except government grants) | | 6,255,190 | 8,615,912 |
| Payments for operating activities | | (4,949,679) | (6,287,296) |
| Dividends received | | 71,784 | 130,974 |
| Interest received | | 9,023 | 29,313 |
| Interest paid | | (17,315) | (39,863) |
| Net cash flows from operating activities | 16(a) | 1,946,908 | 3,688,494 |
| Cash flows from investing activities | | | |
| Proceeds from term deposits | | - | 10,929 |
| Acquisition of securities and equities | | (4,982,542) | (6,730,640) |
| Proceeds from sale of securities and equities | | 2,728,343 | 2,837,242 |
| Acquisition of plant and equipment | | (9,497) | (23,077) |
| Acquisition of intangible assets | | - | - |
| Net cash flows used in investing activities | | (2,263,696) | (3,905,546) |
| Cash flows from financing activities | | | |
| Payment of finance lease liabilities (principal) | | (147,363) | (224,841) |
| Net cash flows used in financing activities | | (147,363) | (224,841) |
| Net increase/(decrease) in cash and cash equivalents held | | (464,151) | (441,893) |
| Cash and cash equivalents at the beginning of the financial year | 16(b) | 1,334,516 | 1,776,409 |
| Cash and cash equivalents at the end of the financial year | 16(b) | 870,365 | 1,334,516 |

The accompanying notes form part of the financial report.

LUNG FOUNDATION AUSTRALIA
STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2021

| | Notes | Financial Assets Reserve \$ | Retained Earnings \$ | Total Equity \$ |
|--|-------|-----------------------------------|----------------------------|--------------------|
| Balance at 1 January 2020 | | 62,952 | 2,309,786 | 2,372,738 |
| Adjustment on change in accounting policy | 1(i) | (62,952) | 62,952 | - |
| Balance at 1 January 2020 - Restated | | - | 2,372,738 | 2,372,738 |
| Net surplus / deficit for year - Restated | | - | 2,962,272 | 2,962,272 |
| Other comprehensive income for the year - Restated | | - | - | - |
| Balance at 31 December 2020 - Restated | | - | 5,335,010 | 5,335,010 |
| Net surplus / deficit for six months | | - | 2,286,276 | 2,286,276 |
| Other comprehensive income for six months | | - | - | - |
| Balance at 30 June 2021 | | - | 7,621,286 | 7,621,286 |

The accompanying notes form part of the financial report.

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the six months ended 30 June 2021

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 29 October 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) 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 six months ended 30 June 2021

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 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 six months ended 30 June 2021

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 six months ended 30 June 2021

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 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

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 six months ended 30 June 2021

1. Statement of significant accounting policies (continued)

(i) 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)

During the financial year, the Company reassessed the classification of investments held in managed funds. In previous financial years, the Company elected to designate, and subsequently measure, all investments held in managed funds at fair value through other comprehensive income. After reconsidering the underlying terms and conditions of units held in managed funds, the Company has determined that it would be more appropriate for units redeemable directly to the fund to be classified, and subsequently measured, at fair value through profit and loss. As a result, changes in fair value of investments in redeemable units are now recognised in profit and loss, instead of other comprehensive income. Comparative information has been restated to align with the revised accounting policy, so that both the current year and prior year information is presented on a consistent and comparable basis. Applying the revised accounting policy to the comparative information resulted in the restatement of prior year profit from \$2,730,490 to \$2,962,272; the restatement of prior year other comprehensive income from \$231,782 to \$Nil; and the transfer of cumulative changes in fair value from reserves to retained earnings of \$294,734. The revised accounting policy did not impact the reported amount of total comprehensive income or the carrying amount of investments held in managed funds.

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 six months ended 30 June 2021

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 financial periods beginning on or after 1 January 2021.

