2018 FINANCIAL REPORT

THE AUSTRALIAN KIDNEY FOUNDATION

T/A KIDNEY HEALTH AUSTRALIA

ABN 37 008 464 426

31 DECEMBER 2018

Kidney Health® Australia

OUR VISION

TO **SAVE** AND **IMPROVE** THE LIVES OF AUSTRALIANS AFFECTED BY KIDNEY DISEASE.

OUR MISSION

TO PROMOTE GOOD KIDNEY HEALTH THROUGH **EDUCATION**, **ADVOCACY**, **RESEARCH** AND **SUPPORT**.

CONTENTS

FINANCIAL STATEMENTS

Statement of surplus and deficit and other comprehensive income

For the year ended 31 December 2018

The statement of surplus and deficit and other comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 8 to 27.

	Note	2018 $	2017 $
Surplus and deficit			
Revenue and other income	4	10,262,668	9,346,328
Consulting fees		(718,482)	(436,646)
Depreciation and amortisation expenses	11,12	(261,043)	(320,688)
Research grant expenses		(324,308)	(85,815)
Lottery prizes expenses		(776,418)	(740,418)
Meeting and travel expenses		(53,686)	(95,468)
Meeting and travel program expenses		(245,108)	(170,040)
Occupancy and lease expenses		(742,073)	(815,784)
Employee expenses		(4,454,267)	(4,954,098)
Postage, freight and stationery expenses		(383,174)	(370,554)
Technology expenses		(470,878)	(413,231)
Telecommunications expenses		(169,031)	(204,242)
Other expenses	5	(948,087)	(1,360,919)
Results from operating activities		**716,113**	**(621,575)**
Finance income	10	255,752	187,880
Finance costs	10	(145,931)	(21,611)
Net finance income / (costs)		**109,821**	**166,269**
Income tax expense for the period	3(j)	-	-
Surplus / (Deficit) for the year		**825,934**	**(455,306)**
Other comprehensive income			
Net change in fair value of financial securities	10	(197,288)	141,545
Net (loss) / gain on sale of investments recorded through equity	10	24,304	111,955
Other comprehensive income for the year		**(172,984)**	**253,500**
Total surplus and deficit and other comprehensive income for the year		**652,950**	**(201,806)**

FINANCIAL STATEMENTS

Statement of changes in equity

For the year ended 31 December 2018

The statement of changes in equity is to be read in conjunction with the notes of the financial statements set out on pages 8 to 27.

	Note	General Reserve $	Revaluation Reserve $	Capital Profits Reserve $	Priscilla Kincaid-Smith Kidney Research Foundation $	Accumulated Surplus / (Deficit) $	Total $
Balance as at 1 January 2017		**486,209**	**358,801**	**355,884**	**2,572,916**	**-**	**3,773,810**
Total comprehensive income for the year							
(Loss) / Surplus for the year		-	-	-	-	(455,306)	(455,306)
Other comprehensive income							
Net change in fair value of financial securities	10	-	141,545	-	-	-	141,545
Net gain on sale of investments recorded through equity	10	-	-	111,955	-	-	111,955
Transfer from / (to) accumulated surplus / (deficit)		(455,306)	-	-	-	455,306	-
Total other comprehensive income		***(455,306)***	***141,545***	***111,955***	***-***	***455,306***	***253,500***
Total comprehensive income for the year		**(455,306)**	**141,545**	**111,955**	**-**	**-**	**(201,806)**
Balance as at 31 December 2017		**30,903**	**500,346**	**467,839**	**2,572,916**	**-**	**3,572,004**
Balance as at 1 January 2018		**30,903**	**500,346**	**467,839**	**2,572,916**	**-**	**3,572,004**
Total comprehensive income for the year							
(Loss) / Surplus for the year		-	-	-	-	825,934	825,934
Other comprehensive income							
Net change in fair value of financial securities	10	-	(197,288)	-	-	-	(197,288)
Net profit / (loss) on sale of investments recorded through equity	10	-	-	24,304	-	-	24,304
Transfer from / (to) accumulated surplus / (deficit)		825,934	-	-	-	(825,934)	-
Total other comprehensive income		***825,934***	***(197,288)***	***24,304***	***-***	***(825,934)***	***(172,984)***
Total comprehensive income for the year		**825,934**	**(197,288)**	**24,304**	**-**	**-**	**652,950**
Balance as at 31 December 2018		**856,837**	**303,058**	**492,143**	**2,572,916**	**-**	**4,224,953**

FINANCIAL STATEMENTS

Statement of financial position

As at 31 December 2018

The statement of financial position is to be read in conjunction with the notes of the financial statements set out on pages 8 to 27.

