Kidney Health Australia

2019
Financial Report

The Australian Kidney Foundation T/A Kidney Health Australia

ABN 37 008 464 426

31 December 2019

Contents

Statements

Statement of surplus and deficit and other comprehensive income

For the year ended 31 December 2019

	Note	2019 $	2018 $
Surplus and deficit			
Revenue and other income	4	8,418,656	10,262,668
Consulting fees		(705,012)	(718,482)
Depreciation and amortisation expenses	11,12,18	(792,104)	(261,043)
Research grant expenses		(142,050)	(324,308)
Lottery prizes expenses		(361,625)	(776,418)
Meeting and travel expenses		(47,471)	(53,686)
Meeting and travel program expenses		(200,360)	(245,108)
Occupancy and lease expenses		(155,712)	(742,073)
Employee expenses		(4,518,785)	(4,454,267)
Postage, freight and stationery expenses		(379,090)	(383,174)
Technology expenses		(509,371)	(470,878)
Telecommunications expenses		(104,475)	(169,031)
Other expenses	5	(945,317)	(948,087)
Results from operating activities		**(442,716)**	**716,113**
Finance income	10	241,957	255,752
Finance costs	10	(55,453)	(145,931)
Net finance income / (costs)		**186,504**	**109,821**
Income tax expense for the period	3(j)	-	-
Surplus/(Deficit) for the year		**(256,212)**	**825,934**
Other comprehensive income			
Net change in fair value of financial securities	10	159,198	(197,288)
Net (loss) / gain on sale of investments recorded through equity	10	16,995	24,304
Other comprehensive income for the year		**176,193**	**(172,984)**
Total surplus and deficit and other comprehensive income for the year		**(80,019)**	**652,950**

The statement of surplus and deficit and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 7 to 36.

Statement of changes in equity

For the year ended 31 December 2019

	Note	General Reserve $	Revaluation Reserve $	Capital Profits Reserve $	Priscilla Kincaid-Smith Kidney Research Foundation $	Accumulated Surplus/ (Deficit) $	Total $
Balance as at 1 January 2018		**30,903**	**500,346**	**467,839**	**2,572,916**	**-**	**3,572,004**
Total comprehensive income for the year							
(Deficit) / 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 gain 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**
Balance as at 1 January 2019		**856,837**	**303,058**	**492,143**	**2,572,916**	**-**	**4,224,953**
Total comprehensive income for the year							
(Deficit) / Surplus for the year		-	-	-	-	(256,212)	(256,212)
Other comprehensive income							
Net change in fair value of financial securities	10	-	159,198	-	-	-	159,198
Net profit/(loss) on sale of investments recorded through equity	10	-	-	16,995	-	-	16,995
Transfer from/(to) accumulated surplus/(deficit)		(155,171)	(101,041)	-	-	256,212	-
Total other comprehensive income		**(155,171)**	**58,157**	**16,995**	**-**	**256,212**	**176,192**
Total comprehensive income for the year		**(155,171)**	**58,157**	**16,995**	**-**	**-**	**(80,020)**
Balance as at 31 December 2019		**701,666**	**361,215**	**509,137**	**2,572,916**	**-**	**4 ,144,934**

The statement of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 7 to 36.

Statement of financial position

As at 31 December 2019

		Note	2019 $	2018 $
Assets	Cash and cash equivalents	6	1,844,066	2,165,184
	Other receivables	7	294,287	138,725
	Inventory	8	-	4,852
	Prepayments		208,229	223,563
Total current assets			**2,346,582**	**2,532,324**
	Financial Assets	9	2,842,126	2,568,993
	Property, plant and equipment	11	1,541,723	1,604,915
	Right-of-use assets	18	638,984	-
	Intangibles	12	35,694	80,759
Total non-current assets			**5,058,528**	**4,254,667**
Total assets			**7,405,109**	**6,786,992**
Liabilities	Bank overdraft	6	455,658	-
	Lease liabilities	18	517,515	-
	Trade and other payables	13	712,836	774,256
	Employee benefits	14	124,946	251,272
	Deferred income		1,128,078	1,257,942
Total current liabilities			**2,939,033**	**2,283,470**
	Lease liabilities	18	193,039	-
	Employee benefits	14	9,092	34,891
	Provisions	15	119,012	243,678
Total non-current liabilities			**321,143**	**278,569**
Total liabilities			**3,260,176**	**2,562,039**
Net assets			**4,144,934**	**4,224,953**
Equity	General reserve	16	701,666	856,837
	Other reserves	16	3,443,268	3,368,116
Total equity			**4,144,934**	**4,224,953**

The statement of financial position and the statement of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 7 to 36.

