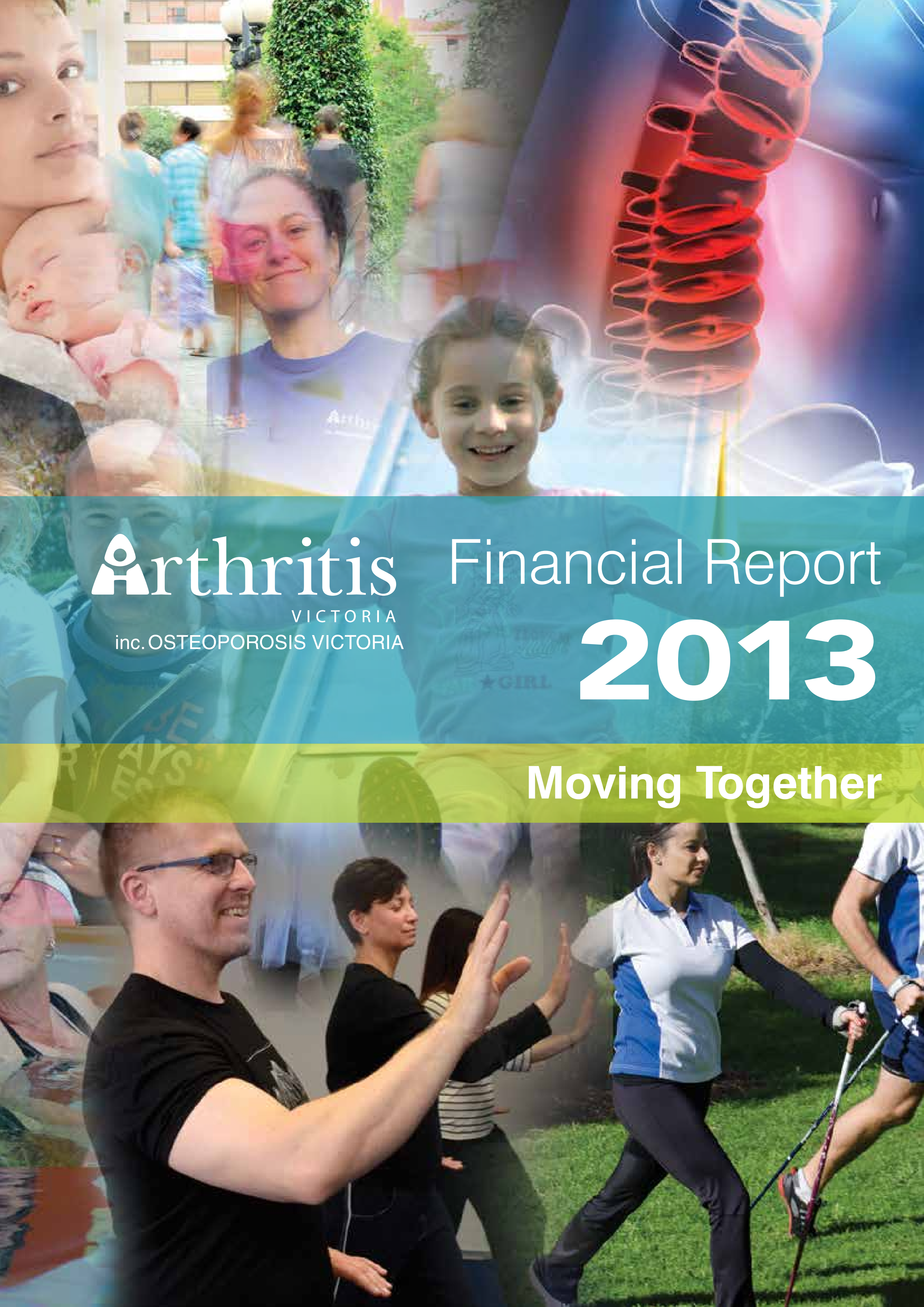

Arthritis VICTORIA inc. OSTEOPOROSIS VICTORIA

Financial Report 2013

Moving Together

Our Purpose

To improve the quality of life of people who have, or are at risk of developing musculoskeletal conditions.