	Note	2018 $	2017 $
Assets			
Cash and cash equivalents	6	2,165,184	384,644
Other receivables	7	138,725	340,477
Inventory	8	4,852	4,737
Prepayments		223,563	284,733
Total current assets		**2,532,324**	**1,014,591**
Financial Assets	9	2,568,993	3,024,231
Property, plant and equipment	11	1,604,916	1,303,908
Intangibles	12	80,759	129,023
Total non-current assets		**4,254,668**	**4,457,162**
Total assets		**6,786,992**	**5,471,753**
Liabilities			
Trade and other payables	13	774,256	747,376
Employee benefits	14	251,272	317,864
Deferred income		1,257,942	528,777
Total current liabilities		**2,283,470**	**1,594,017**
Trade and other payables	13	-	12,250
Employee benefits	14	34,891	31,679
Provisions	15	243,678	261,803
Total non-current liabilities		**278,569**	**305,732**
Total liabilities		**2,562,039**	**1,899,749**
Net assets		**4,224,953**	**3,572,004**
Equity			
Reserves	16	4,224,953	3,572,004
Total equity		**4,224,953**	**3,572,004**

FINANCIAL STATEMENTS

Statement of cash flows

For the year ended 31 December 2018

The statement of cash flows is to be read in conjunction with the notes of the financial statements set out on pages 8 to 27.

	Note	2018 $	2017 $
Cash flows from operating activities			
Cash receipts in the course of operations		11,121,109	9,314,127
Cash payments in the course of operations		(9,289,323)	(10,059,391)
Cash generated (used in) / from operations		1,831,786	(745,264)
Dividends received		142,872	110,732
Interest / Distributions received		112,880	77,149
Interest paid		(29,779)	(21,611)
Net cash from operations	**19**	**2,057,760**	**(578,994)**
Cash flows (used in) / from investing activities			
Acquisition of property, plant and equipment and intangibles		(513,788)	(281,144)
Proceeds from sale of investments		291,033	326,498
Acquisition of investments		(54,464)	(8,753)
Net cash (used in) / from investing activities		**(277,219)**	**36,601**
Cash flows (used in) / from financing activities			
Payment of financial lease liability		-	-
Net cash (used in) financing activities		**-**	**-**
Net (decrease) / increase in cash and cash equivalents		1,780,540	(542,393)
Cash and cash equivalents at beginning of period		384,644	927,037
Cash and cash equivalents at 31 December	**6**	**2,165,184**	**384,644**

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 1: REPORTING ENTITY

The Australian Kidney Foundation T/A Kidney Health Australia ("the Foundation") is a company domiciled in Australia. The Foundation is a company incorporated under the Corporations Act 2001 as a company limited by guarantee. The Foundation's registered office is 125 Cecil Street, South Melbourne, VIC 3205. The Foundation is a not-for-profit entity and its principal activities were health education and support.

Details of the Foundation's significant accounting policies are included in Note 3.

NOTE 2: BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASB's") (including Australian Interpretations to international accounting standards adopted by the Australian Accounting Standards Board ("AASB")) and the Australian Charities and Not-for-profits Commission Act 2012.

The financial report was approved by the Board of Directors on 7th May 2019.

(b) Basis of measurement

The financial report has been prepared on a historical cost basis except for the measurement of equity securities which are measured at fair value through other comprehensive income and managed funds measured at fair value through profit and loss.

The methods used to measure "fair value" are discussed further in Note 3(o).

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Foundation's functional currency.

(d) Use of estimates and judgements

In preparing the financial report, management has made judgements, estimates and assumptions that affect the application of the Foundation's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial report is included in the following notes:

- Note 3(h) and Note 15 - provisions
- Note 3(d) and Note 18 - lease classification.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2018 is included in Note 3(f) and Note 17 - impairment.

(e) Change in accounting policy

Except for the changes described below, the Foundation has consistently applied the accounting policies set out in Note 3: (Significant Accounting Policies) to all periods presented in the financial report.

(i) Non-derivative financial assets

The Foundation early adopted AASB 9 *Financial Instruments* with a date of initial application of 1 January 2012. For financial years commencing on or after 1 January 2018, AASB 9 became mandatory for entities that did not early adopt.

The Foundation has increased its policy disclosure (refer Note 3 (a) below) as a result. These changes in accounting policy have been applied on a retrospective basis from 1 January 2012. In accordance with the transitional provisions of AASB 9, the classification of financial assets that the Foundation held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date.

The Foundation's policy on impairment of financial assets measured at amortised cost is the same as that applied in its financial statements as at and for the year ended 31 December 2017 for loans, receivables and investments.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in this financial report, except for the changes in accounting policies as explained in Note 2(e).

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Financial instruments

(i) Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Foundation becomes a party to the contractual provisions of a financial instrument. Except for financial instruments carried at fair value through profit or loss (which are measured initially at fair value), financial instruments are measured initially at fair value adjusted by transactions costs. Subsequent measurement of financial assets and financial liabilities are described below {refer 3(a)(v) and 3(a)(vi)}.

Financial assets are derecognised 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 derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Foundation has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Foundation's continuing recognition of the asset.

(ii) Classification and subsequent measurement of financial assets

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

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 or loss ("FVTPL")
- equity instruments at fair value through other comprehensive income ("FVOCI").

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 entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets.

(iii) Financial assets – Business model assessment

The Foundation takes note of the business model in which a financial asset is held at a portfolio level because this best reflects the way groups of financial assets are managed together to achieve a particular business objective.