Statement of cash flows

For the year ended 31 December 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Cash receipts in the course of operations		7,955,313	11,121,109
Cash payments in the course of operations		(8,314,712)	(9,289,323)
Cash generated (used in)/from operations		(359,399)	1,831,786
Dividends received		111,744	142,872
Interest/Distributions received		84,563	112,880
Interest paid		(20,010)	(29,779)
Net cash from operations	**19**	**(183,102)**	**2,057,760**
Cash flows (used in)/from investing activities			
Acquisition of property, plant and equipment and intangibles		(112,092)	(513,788)
Proceeds from sale of investments		126,629	291,033
Acquisition of investments		-	(54,464)
Net cash (used in)/from investing activities		**14,537**	**(277,219)**
Cash flows (used in)/from financing activities			
Payment of financial lease liability		(608,210)	-
Net cash (used in) financing activities		**(608,210)**	**-**
Net (decrease)/increase in cash and cash equivalents		(776,775)	1,780,540
Cash and cash equivalents at beginning of period		2,165,184	384,644
Cash and cash equivalents at 31 December	**6**	**1,388,409**	**2,165,184**

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 7 to 36.

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 9 June 2020.

(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 surplus and deficit.

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 2019 is included in Note 3(f) and Note 17 - impairment.

(e) Change in accounting policy

The Foundation has initially applied AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for Profit Entities and AASB 16 Leases, including any consequential amendments to other standards, from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Foundation's financial statements. Due to the transition methods chosen by the Foundation in applying these standards, comparative information has not been provided with no material changes to reporting.

(i) AASB 16 Leases

The Foundation applied AASB 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not restated- i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Foundation determined at contract inception whether an arrangement was or contained a lease under AASB 117. The Foundation now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3(d) below.

As a lessee

As a lessee, the Foundation leases property. The Foundation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Foundation. Under AASB 16, the Foundation recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

Leases classified as operating leases under AASB 117

Previously, the Foundation classified property leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Foundation's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Foundation has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Foundation used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, the Foundation:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Impact on financial statements

On transition to AASB 16, the Foundation recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	1 January 2019 $
Right-of-use assets	1,210,739
Lease Liability	(1,283,322)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 5.25%.

	1 January 2019 $
Operating lease commitments at 31 December 2018 as disclosed under AASB 17 in the financial statements	1,420,285
Discounted using the incremental borrowing rate at 1 January 2019	(45,072)
Recognition exemption for leases with less than 12 months of lease term at transition	(91,891)
Lease liabilities recognised at 1 January 2019	1,283,322

(i) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Foundation has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2019). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under AASB 118, AASB 1004, AASB 111 and related interpretations. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information. We note no impact on transition to AASB 15 on the Foundation's statement of financial position as at 31 December 2019, its statement of surplus and deficit and other comprehensive income for the year then ended, and the statement of cash flows for the year ended 31 December 2019.

(i) AASB 1058 Income of Not-for-Profit Entities

AASB 1058 replaces the income recognition requirements relating to private sector NFP entities, as well as the majority of income recognition requirements relating to public sector NFP entities previously reflected in AASB 1004 Contributions for financial years beginning 1 January 2019 onwards.

AASB 1058 establishes principles for NFP entities that apply specifically to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a NFP entity to further its objectives and to volunteer services received. The accounting guidance applied is driven by whether the agreement is enforceable and contains performance obligations, NFP entities will assets which standard is applicable for each individual agreement.

After a detailed assessment, there are no significant impacts relating to the application of this accounting standard.

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).

(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 surplus and deficit (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 Surplus or Deficit ("FVTSD")
- equity instruments at fair value through other comprehensive income ("FVOCI").

Income and expenses relating to financial assets that are recognised in surplus and deficit 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 FVTSD):

- 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 surplus and deficit. Any gain or loss on derecognition is recognised in surplus and deficit.

Financial assets measured at fair value through surplus and deficit (FVTSD): 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 surplus and deficit. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTSD. 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 surplus and deficit.

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 surplus and deficit. Dividends from these investments continue to be recorded as other income within the surplus and deficit 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

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 surplus and deficit.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTSD. These are carried subsequently at fair value with gains or losses recognised in surplus and deficit.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in surplus and deficit 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.