Our Values

- Respect and integrity
- Service and stewardship
- Excellence and knowledge
- Collaboration
- Leadership

Strategic Directions
2013 – 2016

1. Creating a strong, sustainable consumer-driven organisation
2. Providing high quality, evidence-informed services
3. Developing highly respected research capability
4. Increasing community awareness
5. Influencing systemic change
6. Achieving recognition as a musculoskeletal health industry leader

Report of the Treasurer

In 2013 The Arthritis Foundation of Victoria (The Foundation) continued its focus on investing for the future by progressing its concentration on program service reviews and research activities while reinforcing core and specialist capacities in critical areas. The past year was the second year of a three year program designed to strengthen the Foundation's service provision and to broaden the scope of the Foundation's income sources and to this end significant progress was made in laying foundations in the areas of corporate giving and government grants.

The Foundation experienced a reduction in total reserves in the year of ($245,994), which comprised the following major elements:

- Deficit on operations of ($744,731) which was largely due to increased investment, as stated above
- Interest and dividends received totalling $145,469 from funds designated for unrestricted use
- Interest and dividends received totalling $161,921. These were derived from funds designated for Specific Purpose use
- Specific Purpose Expenses ($219,589)
- Net increase in the value of the Foundation's share portfolio of $410,936.

The Foundation also provides services under the name Osteoporosis Victoria. Revenue received through activities marketed in the name of Osteoporosis Victoria is included in the revenue of The Foundation. Similarly, expenses incurred in the name of Osteoporosis Victoria are included in the expenditure of The Foundation.

> "The organisation attempts to balance its investment portfolio in a manner which provides security and protection against inflation."

The organisation attempts to balance its investment portfolio in a manner which provides security and protection against inflation. To this end it invests approximately half of its cash which is not required for operational purposes in Government Guaranteed Term Deposits. In order to offset the impact of inflation and low interest rates the Foundation also invests in high yielding "blue chip' shares. As part of this strategy the Foundation invested approximately $500,000 in bank stocks during the year. The Foundation has no direct exposure to mortgage backed securities or investments in complex securities, listed or unlisted.

The financial result for 2013 reflects the second year of the three year plan to commit additional expenditure aimed at securing its financial and operational sustainability in the longer term.

Jim Dixon

Jim Dixon FCPA
Honorary Treasurer

ARTHRITIS FOUNDATION OF VICTORIA
STATUTORY FINANCIAL STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 $	2012 $
Revenue from rendering of services	5	3,784,990	3,910,128
Revenue from sale of goods		81,755	90,962
Other income	7	254,901	111,364
		4,121,646	4,112,454
Development and business services expenses		(2,239,450)	(2,037,834)
Training and Information Programs		(2,185,100)	(2,012,682)
Policy and research unit expenses		(256,129)	(257,564)
Administration expenses		(185,698)	(228,244)
Operating surplus/(deficit) before finance, specific purpose income/expense,recognition of land as committee of management, and other comprehensive income and expenses		(744,731)	(423,870)
Finance income	6	145,469	187,057
Operating (deficit)surplus before specific purpose and other comprehensive income/expense		(599,262)	(236,813)
Specific purpose income/ (expense)			
Specific purpose revenue		161,921	178,817
Specific purpose finance income			
Specific profit/ (loss) on sale of shares		-	46,869
Specific purpose expenses		(219,589)	(207,230)
Specific Purpose shares and cash returned to trustee		-	(203,943)
		(57,668)	(185,487)
Operating (deficit) surplus for the year before other comprehensive income and expenses		(656,930)	(422,300)
Other comprehensive income			
Net gain on valuation of land and buildings		-	
Net change in fair value of available for sale financial assets		410,936	264,474
Reversal of previous fair value adjustments of available for sale financial assets disposed of during the year	1(a),17		(62,233)
Other comprehensive income/(deficit) for the year		410,936	202,241
Total comprehensive income for the year		(245,994)	(220,059)

ARTHRITIS FOUNDATION OF VICTORIA
STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2013