2. Change in Accounting Policy

As there were no new Accounting Standards requiring adoption during the six months ended 30 June 2021, there were no changes in accounting policy required.

| | 6 months to 30 June 2021 | Year to 31 December 2020 |
|--|-------------------------------------|---|
| | \$ | \$ |
| 3. Other income | | |
| JobKeeper income | - | 744,900 |
| PAYG cash boost | - | 100,000 |
| Sales - merchandise and training | 88,066 | 181,692 |
| Dividends received | 71,784 | 130,974 |
| Membership fees | 30,813 | 39,954 |
| Gain on Sales of Non-Current Assets | 67,062 | - |
| Sundry income | 133,788 | 321,004 |
| Total other income | 391,513 | 1,518,524 |
| 4. Specifically designated funds | \$ | \$ |
| Revenue | | |
| Funds received for research awards | 107,750 | 191,939 |
| | <u>107,750</u> | <u>191,939</u> |
| Expenses | | |
| Research awards | (107,750) | (191,939) |
| Net surplus from specifically designated funds | <u>-</u> | <u>-</u> |
| Expenditure for research awards is included in the total for research expenditure. | | |
| 5. Other expenses | \$ | \$ |
| Depreciation and amortization | 30,538 | 235,279 |
| Premises | 153,689 | 317,282 |
| Telecommunication | 17,451 | 38,975 |
| Website and internet | 89,602 | 68,686 |
| Educational leaflets and guides | - | 2,108 |
| General, administrative and other costs | 71,385 | 140,968 |
| Advocacy costs | 216,790 | 66,445 |
| Loss on sale of investments | - | 42,951 |
| Overhead recovery | (129,166) | (409,411) |
| Total other expenses | 450,289 | 503,282 |

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the six months ended 30 June 2021

| | 6 months to 30 June 2021 | Year to 31 December 2020 |
|--|-----------------------------|--------------------------------|
| | \$ | \$ |
| 6. Net surplus/(deficit) | | |
| The net surplus/(deficit) for the year has been determined after including the following items of expenditure: | | |
| Amounts paid to Auditors | 13,960 | 14,040 |
| Amounts paid - other accounting services | 2,500 | 2,508 |
| | <u>16,460</u> | <u>16,548</u> |
| 7. Receivables | \$ | \$ |
| Trade receivables | 256,404 | 257,131 |
| Other current receivables | 6,221 | 122,396 |
| Accrued interest income | 50 | 124 |
| Total receivables | <u>262,675</u> | <u>379,651</u> |
| 8 Other current assets | \$ | \$ |
| Prepayments | 239,643 | 148,623 |
| Total other current assets | <u>239,643</u> | <u>148,623</u> |

9. 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:

| | \$ | \$ |
|--|------------------|------------------|
| Financial assets - Hope Research Fund | | |
| Current | | |
| Term deposits | - | - |
| Corporate debt securities | - | - |
| Non-current | | |
| Listed investments | 6,752,118 | 4,835,154 |
| Unlisted investments | 2,232,657 | 601,996 |
| Corporate debt securities | 151,500 | 376,651 |
| | <u>9,136,275</u> | <u>5,813,801</u> |
| Total financial assets - Hope Research Fund | <u>9,136,275</u> | <u>5,813,801</u> |
| Financial assets - company | | |
| Current | | |
| Term deposits | - | - |
| Unlisted investments | 781,833 | 1,161,008 |
| Listed investments | - | - |
| | <u>781,833</u> | <u>1,161,008</u> |
| Non-current | | |
| Term Deposits | 76,756 | 76,756 |
| Listed investments | - | - |
| Corporate debt securities | - | - |
| | <u>76,756</u> | <u>76,756</u> |
| Total financial assets - company | <u>858,589</u> | <u>1,237,763</u> |
| Total financial assets | <u>9,994,864</u> | <u>7,051,564</u> |

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

| | |
|--|------------------|
| Year ended 31 December 2020 | |
| Balance at 1 January 2020 | 2,900,119 |
| Purchases | 6,714,633 |
| Disposals | (2,887,733) |
| Interest reinvested in portfolio | 16,007 |
| Reversal of unrealised gains on disposals | (124,278) |
| Reversal of unrealised losses on disposals | 40,125 |
| Fair value remeasurement gains/(losses) | 315,934 |
| Balance at 31 December 2020 | <u>6,974,808</u> |

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the six months ended 30 June 2021

9. Financial Assets (continued)

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

| Six months ended 30 June 2021 | |
|--|------------------|
| Balance at 1 January 2021 | 6,974,808 |
| Purchases | 4,982,542 |
| Disposals | (2,651,728) |
| Reversal of unrealised gains on disposals | (114,815) |
| Reversal of unrealised losses on disposals | 10,870 |
| Fair value remeasurement gains/(losses) | 716,430 |
| Balance at 30 June 2021 | 9,918,107 |

Term deposits have an average maturity of 180 days (2020: 180 days).