(iv) Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Foundation considers the contractual terms of the instrument.

(v) Subsequent measurement of financial assets

Financial assets measured at amortised cost: The Foundation's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- 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 amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Subsequent measurement of financial assets (continued)

Financial assets measured at fair value through profit and loss (FVTPL): The Foundation holds managed funds measured using this method
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 cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit & loss.

Equity instruments at fair value through other comprehensive income (Equity FVOCI): The Foundation holds equity share investments using this method
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.

Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

Investments classified as Equity FVOCI are recognised/derecognised by the Foundation on the date it commits to purchase/sell the investments.

Cash and cash equivalents
Cash and cash equivalents comprise cash, bank accounts and short term deposits maturing within 90 days and are stated at fair value. Term deposits maturing beyond 90 days are classified as investments.

Trade and other receivables
The Foundation makes use of a simplified approach in accounting for trade and other receivables, recording the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Foundation uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. Trade and other receivables are stated at cost less impairment losses, this being equivalent to fair value.

(vi) Classification and measurement of financial liabilities

As the accounting for financial liabilities remained largely unchanged from AASB 139, the Foundation's financial liabilities were not materially impacted by the adoption of AASB 9 in 2012. However, for completeness and comparability, the accounting policy is now disclosed below.

The Foundation's financial liabilities include bank overdrafts and trade and other payables.

Financial liabilities are initially measured at fair value and adjusted for transaction costs unless the Foundation designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL. These are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income. Bank overdrafts that are repayable on demand and form an integral part of the Foundation's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(b) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within "other expenses" in surplus and deficit.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Foundation. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use. Internally constructed assets are depreciated from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in surplus and deficit, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Foundation will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

- Office furniture, equipment and motor vehicles 3 -15 years
- Leasehold property 9 - 15 years
- Buildings 40 years
- Under construction N/A

Depreciation methods, useful lives and residual values are reviewed at the reporting date and adjusted if appropriate.

(c) Intangible assets

(i) Other intangible assets - Software

Other intangible assets that are acquired by the Foundation which relate to the capitalisation of software that have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognised in surplus and deficit when incurred.

(iii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods for Software is 2 -3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Foundation determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to control the use of the underlying asset(s).

At inception or upon reassessment of the arrangement, the Foundation separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. For a finance lease, if the Foundation concludes that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Foundation's incremental borrowing rate.

(ii) Leased assets

Assets under leases which transfer to the Foundation substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments subsequent to initial recognition. The asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Foundation's statement of financial position.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Leased payments

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are appointed between the finance expense and the reduction of the outstanding liability.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in-first-out principle. Costs includes expenditure incurred in acquiring the inventories, production and conversion on costs, and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

(f) Impairment

(i) Non-financial assets

The carrying amounts of the Foundation's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised in surplus or deficit if the carrying amount of the non-financial asset(s) exceeds its recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal is recognised in surplus or deficit to the extent that an impairment loss was previously recognised in surplus or deficit.

The recoverable amount of an asset is the greater of its depreciated replacement cost and its fair value less costs to sell. Depreciated replacement cost is defined as the current replacement cost of an asset less any accumulated depreciation. It is calculated on the basis of the cost to reflect the already consumed or expired future economic benefits of the asset.

The current replacement cost of an asset is measured by reference to the lowest cost at which the gross future economic benefits of that asset could currently be obtained in the normal course of business. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

Impairment losses are recognised in surplus or deficit. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The recoverable amount of assets is the greater of their net selling price and value in use. As the future economic benefits of the asset are not primarily dependent on the asset's ability to generate cash inflows, value in use is the depreciated replacement cost of the asset concerned.

(ii) Non-derivative financial assets including receivables

Apart from assets classified at FVOCI (i.e. share investments), each financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s), that can be estimated reliably, had an impact on estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor
- restructuring of an amount by the Foundation on terms that the Foundation would not consider otherwise
- indications that a debtor or issuer will enter bankruptcy
- adverse changes in the payment status of borrowers or issuers and economic conditions or
- the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

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NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Non-derivative financial assets including receivables (continued)

Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. An impairment loss can be reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised and is recorded as an amortisation adjustment between face and maturity values over the remaining period to maturity.

(g) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Foundation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined Contribution plans

A defined contribution plan is a retirement benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Other Long-term employee benefits

The Foundation's net obligation in respect of long-term employee benefits including long service leave and annual leave other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Foundation's obligations. Re-measurements are recognised in surplus and deficit in the period in which they arise.

(h) Provisions

A provision is recognised if, as a result of a past event, the Foundation has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(i) Make good provision

A provision for make good is recognised when the Foundation has an obligation to restore its office premises to its original condition at the end of the lease period.

The provision is the best estimate of the present value of the expenditure required to settle the make good obligation at the reporting date. Future make good costs are reviewed annually and any changes are reflected in the present value of the make good provision at the end of the reporting date. The amount of the provision for future make good costs is capitalised and is depreciated over the life of the lease.