(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 surplus and deficit 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

The Foundation has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

(i) Policy applicable from 1 January 2019

At inception of a contract, the Foundation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Foundation uses the definition of a lease in AASB 16.

At commencement or on modification of a contract that contains a lease component, the Foundation allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Foundation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Foundation recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Foundation by the end of the lease term or the cost of the right-of-use asset reflects that the Foundation will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Foundation’s incremental borrowing rate. Generally, the Foundation uses its incremental borrowing rate as the discount rate.

The Foundation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Foundation is reasonably certain to exercise, lease payments in an optional renewal period if the Foundation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Foundation is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Foundation's estimate of the amount expected to be payable under a residual value guarantee, if the Foundation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in surplus and deficit if the carrying amount of the right-of-use asset has been reduced to zero.

The Foundation presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Foundation has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Foundation recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Foundation determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the Foundation classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Foundation's statement of financial position. Payments made under operating leases were recognised in surplus and deficit on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(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.

Losses are recognised in surplus and deficit 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) Donations and fundraising income

Revenue is received from appeals, donations and fundraising events and is brought to account on a cash received basis. When assets, such as investments or properties, are received from a 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.

(iii) Government grants

Our grants are as a result of a contract with a customer with enforceable rights and obligations that are 'sufficiently specific'.

Our revenue is recognised when these performance obligations are met. Any additional income is treated as deferred.

(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) Other charitable income

Other charitable income is brought to account on a cash received basis.

(vi) Bequests

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

(vii) Deferred income

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

(j) Income tax

Revenues are recognised at the fair value of the consideration 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 adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Foundation has not early adopted the new or amended standards in preparing these financial statements. The standards and interpretations are not expected to have a significant impact on the Foundation's financial statements.

(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.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors:

- 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.

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.

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 practice is to provide financial guarantees only in relation to Lottery Licences or, where required, for security purposes related to office leases. 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 Board (or a suitable Board Committee) approves all the decisions related to market risk management and their investment objective is to maximise the long term growth of the portfolio.

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 Board (or a suitable Board Committee). The Board has approved the Asset Allocation of the investment portfolio. Perpetual Trustees Limited report to the Board 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

	2019 $	2018 $
Revenue from contracts with customers - AASB 15		
Lottery ticket sale income	1,054,890	2,926,321
Government grants	518,911	95,227
Other charitable income	1,868,494	1,752,037
Other income	135,568	170,623
Revenue recognised under AASB 1058 *Income of NFP entities*		
Bequests	3,505,816	3,700,230
Donations and fundraising income	1,334,977	1,618,230
	8,418,656	**10,262,668**

Contract balances

The following table provides information about the contract liabilities from contracts with customers

Deferred income - Current	1,128,078	1,257,942

Note 5:
Other expenses

	2019 $	2018 $
Advertising expenses	72,710	49,028
Professional fees	62,321	95,314
Bank and merchant charges	53,197	92,453
Publication expenses	142	1,446
Insurance expenses	49,480	48,175
Legal expenses	70,319	40,293
Public awareness expenses	122,286	70,907
Other expenses	514,862	550,471
	945,317	**948,087**

Note 6:
Cash and cash equivalents

	2019 $	2018 $
Bank balances	510,544	982,719
Call deposits	1,333,522	1,182,465
Cash and cash equivalents in the statement of financial position	**1,844,066**	**2,165,184**
Bank overdrafts	455,658	-
Cash and cash equivalents in the statement of cash flows	**1,388,409**	**2,165,184**

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

	2019 $	2018 $
Current		
Other receivables	294,287	138,725
	294,287	**138,725**

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 (2018: Nil) recognised in the current year.

Note 8:
Inventory

	2019 $	2018 $
Current		
Inventory	-	4,852
	-	**4,852**

During the year ended 31 December 2019 changes in inventory included in 'other expenses' amounted to $Nil (2018: $46,092).
In 2019, the write-down of inventories to their net realisable value amounted to Nil (2018: Nil).
The write-downs and reversals are included in 'other expenses'.

Note 9:
Financial Assets

	2019	2018
	$	$
Non-current investments	510,544	982,719
Managed Funds - FVTSD	912,732	888,400
Equity Securities - FVOCI	1,929,394	1,680,593
	2,842,126	**2,568,993**

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 $ (2018: $2,568,993) 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 surplus and deficit by $284,213 (2018: an increase of $256,899). An equal change in the opposite direction would have decreased equity or surplus and deficit by $284,213 (2018: a decrease of $256,899). The analysis is performed on the same basis for 2018.