| | Computer equipment | Office furniture & equipment | Leasehold Improvements | Total |
|---|-------------------------------|---|-----------------------------------|----------------|
| | \$ | \$ | \$ | \$ |
| 10. 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 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 |
| Six months ended 30 June 2021 | | | | |
| Carrying amount at 1 January 2021 | 27,235 | 48,130 | 78,256 | 153,621 |
| Additions | 6,554 | 1,194 | 1,749 | 9,497 |
| Depreciation | (8,801) | (7,599) | (14,138) | (30,538) |
| Carrying amount at 30 June 2021 | 24,988 | 41,725 | 65,867 | 132,580 |
| At 30 June 2021 | | | | |
| Historical cost | 100,710 | 113,640 | 259,253 | 473,603 |
| Accumulated depreciation | (75,722) | (71,915) | (193,386) | (341,023) |
| Net carrying amount | 24,988 | 41,725 | 65,867 | 132,580 |

| | 6 months to 30 June 2021 | Year to 31 December 2020 |
|--|-------------------------------------|---|
| | \$ | \$ |
| 11. Intangible assets | | |
| Movement in the carrying amount for intangible assets - computer software between the beginning and the end of the current financial year: | | |
| Six months ended 30 June 2021 | | |
| Carrying amount at 1 January 2021 | - | 175,362 |
| Amortisation | - | (175,362) |
| Carrying amount at 30 June 2021 | - | - |
| At 30 June 2021 | | |
| Historical cost | - | 346,322 |
| Accumulated amortisation | - | (346,322) |
| Net carrying amount | - | - |

During the year ended 31 December 2020, 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). As a result, there are no intangible assets on the balance sheet for the six months ended 30 June 2021.

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the six months ended 30 June 2021

| | 6 months to 30 June 2021 | Year to 31 December 2020 |
|--|-----------------------------|--------------------------------|
| | \$ | \$ |
| 12. Payables | | |
| a. CURRENT | | |
| Trade payables | 54,222 | 91,126 |
| Other payables | 77,388 | 130,892 |
| Total current payables | 131,610 | 222,018 |
| NON-CURRENT | | |
| Other payables | - | - |
| Total non-current payables | - | - |
| Total payables | 131,610 | 222,018 |
| Revenue received in advance | | |
| b. CURRENT | | |
| Specifically designated funds | 221,035 | 248,785 |
| Grants Income Accrual | 1,455,163 | 1,310,472 |
| Sponsorship Income Accrual | 494,602 | 413,636 |
| Project income received in advance | 512,382 | 453,748 |
| Total current income in advance | 2,683,181 | 2,426,641 |

Analysis of government revenue included in revenue received in advance

| | | |
|--|------------------|------------------|
| Revenue received in advance - government | 1,251,683 | 897,009 |
| Revenue received in advance - non-government | 1,431,498 | 1,529,632 |
| Total current income in advance | 2,683,181 | 2,426,641 |

13. Contract liability

| | \$ | \$ |
|-----------------------------------|----------------|----------------|
| Contract liability | 785,425 | 838,425 |
| Total contract liabilities | 785,425 | 838,425 |

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 |

Six months ended 30 June 2021

| | |
|------------------------------------|----------------|
| Balance at 1 January 2021 | 838,425 |
| Research contribution from company | 2,000 |
| Research Expenditure | (55,000) |
| Balance at 30 June 2021 | 785,425 |

14. Leases

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.

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the six months ended 30 June 2021

14. Leases (continued)

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 lease term commenced on 1 December 2018 and expires on 30 November 2023.

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 3% increase at each anniversary of the lease inception. The lease term commenced on 4 March 2021 and expires on 3 March 2023.

The Company lease office space at 153-161 Park Street, South Melbourne, VIC for their Melbourne Office; the lease is for 3 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. The lease term commenced on 15 July 2019 and a variation was agreed to extend the lease term by one year to expire 15 July 2022.

Office Equipment

The Company leases 4 photocopiers. The lease term commenced on 1 December 2020 and expires on 30 November 2025. The lease payments are fixed during the lease term.

The Company leases a franking machine. The lease term commenced on 1 May 2020 and expires on 30 April 2025. The lease payments are fixed during the term of the lease.