(ii) Straight lining of leases

The straight lining of the operating lease expense incurred by the Foundation results in a provision which nets to nil by the end of the lease term.

(i) Revenue

Revenues are recognised at the fair value of the consideration received net of goods and services tax (GST).

(i) Fundraising income

Revenue is received from appeals, donations, fundraising events and bequests and is brought to account on a cash received basis. When assets, such as investments or properties, are received from a bequest or donation, both in-kind revenue and an asset is recognised, at fair value. They are recognised when the Foundation gains control of the asset and the value of the asset can be reliably measured.

(ii) Lottery income

Revenue from lottery ticket sales is recognised at the time the lottery is drawn.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Foundation will comply with the conditions associated with the grant. Grants that compensate the Foundation for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(iv) Other Income

Other income comprises of revenue received from publications, sale of Kidney Smart products (Kidney Vital and Kidney Check) as well as other general income.

(v) Deferred income

Deferred income relates to monies received prior to the service being delivered by the Foundation.

(j) Income tax

The Foundation has been granted public benevolent institution status under the Income Tax Assessment Act and is exempt from income tax.

(k) Grant commitments

The Board of Directors annually (via the approved Budget) determines the amount to be distributed as grants for medical research in the next calendar year.

(l) Goods and Services Tax (GST)

Except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), revenue, expenses and assets are recognised net of the amount of GST. If the GST is not recoverable, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(m) New standards and interpretations not yet adopted

A number of new standards and/or amendments to standards are effective for annual periods beginning after 1 January 2019. The Foundation has not early applied the following new or amended standards in preparing these financial statements. The Foundation will assess and consider the likely impact of these new standards during 2019 to ensure that it is well- placed to adopt them in a best-practice manner when required in future financial years.

- AASB 1058 Income for Not-for-Profits.

AASB 1058 addresses the recognition and measurement of income for not-for-profit entities. The concept of reciprocal and non-reciprocal transactions has been removed. Instead, an assessment of enforceability and performance obligations will be required. AASB 1058 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

- AASB 15 Revenue with Contracts with Customers.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue AASB 18. AASB 15 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

- AASB 16 Leases.

AASB 16 requires entities to bring most operating leases on-balance sheet from 1 January 2019. Entities with operating leases will appear to be more asset-rich, but also more heavily indebted. AASB 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

(n) Financial risk management

Overview

This note presents the information about the Foundation's exposure to each of the following risks. It also sets out the Foundations objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout the financial report. The Foundation has exposure to the following risks from their use of financial instruments:

- Credit Risk
- Liquidity risk
- Market Risk.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial risk management (continued)

Risk management framework
The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors has established the Finance, Audit and Risk Committee which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Foundation, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Finance, Audit and Risk Committee:
- oversees how management monitors compliance with the Foundation's risk management policies and procedures; and
- reviews the adequacy of the risk management framework in relation to the risks faced by the Foundation.

Operating segments
The Foundation operates in only one business segment (as a charity) and in one geographical segment (Australia).

Credit risk
Credit risk is the risk of financial loss to the Foundation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Foundation's receivables from customers and investment securities.

The carrying amount of financial assets represents the maximum credit exposure.

The Foundation does not require collateral in respect of financial assets. The credit risk relating to the Foundation's financial assets which are recognised in the statement of financial position is the carrying amount of such assets, net of any allowances for impairment in respect of trade receivables and investments. Investments are allowed only in liquid securities and equity securities in Australian shares that are in compliance with the Foundation's investment policy. Management does not expect any counterparty to fail to meet its obligations as the Foundation's financial assets have high credit quality. The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was only Australia.

Other receivables
The Foundation's exposure to credit risk is influenced mainly by the individual characteristics of each sponsorship agreement. Due to the nature of the Foundation's not-for-profit status there is only a minimal credit risk taken, and an unlikelihood of impairment losses.

Investments - liquid securities
The Foundation limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a strong credit rating. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Financial guarantees
The Foundation's policy is to provide financial guarantees only in relation to Lottery Licences. Details of outstanding guarantees are provided in Note 13.

Liquidity risk
Liquidity risk is the risk that the Foundation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Foundation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Foundation's reputation.

The Foundation aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

Market risk
Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, whilst optimising the return. The Finance, Audit and Risk Committee approves all the decisions related to market risk management and their investment objective is to maximise the long term growth of the portfolio.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial risk management (continued)

Other market price risk
Equity price risk arises from the equity securities - fair value through other comprehensive income. Management of the Foundation monitor the mix of debt securities in its investment portfolio based on market indices. Material investments within the portfolio are managed by our Investment Manager, Perpetual Trustees Limited, under the auspices of the Finance, Audit and Risk Committee. The Board has approved the Asset Allocation of the investment portfolio. Perpetual Trustees Limited report to the Finance, Audit and Risk Committee annually.

The primary goal of the Foundation's investment strategy is to maximise investment returns in order to fund continuing operations; management is assisted by external advisers in this regard.

The Foundation does not enter into commodity contracts.

Capital management
The Board's policy is to maintain a strong capital base to sustain future development of the Foundation. There is no change to the Foundation's policy on capital management.