Note 10:
Finance income and finance costs

	2019 $	2018 $
Recognised in the comprehensive income statement		
Interest income on bank deposits	12,085	12,956
Interest income on equity securities financial assets	1,306	807
Dividend income on equity securities financial assets	111,744	142,872
Distribution income on equity securities financial assets	71,171	99,117
Financial assets - net change in fair value	45,651	-
Total finance income	**241,957**	**255,752**
Unrealised losses to managed funds	-	(116,152)
Interest payable for lease liabilities	(35,443)	-
Interest paid & management fees	(20,010)	(29,779)
Total finance costs	**(55,453)**	**(145,931)**
Net finance income/(costs)	**186,504**	**109,821**

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	**13,392**	**13,763**
Recognised in other comprehensive income:		
Net change in fair value of equity securities financial assets	159,198	(197,288)
Net gain on sale of investments recorded through equity	16,995	24,304
	176,193	**(172,984)**

Note 11:
Property plant and equipment

	2019 $	2018 $
Office furniture, equipment and motor vehicles	3,256,287	3,135,718
Accumulated depreciation	(2,628,008)	(2,495,979)
	628,279	**639,739**
Land and buildings	981,547	981,547
Accumulated depreciation	(90,462)	(65,923)
	891,085	**915,624**
Leasehold property	341,376	341,376
Accumulated depreciation	(319,016)	(300,299)
	22,360	**41,077**
Under construction	-	8,476
Accumulated depreciation	-	-
	-	**8,476**
Sub-total of fixed assets	1 ,541,724	1,604,916
Total property, plant and equipment - at net book value	**1,541,723**	**1,604,915**

Reconciliations

	2019 $	2018 $
Office furniture, equipment and motor vehicles:		
Carrying amount at beginning of period	639,739	764,136
Re-classification	-	-
Additions	120,567	41,538
Disposals/write-downs	-	-
Depreciation	(132,029)	(165,935)
Carrying amount at end of period	**628,277**	**639,739**
Buildings:		
Carrying amount at beginning of period	915,625	473,007
Re-classification	-	-
Additions at deemed cost	-	463,775
Disposals/write-downs	-	-
Depreciation	(24,539)	(21,157)
Carrying amount at end of period	**891,086**	**915,625**
Leasehold property:		
Carrying amount at beginning of period	41,078	66,765
Re-classification	-	-
Additions	-	-
Disposals/write-downs	-	-
Depreciation	(18,717)	(25,687)
Carrying amount at end of period	**22,361**	**41,078**
Under construction:		
Carrying amount at beginning of period	8,476	-
Re-classification	-	-
Additions	-	-
Disposals/write-downs	(8,476)	8,476
Depreciation	-	-
Carrying amount at end of period	**-**	**8,476**
Sub-total of fixed assets	**1,541,723**	**1,604,915**
Total property, plant and equipment - at net book value	**1,541,723**	**1,604,915**

Note 12:
Intangible assets

	2019 $	2018 $
Software at cost	1,565,594	1,565,594
Accumulated depreciation	(1,529,900)	(1,484,835)
	35,694	**80,759**

Reconciliations

	2019 $	2018 $
Software:		
Carrying amount at beginning of period	80,759	129,023
Re-classification	-	-
Additions	-	-
Disposals/write-downs	-	-
Amortisation	(45,065)	(48,264)
Carrying amount at end of period	**35,694**	**80,759**

Note 13:
Trade and other payables

	2019 $	2018 $
Current		
Other trade payables	184,021	384,598
Non-trade payables and accrued expenses	528,815	389,658
	712,836	**774,256**
Non-current		
Non-trade payables and accrued expenses	-	-
Carrying amount at end of period	**-**	**-**

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 (2018: $50,000), Sabcom Pty Ltd secured by a Security Deposit equivalent to the guarantee amount of $36,455 (2018: $36,455) and CBRE Pty Ltd secured by a Security Deposit equivalent to the guarantee amount of $47,760 (2018: $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 2019.

Note 14:
Employee benefits

	2019 $	2018 $
Current		
Liability for annual leave	99,837	117,613
Liability for long service leave	25,109	133,659
	124,946	**251,272**
Non-current		
Liability for long service leave	9,092	34,891
	9,092	**34,891**

(a) Defined contribution plans

The Foundation makes contributions to defined contribution plans that provide pension benefits for employees upon retirement. The amount recognised as an expense was $345,462 for the year ended 31 December 2019 (2018: $365,579).