Right-of-use assets

| | Property \$ | Office equipment \$ | Total \$ |
|---|----------------|---------------------------|----------------|
| Movement in the carrying amounts for each class of right-of-use assets between the beginning and the end of the current financial year: | | | |
| Year ended 31 December 2020 | | | |
| Carrying amount at 1 January 2020 | 687,437 | 23,994 | 711,431 |
| Additions | - | 98,509 | 98,509 |
| Disposals | - | (41,220) | (41,220) |
| Amortization | (204,067) | (13,575) | (217,642) |
| Amortization - disposals | - | 18,598 | 18,598 |
| Carrying amount at 31 December 2020 | 483,370 | 86,306 | 569,676 |
| 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 |
| Six months ended 30 June 2021 | | | |
| Carrying amount at 1 January 2021 | 483,370 | 86,306 | 569,676 |
| Additions | 102,537 | - | 102,537 |
| Disposals | (107,713) | - | (107,713) |
| Amortization | (104,307) | (9,198) | (113,505) |
| Amortization - disposals | 71,809 | - | 71,809 |
| Carrying amount at 30 June 2021 | 445,696 | 77,108 | 522,804 |
| Six months ended 30 June 2021 | | | |
| Right-of-use assets | 870,255 | 91,943 | 962,198 |
| Accumulated amortisation | (424,559) | (14,835) | (439,394) |
| Balance as at 30 June 2021 | 445,696 | 77,108 | 522,804 |

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 \$ |
|-------------------------------|----------------|-------------------|-----------------|--|---|
| Year ended 31 December 2020 | 242,797 | 428,586 | - | 671,383 | 618,251 |
| Six months ended 30 June 2021 | 231,394 | 386,206 | - | 617,879 | 573,425 |

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:

| | 6 months to 30 June 2021 \$ | Year to 31 December 2020 \$ |
|---------------------------------------|-----------------------------------|--------------------------------------|
| Interest expense on lease liabilities | 17,315 | 39,863 |
| Amortisation of right-of-use assets | 110,512 | 217,642 |
| | <u>127,827</u> | <u>257,505</u> |
| Statement of Cash Flows | | |
| Total cash outflow for leases | <u>164,678</u> | <u>264,704</u> |

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the six months ended 30 June 2021

14. Leases (continued)

Lease liabilities (continued)

| | 6 months to 30 June 2021 | Year to 31 December 2020 |
|--|-----------------------------|--------------------------------|
| | \$ | \$ |
| (a) CURRENT | | |
| Lease Liabilities | 204,998 | 214,422 |
| Total current lease liabilities | 204,998 | 214,422 |
| NON-CURRENT | | |
| Lease Liabilities | 368,427 | 403,829 |
| Total non-current lease liabilities | 368,427 | 403,829 |
| Total payables | 573,425 | 618,251 |

15. Employee benefits

| | | |
|---|----------------|----------------|
| Accrued Annual Leave - employee benefit - current | 135,682 | 108,508 |
| Provision for long service leave - current | 48,643 | 30,619 |
| Total employee benefits - current | 184,325 | 139,127 |
| Provision for long service leave - non-current | 43,679 | 58,180 |
| Total employee benefits | 228,004 | 197,308 |

Analysis of total employee benefits:

Year ended 31 December 2020

| | |
|---|----------------|
| Balance at 1 January 2020 | 160,208 |
| Additional employee benefits raised during the year | 253,707 |
| Amount of employee benefits used during the year | (216,607) |
| Balance at 31 December 2020 | 197,308 |

Six months ended 30 June 2021

| | |
|---|----------------|
| Balance at 1 January 2021 | 197,308 |
| Additional employee benefits raised during the year | 123,219 |
| Amount of employee benefits used during the year | (92,523) |
| Balance at 30 June 2021 | 228,004 |

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.

| | 6 months to 30 June 2021 | Restated Year to 31 December 2020 |
|--|-----------------------------|--|
| | \$ | \$ |
| 16. Notes to the statement of cash flows | | |
| (a) Reconciliation of net cash from operating activities to operating surplus/(deficit) | | |
| Net surplus/(deficit) | 2,286,276 | 2,962,272 |
| Depreciation | 30,538 | 62,952 |
| Amortization - intangibles | - | 175,362 |
| Amortization - leased assets | 110,512 | 217,644 |
| Net change in fair value of financial assets classified at fair value through profit and loss | (612,485) | (231,782) |
| Loss / (gain) on disposal of investments | (76,616) | 50,491 |
| Loss / (gain) on early termination of lease agreements | 38,897 | 22,621 |
| Transfer to / (from) provision for annual leave | 27,174 | 29,713 |
| Transfer to / (from) provision for long service leave | 3,523 | 7,386 |
| (Increase)/decrease in assets | | |
| Trade receivables | 25,957 | 221,071 |
| Increase/(decrease) in liabilities | | |
| Trade & Other payables | (90,408) | 2,925 |
| Project income received in advance | 203,540 | 167,839 |
| Net cash flows available from operations | 1,946,908 | 3,688,494 |