(o) Determination of fair values

A number of the Foundation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(ii) Equity and unit trust securities

The fair value of equity and unit trust securities is determined by reference to their quoted closing bid price at reporting date. If equities or unit trusts are unquoted, fair value is determined by a valuation technique performed by the Fund Manager.

(iii) Non-derivative financial liabilities

Fair value, for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(p) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income and distribution income. Interest income is recognised as it accrues in surplus and deficit. Dividend income and distribution income is recognised in surplus and deficit as the date the Foundation's right to receive payment is established.

Finance costs comprise interest expense on borrowings, losses on disposal, impairment of financial assets (except trade receivables) and the unwinding of the discount on provisions.

(q) Share capital

The Foundation has no issued capital and is limited by guarantee. If the Foundation is wound up each member would have a liability of an amount not exceeding $10. Refer Note 23.

NOTE 4: REVENUE AND OTHER INCOME

	2018 $	2017 $
Bequests	3,700,230	1,634,441
Donations and fundraising income	1,618,230	1,963,910
Other charitable income	1,752,037	1,707,869
Lottery ticket sale income	2,926,321	3,794,990
Government grants	95,227	31,400
Other income	170,623	213,718
	10,262,668	**9,346,328**

Kidney Health Australia

NOTE 5: OTHER EXPENSES

	2018 $	2017 $
Advertising expenses	49,028	31,539
Professional fees	95,314	104,447
Bank and merchant charges	92,453	123,180
Publication expenses	1,446	2,473
Insurance expenses	48,175	50,569
Legal expenses	40,293	268,109
Public awareness expenses	70,907	60,011
Other expenses	550,471	720,591
	948,087	**1,360,919**

NOTE 6: CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Bank balances	982,719	219,053
Call deposits	1,182,465	165,591
Cash and cash equivalents in the statement of cash flows	**2,165,184**	**384,644**

The Foundation's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 17. Its carrying value is equal to fair value.

NOTE 7: OTHER RECEIVABLES

	2018 $	2017 $
Current		
Other receivables	138,725	340,477
	138,725	**340,477**

The Foundation's exposure to credit risk and impairment losses related to other receivables are disclosed in Note 17. Its carrying value is equal to fair value.

The other receivables are net of impairment losses which amount to Nil (2017: Nil) recognised in the current year.

NOTE 8: INVENTORY

	2018 $	2017 $
Current		
Inventory	4,852	4,737
	4,852	**4,737**

During the year ended 31 December 2018 changes in inventory included in 'other expenses' amounted to $46,092 (2017: $52,050). In 2018, the write-down of inventories to their net realisable value amounted to Nil (2017: Nil). The write-downs and reversals are included in 'other expenses'.

NOTE 9: FINANCIAL ASSETS

	2018 $	2017 $
Non-current investments		
Managed Funds - FVTPL	888,400	994,461
Equity Securities - FVOCI	1,680,593	2,029,770
	2,568,993	**3,024,231**

The Foundation's exposure to interest rate risks relating to these investments is disclosed in Note 17. Its carrying value is equal to fair value.

Other market risk

Sensitivity Analysis – equity and unit price risk

All the Foundation's equity investments are listed shares on the Australian Stock Exchange and managed funds. These investments represent $2,568,993 (2017: $3,024,231) as part of the total securities.

For such investments classified as fair value, a 10% percent increase in the ASX 500 at the reporting date would have increased equity or profit and loss by $256,899 (2017: an increase of $302,423). An equal change in the opposite direction would have decreased equity or profit and loss by $256,899 (2017: a decrease of $302,423). The analysis is performed on the same basis for 2017.

NOTE 10: FINANCE INCOME AND FINANCE COSTS

	2018 $	2017 $
Recognised in the comprehensive income statement		
Interest income on bank deposits	12,956	3,531
Interest income on equity securities financial assets	807	2,543
Dividend income on equity securities financial assets	142,872	110,732
Distribution income on equity securities financial assets	99,117	71,074
Total finance income	**255,752**	**187,880**
Unrealised losses to managed funds	(116,152)	-
Interest paid & management fees	(29,779)	(21,611)
Total finance costs	**(145,931)**	**(21,611)**
Net finance income / (costs)	**109,821**	**166,269**
The previous finance income and costs include the following in respect of assets (liabilities) not at fair value through the comprehensive income statement		
Total interest income on financial assets	**13,763**	**6,074**
Recognised in other comprehensive income		
Net change in fair value of equity securities financial assets	(197,288)	141,545
Net gain on sale of investments recorded through equity	24,304	111,955
	(172,984)	**253,500**

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 11: PROPERTY PLANT AND EQUIPMENT

	2018 $	2017 $
Office furniture, equipment and motor vehicles	3,135,718	3,094,180
Accumulated depreciation	(2,495,979)	(2,330,044)
	639,739	**764,136**
Buildings	981,547	517,773
Accumulated depreciation	(65,923)	(44,766)
	915,624	**473,007**
Leasehold property	341,376	341,376
Accumulated depreciation	(300,299)	(274,611)
	41,077	**66,765**
Under construction	8,476	-
Accumulated depreciation	-	-
	8,476	**-**
Sub-total of fixed assets	**1,604,916**	**1,303,908**
Total property, plant and equipment - at net book value	**1,604,916**	**1,303,908**