Note 15:
Provisions

	Make good $	Straight line lease $	Total $
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**
Balance at 1 January 2019	126,613	117,065	243,678
Provisions made during the year	-	-	-
Provisions used or reversed during the year	(7,601)	(117,065)	(124,666)
Balance at 31 December 2019	**119,012**	**-**	**119,012**
Current	-	-	-
Non-current	119,012	-	119,012
	119,012	**-**	**119,012**

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 5 years. The provision is nil at 31 December 2019.

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	2019 $	2018 $
Managed Funds - FVTSD	9	912,732	888,400
Equity Securities - FVOCI	9	1,929,394	1,680,593
Other receivables	7	294,287	138,725
Cash and cash equivalents	6	1,844,066	2,165,184
		4,980,480	**4,872,902**

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

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 2019 $	Impairment 2019 $	Gross 2018 $	Impairment 2018 $
Not past due	271,953	-	114,208	-
Past due 30 days	4,046	-	7,383	-
Past due 60+ days	18,288	-	17,134	-
Total	**294,287**	**-**	**138,725**	**-**

Management assessed that there were no impairment losses at 31 December 2019 (2018: 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 2019 $	Contracted Amount 2019 $	Carrying Amount 2018 $	Contracted Amount 2018 $
Trade and Other Payables	13	712,836	712,836	774,256	774,256
Total		**712,836**	**712,836**	**774,256**	**774,256**

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

Interest rate risk

	2019 $	2018 $
Variable rate instruments		
Cash and cash equivalents	1,388,409	2,165,184
Bank overdrafts	(455,658)	-
Managed funds	323,419	354,151

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 $13,884 (2018: $21,652). A decrease in the opposite direction would decrease equity and the surplus and deficit by $13,884 (2018: $21,652). The analysis is performed on the same basis as 2018.

Fair values

Fair value hierarchy

The table below 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 2018	2,100,202	358,332	-	2,458,534
Financial Assets	**2,100,202**	**358,332**	**-**	**2,458,534**
31 December 2019	2,396,331	445,795	-	2,842,126
Financial Assets	**2,396,331**	**445,795**	**-**	**2,842,126**

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	Fair Value 2019 $	Carrying Amount 2019 $	Fair Value 2018 $	Carrying Amount 018 $
Loans and receivables					
Other receivables	7	2 94,287	294,287	138,725	138,725
Cash and cash equivalents	6	1,844,066	1,844,066	2,165,184	2,165,184
		2,138,354	**2,138,354**	**2,303,909**	**2,303,909**
Financial Assets					
Financial Assets	9	2,842,126	2,842,126	2,568,993	2,568,993
Other financial liabilities					
Bank overdrafts	6	455,658	455,658	-	-
Trade and other payables	13	(712,836)	(712,836)	(774,256)	(774,256)
		4,723,301	**4,723,301**	**4,098,646**	**4,098,646**

Note 18:
Leases

Leases as lessee

The Foundation leases offices in Victoria, Queensland, South Australia and Western Australia. Office leases typically run for a period of 3 to 5 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. In the addition, the Foundation has two leases that have contract terms of one month. These leases are short term and/or leases of low-value items. The Foundation has elected not to recognise right-of-use assets and lease liabilities for these leases. Information about leases for which the Foundation is a lessee is presented below.

Right-of-use assets

Properties	2019 $
Balance at 1 January	1,210,739
Depreciation charge for the year	(571,754)
Balance at 31 December	**638,984**

Lease Liability

Properties	2019 $
Balance at 1 January	1,283,322
Repayments during the year	(608,211)
Interest expense during the year	35,443
Balance at 31 December	**710,554**
Current Liability	517,515
Non Current Liability	193,039
	710,554

Amounts recognised in surplus and deficit

2019 - Leases under IFRS 16	$
Interest on leases liabilities	35,443
Expenses relating to short term leases	155,712

2018 - Operating lease under AASB 117	$
Lease expenses	600,496

Amounts recognised in statement of cash flow

Total cash outflow for leases	(763,922)

Operating lease

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be made after the reporting date.