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the six months ended 30 June 2021

| | 6 months to 30 June 2021 | Year to 31 December 2020 |
|---|-----------------------------|--------------------------------|
| 16. Notes to the statement of cash flows (continued) | | |
| (b) Components of cash and cash equivalents | | |
| | \$ | \$ |
| Cash on hand | 680 | 819 |
| Cash at bank | 869,685 | 1,333,697 |
| Cash and cash equivalents per statement of cash flow | 870,365 | 1,334,516 |

The effective interest rate on short term bank deposits was 0.87% (2020: 1.91%).

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 (31 December 2020: \$76,756).

17. Additional information - government grants

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

| | \$ | \$ |
|--|----------------|------------------|
| Commonwealth government | | |
| Department of Health | 324,052 | 489,052 |
| Department of Education, Skills and Employment | - | 237,738 |
| Cancer Australia | 43,200 | 66,000 |
| Murray Primary Health Network | - | 65,000 |
| Total | 367,252 | 857,790 |
| State government | | |
| QLD Health Department | 165,789 | 371,634 |
| QLD Justice Department | 44,864 | - |
| VIC Department of Jobs, Precincts and Regions | - | 10,000 |
| Total | 210,653 | 381,634 |
| Total | 577,905 | 1,239,424 |

(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.

18. Contingent liabilities

There are no contingent liabilities at the date of this financial report (31 December 2020: 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 30 June 2021, the total amount that members of the company are liable to contribute if the company is wound up is \$1,755 (31 December 2020: \$2,000).

20. Financial risk management

| | \$ | \$ |
|------------------------------------|-------------------|------------------|
| Financial assets | | |
| Cash and cash equivalents | 870,365 | 1,334,516 |
| Receivables | 262,675 | 528,274 |
| Financial assets | 9,994,864 | 7,051,564 |
| Total financial assets | 11,127,904 | 8,914,354 |
| Financial liabilities | | |
| Trade and other payables | 352,646 | 470,804 |
| Total financial liabilities | 352,646 | 470,804 |

Fair values

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

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

Equity price risk

Equity price risk arises as a result of the financial assets held by the company at balance date. The company has appointed Perpetual Private, 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.

LUNG FOUNDATION AUSTRALIA
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the six months ended 30 June 2021

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 \$2,072 (31 December 2020: \$763) incurred by the directors in fulfilling their role were reimbursed and no speaker fees for webinar presentations were paid (31 December 2020: \$6,000).

(b) Transaction with Director-related entities

During the year, there were no transactions with director-related entities (31 December 2020: \$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:

| | 6 months to 30 June 2021 | Year to 31 December 2020 |
|--------------------|-------------------------------------|---|
| | \$ | \$ |
| Salaries | 381,651 | 810,187 |
| Superannuation | 36,257 | 78,870 |
| Total remuneration | <u>417,908</u> | <u>889,057</u> |

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 maintained office locations at:

Suite 101, 65 Hume Street
Crow's Nest, New South Wales 2065

Suite 103, 153-161 Park Street
South Melbourne, Victoria 3205

**LUNG FOUNDATION AUSTRALIA
DIRECTORS' DECLARATION**

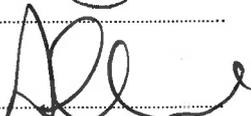
In accordance with a resolution of the directors of Lung Foundation Australia, the directors declare that in their opinion:

1. The financial statements and notes, as set out on pages 6 to 22, 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 30 June 2021 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 AM


Director..... Andrew Churchill

Dated this 29th day of October 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 six months ended 30 June 2021, 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, 26 October 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 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the 6 months period 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 30 June 2021 and of its performance for the 6 months period 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 6 months period ended 30 June 2021 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

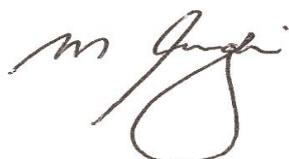
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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, 29 October 2021