Reconciliations

	2018 $	2017 $
Office furniture, equipment and motor vehicles		
Carrying amount at beginning of period	764,136	729,530
Re-classification	-	-
Additions	41,538	209,581
Disposals / write-downs	-	-
Depreciation	(165,935)	(174,975)
Carrying amount at end of period	**639,739**	**764,136**
Buildings		
Carrying amount at beginning of period	473,007	485,951
Re-classification	-	-
Additions at deemed cost	463,775	-
Disposals / write-downs	-	-
Depreciation	(21,157)	(12,944)
Carrying amount at end of period	**915,625**	**473,007**
Leasehold property		
Carrying amount at beginning of period	66,765	96,526
Re-classification	-	-
Additions	-	14,227
Disposals / write-downs	-	(14,985)
Depreciation	(25,687)	(29,003)
Carrying amount at end of period	**41,078**	**66,765**
Under construction		
Carrying amount at beginning of period	-	77,859
Re-classification	-	-
Additions	-	-
Disposals / write-downs	8,476	(77,859)
Depreciation	-	-
Carrying amount at end of period	**8,476**	**-**
Sub-total of fixed assets	**1,604,916**	**1,303,908**
Total property, plant and equipment - at net book value	**1,604,916**	**1,303,908**

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 12: INTANGIBLE ASSETS

	2018 $	2017 $
Software at cost	1,565,594	1,565,594
Accumulated depreciation	(1,484,835)	(1,436,571)
	80,759	**129,023**

Reconciliations

Software

Carrying amount at beginning of period	129,023	97,595
Re-classification	-	-
Additions	-	135,194
Disposals / write-downs	-	-
Amortisation	(48,264)	(103,766)
Carrying amount at end of period	**80,759**	**129,023**

NOTE 13: TRADE AND OTHER PAYABLES

	2018 $	2017 $
Current		
Other trade payables	384,598	335,818
Non-trade payables and accrued expenses	389,658	411,558
	774,256	**747,376**
Non-current		
Non-trade payables and accrued expenses	-	12,250
	-	**12,250**

The Foundation's exposure to credit and liquidity risks related to trade and other payables is disclosed in Note 17. Its carrying value is equal to fair value.

The Foundation has Guarantee Facilities in favour of the WA Lotteries Commission secured by a guaranteed amount of $50,000 (2017: $50,000), Sabcom Pty Ltd secured by a Security Deposit equivalent to the guarantee amount of $36,455 (2017: $36,455) and CBRE Pty Ltd secured by a Security Deposit equivalent to the guarantee amount of $47,760 (2017: $47,760).

There have been no claims made which would require a drawdown of the guarantee facilities. Hence, there is no liability recognised at 31 December 2018.

NOTE 14: EMPLOYEE BENEFITS

	2018 $	2018 $
Current		
Liability for annual leave	117,613	147,268
Liability for long service leave	133,659	170,596
	251,272	**317,864**
Non-current		
Liability for long service leave	34,891	31,679
	34,891	**31,679**

(a) Defined contribution plans

The Foundation makes contributions to thirty nine defined contribution plans that provide pension benefits for employees upon retirement. The amount recognised as an expense was $365,579 for the year ended 31 December 2018 (2017: $426,297).

NOTE 15: PROVISIONS

	Make good $	Straight line lease $	Grant commitments $	Total $
Balance at 1 January 2017	146,899	143,315	-	290,214
Provisions made during the year	-	-	-	-
Provisions used during the year	(22,917)	(5,494)	-	(28,411)
Balance at 31 December 2017	**123,982**	**137,821**	**-**	**261,803**
Current	-	-	-	-
Non-current	123,982	137,821	-	261,803
	123,982	**137,821**	**-**	**261,803**
Balance at 1 January 2018	123,982	137,821	-	261,803
Provisions made during the year	-	-	-	-
Provisions used during the year	2,631	(20,756)	-	(18,125)
Balance at 31 December 2018	**126,613**	**117,065**	**-**	**243,678**
Current	-	-	-	-
Non-current	126,613	117,065	-	243,678
	126,613	**117,065**	**-**	**243,678**

Make good provision

The make good provision has been provided for the make good contractual obligation of all rental office premises across Australia.

Straight lining provision for operating leases

Operating lease straight line provision relates to recognising the rental expense for the Foundation's Melbourne and Adelaide offices over the life of each lease; which is five years.

Grants commitments provision

Grants committed relate to contractual obligations made by the Foundation which are legally enforceable and relate to the current periods operations.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 16: CAPITAL AND RESERVES

General Reserve

Relates to prior and current year surplus / deficits.

Revaluation Reserve

The revaluation reserve relates to the cumulative net change in the fair value of equity investments - fair value through other comprehensive income, and capital distributions.