	2019 $	2018 $
Non-cancellable operating lease rentals -		
Less than one year	527,145	620,266
Between one and five years	193,039	800,019
	720,183	**1,420,285**

Note 19:
Reconciliation of cash flows from operating activities

	Note	2019 $	2018 $
Cash flows from operating activities			
(Deficit) / Surplus for the period		(256,212)	825,934
Adjustments for -			
Depreciation and amortisation	11/12	792,104	261,043
Other non-cash adjustments		(7,069)	118,160
In kind donations for property, plant and equipment and equities		(108,475)	(72,475)
Operating surplus before changes in working capital and provisions		**420,348**	**1,132,662**
Change in trade and other receivables		(155,562)	201,752
Change in prepayments		15,334	61,170
Change in inventory		4,852	(115)
Change in provisions and employee benefits		(276,791)	(81,505)
Change in trade and other payables		(61,419)	14,630
Change in deferred income		(129,864)	729,165
Net cash inflow/(outflow) from operating activities		**(183,102)**	**2,057,760**

Note 20:
Subsequent events

Subsequent to balance date, the existence of the infectious disease known as COVID-19 has become widely known, and begun to rapidly spread throughout the world including Australia. Since balance date this has caused increasing disruption to populations and to business and economic activity. The Foundation considers this to be a non-adjusting post balance sheet event. Subsequent to year end, diminution to the Foundation's revenue stream relating to the cancellation of fundraising activities may materially effect the Foundation's ongoing financial performance and financial position, representing up to 12.5% of total revenue recorded in the 2019 financial year. The Foundation's investments have decreased in value by 7% from 31 December 2019 to 31 May 2020.

However, the specific impact on results of operations, including fundraising activities and donations, is not readily determinable as of the date of these financial statements. As this situation is rapidly developing, it is not yet practical to estimate all potential impacts COVID-19 may have on the Foundation and its financial performance and position.

No other 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

	2019 $	2018 $
Audit services		
Auditor's of the Foundation - KPMG Australia:		
Audit of financial report	47,610	57,287
Other assurance services - KPMG Australia	14,711	38,028
Total auditors' remuneration	**62,322**	**95,315**

Kidney Health Australia

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)

Mr P Haddad (Appointed June 2017)

Mr P Hartshorne (Appointed April 2008) (Appointed Deputy Chair October 2019)

Mr D Morgan (Appointed December 2014)

Mr D Parker (Appointed April 2010)

Mr M Ray (Appointed June 2017)

Ms R Renwick (Appointed June 2017)

Resigned directors

Ms S Farrier (appointed June 2017, resigned December 2019)

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)

	2019 $	2018 $
Key management personnel compensation		
Short term employee benefits	455,769	381,547
Other long term benefits	42,254	12,824
	498,023	**394,371**

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.

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 2019, the total amount that members of the Company are liable to contribute if the Company wound up is $80 (2018: $80).

Note 24:
Going concern

Although at 31 December 2019 there was a working capital deficiency, this Financial Report has been prepared on a going concern basis because the Foundation retains significant cash reserves and investments available to draw down on. In addition, the business transformation initiatives undertaken during 2019 have resulted in the Foundation actively managing ongoing costs and reducing expenses commensurate with the anticipated reduction in revenues. Subsequent to year end a large bequest was also received which significantly supplemented investments available to draw down on if required.

Directors Declaration

In the opinion of the Directors of The Australian Kidney Foundation T/A Kidney Health Australia (the Foundation):

a) the financial statements and notes that are set out on pages 3-21 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 2019 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 11 June 2020 at Sydney

Prof Carol Pollock
Chair

Independent Auditor's Report

To the Directors of Kidney Health Australia

Opinion

We have audited the ***Financial Report*** of Kidney Health Australia.

In our opinion, the accompanying ***Financial Report*** of the Australian Kidney Foundation T/A Kidney Health Australia ("the Foundation") 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 2019, 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:

- Statement of financial position as at 31 December 2019.
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies .
- 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 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.

Uncertainties emerging subsequent to year end - Emphasis of Matter

We draw attention to Note 20 of the Financial Report, which describes events subsequent to year end, specifically as they relate to the potential impact to the Foundation of COVID-19. In our judgement, this issue is fundamental to the users' understanding of the Financial Report, the financial position and performance of the Foundation. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The Director is responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC.
- Implementing necessary internal control to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error.
- 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:

- 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 *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 skepticism 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

ABond

Amanda Bond

Partner

Melbourne

11 June 2020

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 2019 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

ABond

Amanda Bond
Partner

Melbourne
11 June 2020

Connect with us:

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