The Priscilla Kincaid-Smith Kidney Research Foundation Reserve

This reserve relates to the Priscilla Kincaid-Smith Kidney Research Foundation.

Capital Profits Reserve

This reserve relates to the cumulative net gains or losses from the sale of the equity investments.

The Australian Kidney Foundation is a company limited by guarantee. Refer to Note 23.

NOTE 17: FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Foundation's business.

Credit risk

Refer to Note 3(n).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as summarised below:

	Note	2018 $	2017 $
Managed Funds - FVTPL	9	888,400	994,461
Equity Securities - FVOCI	9	1,680,593	2,029,770
Other receivables	7	138,725	340,477
Cash and cash equivalents	6	2,165,184	384,644
		4,872,902	**3,749,352**

At the balance sheet date there were no significant concentrations of credit risk. All exposure to credit risk was geographically confined to Australia.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 17: FINANCIAL INSTRUMENTS (continued)

Impairment losses

The Foundations receivables primarily relate to sponsorship agreements and service income.
The aging of the Foundation's receivables at the reporting date was:

	Gross 2018 $	Impairment 2018 $	Gross 2017 $	Impairment 2017 $
Not past due	114,208	-	299,410	-
Past due 30 days	7,383	-	16,500	-
Past due 60+ days	17,134	-	24,567	-
Total	**138,725**	**-**	**340,477**	**-**

Management assessed that there were no impairment losses at 31 December 2018 (2017: Nil) related to amounts owing by customers, deemed unrecoverable.

Liquidity risk

Refer to Note 3(n).

The following are the contractual maturities of the financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Note	Carrying Amount 2018 $	Contracted Amount 2018 $	Carrying Amount 2017 $	Contracted Amount 2017 $
Trade and Other Payables	13	774,256	774,256	759,626	759,626
Total		**774,256**	**774,256**	**759,626**	**759,626**

Trade and other payables have contractual cashflows which are 18 months or less.

Interest rate risk

	2018 $	2017 $
Variable rate instruments		
Cash and cash equivalents	**2,165,184**	**384,644**
Managed funds	**354,151**	**389,669**

The Foundation has limited exposure to interest rate risk as it does not have borrowings or fixed rate debt securities that would change in their fair value due to changes in interest rates.

Cash flow sensitivity analysis for variable rate instruments

A change of 1% interest rates at the reporting date would have increased equity and the surplus and deficit by $21,652 (2017: $3,846).
A decrease in the opposite direction would decrease equity and the surplus and deficit by $21,652 (2017: $3,846).
The analysis is performed on the same basis as 2017.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 17: FINANCIAL INSTRUMENTS (continued)

Fair values

Fair value hierarchy

The table (right) analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). These include Australian Property Trust Units
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 2 financial instruments are valued using the market comparison technique, by basing fair values on quoted prices. In respect of level 2 financial instruments, there are no significant unobservable inputs.

	Level 1	Level 2	Level 3	Total
31 December 2017	2,526,248	497,983	-	3,024,231
Financial Assets	**2,526,248**	**497,983**	**-**	**3,024,231**
31 December 2018	2,100,202	358,332	-	2,458,534
Financial Assets	**2,100,202**	**358,332**	**-**	**2,458,534**

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	2018 Fair value $	2018 Carrying amount $	2017 Fair value $	2017 Carrying amount $
Loans and receivables					
Other receivables	7	138,725	138,725	340,477	340,477
Cash and cash equivalents	6	2,165,184	2,165,184	384,644	384,644
		2,303,909	**2,303,909**	**725,121**	**725,121**
Financial Assets					
Financial Assets	9	2,568,993	2,568,993	3,024,231	3,024,231
Other financial liabilities					
Trade and other payables	13	(774,256)	(774,256)	(759,626)	(759,626)
		4,098,646	**4,098,646**	**2,989,726**	**2,989,726**

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 18: LEASES

Finance lease liabilities are payable as follows:

Leases in terms of which the Foundation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Company's statement of financial position.

No finance leases were recognised in the current or comparative periods.

Operating leases

Leases as lessee

	2018 $	2017 $
Non-cancellable operating lease rentals		
Less than one year	620,266	500,350
Between one and five years	800,019	559,051
	1,420,285	**1,059,401**

The Foundation leases offices in Adelaide, Sydney, Perth and Melbourne and office equipment under operating leases. Office leases typically run for a period of three to five years, with an option to renew the lease. Lease payments are increased every year to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index.

During the year an amount of $600,496 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2017: $680,219).

NOTE 19: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2018 $	2017 $
Cash flows from operating activities			
(Loss) / Surplus for the period		825,934	(455,306)
Adjustments for -			
Depreciation and amortisation	11/12	261,043	320,688
(Reversal of) impairment loss on receivables		-	-
Other non-cash adjustments		118,160	-
In kind donations for property, plant and equipment and equities		(72,475)	(69,475)
Makegood Recognition		-	14,985
Operating profit before changes in working capital and provisions		**1,132,662**	**(189,108)**
Change in trade and other receivables		201,752	(79,277)
Change in prepayments		61,170	65,369
Change in inventory		(115)	4,179
Change in provisions and employee benefits		(81,505)	(243,024)
Change in trade and other payables		14,630	(253,684)
Change in deferred income		729,165	116,551
Net cash inflow / (outflow) from operating activities		**2,057,760**	**(578,994)**

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 20: SUBSEQUENT EVENTS

No matters or circumstances have arisen in the interval between the end of the financial year and the date of this report which, in the opinion of the Directors, are likely to significantly affect the operations of the Foundation, the results or the state of affairs of the Foundation in subsequent financial years.

NOTE 21: AUDITOR'S REMUNERATION

	2018 $	2017 $
Audit services		
Auditor's of the Foundation - KPMG Australia:		
Audit of financial report	57,287	56,887
Other assurance services - KPMG Australia	38,028	49,235
Total auditors' remuneration	**95,315**	**106,122**

NOTE 22: RELATED PARTIES

The following were key management personnel of the Foundation at any time during the reporting period:

Non-executive Directors

Current directors

Prof. C Pollock (Appointed December 2014)
(Appointed Chair December 2017)
Ms S Farrier (appointed June 2017)
Mr P Haddad (Appointed June 2017)
Mr P Hartshorne (Appointed April 2008)
Mr D Morgan (Appointed December 2014)
(Appointed Chair June 2016 and resigned December 2017)
Mr D Parker (Appointed in April 2010)
Mr M Ray (Appointed June 2017)
Ms R Renwick (Appointed June 2017)

Non-executive Directors are not paid compensation. Reasonable out of pocket expenses are reimbursed for Board-related activities.

Executive

Mr Christopher Forbes
(Chief Executive Officer, Appointed October 2018)
Mr Matthew Hubbard (Chief Financial Officer and Company Secretary, Appointed May 2018)
Mr Mark Jowett (Chief Financial Officer and Company Secretary, Appointed November 2017 and Resigned May 2018)
Dr L Murphy (Acting Chief Executive Officer between January 2018 and October 2018)

	2018 $	2017 $
Key management personnel compensation		
Short term employee benefits	381,547	585,480
Other long term benefits	12,824	5,596
	394,371	**591,076**

Key Management Personnel compensation is recognised as part of personnel costs in the income statement.

Non-executive

The terms and conditions of the transaction with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

NOTES TO THE **FINANCIAL STATEMENTS**

NOTE 23: COMPANY LIMITED BY GUARANTEE

The Foundation is a company incorporated under the Corporations Act 2001 as a company limited by guarantee. The Foundation is subject to regulation under the Australian Charities and Not-for-profits Commission Act 2012. If the Foundation is wound up, the constitution states that each member must contribute an amount not more than ten dollars ($10) (the guarantee) to the property of the company if the company is wound up while the member is a member, or within 12 months after they stop being a member, and this contribution is required to pay for the:

(a) debts and liabilities of the company incurred before the member stopped being a member, or

(b) costs of winding up of the company.

At 31 December 2018, the total amount that members of the Company are liable to contribute if the Company wound up is $80 (2017: $80).

DIRECTORS DECLARATION

In the opinion of the Directors of The Australian Kidney Foundation TIA Kidney Health Australia (the Foundation):

a) the financial statements and notes that are set out on pages 4 - 27 are in accordance with the Australian Charities and Not-for profits Commission Act 2012, including:

(i) giving a true and fair view of the Foundation's financial position as at 31 December 2018 and of its performance for the financial year ended on that date: and

(ii) complying with Australian Accounting standards (including the Australian Accounting Interpretations) and the Australian Charities and Not-for-profits Commission Regulation 2013; and

(b) There are reasonable grounds to believe that the foundation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Dated 7th May 2019 at Melbourne.

Mr Peter Jon Hartshorne
Director

Independent Auditor's Report

To the members of The Australian Kidney Foundation T/A Kidney Health Australia

Opinion

We have audited the ***Financial Report***, of the Foundation.

In our opinion, the accompanying ***Financial Report*** of the Australian Kidney Foundation T/A Kidney Health Australia is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

i. giving a true and fair view of the Foundation's financial position as at 31 December 2018, and of its financial performance and its cash flows for the year ended on that date; and

ii. complying with *Australian Accounting Standards* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013.*

The ***Financial Report*** comprises:

i. Statement of financial position as at 31 December 2018.

ii. Statement of surplus and deficit and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.

iii. Notes including a summary of significant accounting policies.

iv. Director's Declaration.

Basis for opinion

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

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

We are independent of the Foundation in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC.

ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

iii. Assessing the Foundation's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

ii. to issue an Auditor's Report that includes our opinion.

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

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

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

We also:

i. 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.

ii. 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 registered Foundation's internal control.

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

v. 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 Directors of the Foundation 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.

KPMG

KPMG

Amanda Bond

Partner

Melbourne

7 May 2019

Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the directors of The Australian Kidney Foundation T/A Kidney Health Australia

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in 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.

KPMG

KPMG

Amanda Bond
Partner

Melbourne
7 May 2019

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Kidney Health Australia

Prevent, Detect, Support.