	Fair value reserve	Asset Revaluation reserve	Research funding reserve	Disease funds reserve	Lupus reserve	Retained earnings	Future reserve	Total equity
	$	$	$	$	$	$	$	$
2012								
Opening balance at 1 January 2012	147,169	498,322	2,495,940	84,710	252,962	2,867,794	1,078,966	7,425,863
Deficit for the year	-	-	-	-	-	(422,300)	-	(422,300)
Bequest cash and cash equivalents in current year, including dividend and interest earned on bequested funds	-	-	225,686	-	-	(225,686)	-	-
Bequests received as shares	-	-	(203,943)	-	-	203,943	-	-
Appropriation to Research Activities	-	-	(207,230)	-	-	207,230	-	-
Profit realised on shares sold-rebalancing portfolio	(62,233)		-	-	-		-	(62,233)
Other Comprehensive income for the year	264,474	-	-	-	-	-	-	264,474
Closing balance at 31 December 2012	349,410	498,322	2,310,453	84,710	252,962	2,630,981	1,078,966	7,205,804
2013								
Opening balance at 1 January 2013	349,410	498,322	2,310,453	84,710	252,962	2,630,981	1,078,966	7,205,804
Deficit for the year	-	-	-	-	-	(656,930)	-	(656,930)
Transfers to retained earnings	-	-	-	(84,710)	-	1,163,676	(1,078,966)	-
Bequest cash and cash equivalents in current year, including dividend and interest earned on bequested funds	-	-	161,921	-	-	(161,921)	-	-
Bequest cash and shares returned to trustee								-
Bequests received as shares	-	-	-	-	-	-	-	-
Appropriation to Research Activities	-	-	(211,890)	-	-	211,890	-	-
								-
								-
Other Comprehensive income								
Other Comprehensive income for the year	410,936	-		-	-	-	-	410,936
Closing balance at 31 December 2013	760,346	498,322	2,260,484	-	252,962	3,187,696	-	6,959,810

The statement of changes in equity is to be read in conjunction with the notes to the financial statements

ARTHRITIS FOUNDATION OF VICTORIA
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	2013 $	2012 $
Current assets			
Cash and cash equivalents	10	3,098,194	4,334,248
Trade and other receivables	11	45,125	53,941
Other investments	12	2,597,918	1,647,265
Inventories	13	4,885	6,253
Total current assets		5,746,122	6,041,707
Non-current assets			
Property, plant and equipment	14	2,061,531	2,060,919
Total non-current assets		2,061,531	2,060,919
Total assets		7,807,653	8,102,626
Current liabilities			
Trade and other payables	15	581,030	658,412
Employee benefits	16	237,853	216,855
Total current liabilities		818,883	875,267
Non-current liabilities			
Employee benefits	16	28,960	21,555
Total non-current liabilities		28,960	21,555
Total liabilities		847,843	896,822
Net assets		6,959,810	7,205,804
Equity			
Fair value reserve	17	760,346	349,410
Asset revaluation reserve	17	498,322	498,322
Research funding reserve	17	2,260,484	2,310,453
Lupus reserve	17	252,962	252,962
Diseases funds reserve	17	-	84,710
Future reserve	17	-	1,078,966
Retained earnings		3,187,696	2,630,981
Total equity		6,959,810	7,205,804

The statement of financial position is to be read in conjunction with the notes to the financial statements

ARTHRITIS FOUNDATION OF VICTORIA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	**2013** **$** **Inflows/(Outflows)**	**2012** **$** **Inflows/(Outflows)**
Cash flows from operating activities			
Cash receipts in the course of operations		4,251,393	4,301,299
Cash payments in the course of operations		(5,009,596)	(4,581,844)
Specific Purpose shares and cash returned to trustee		-	(161,135)
Specific purpose receipts		10,000	-
Specific purpose payments		(219,589)	(207,230)
Net cash from operating activities	*18*	(967,792)	(648,910)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(70,245)	(20,493)
Interest received		149,298	232,579
Acquisition of shares		(495,407)	(612,147)
Sale of Shares		-	528,662
Dividend income		148,092	107,637
Net cash from investing activities		(268,262)	236,238
Cash flows from financing activities		-	-
Repayment of borrowings		-	-
Net cash (used in)/from financing activities		-	-
Net increase in cash and cash equivalents		(1,236,054)	(412,672)
Cash and cash equivalents at 1 January		4,334,248	4,746,920
Cash and cash equivalents at 31 December	*10*	3,098,194	4,334,248

The statement of cash flows is to be read in conjunction with the notes to the financial statements

ARTHRITIS FOUNDATION OF VICTORIA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Reporting entity

Arthritis Foundation of Victoria ("the Foundation") is an entity domiciled in Australia. The financial statements of the Foundation as at and for the year ended 31 December 2013 comprise of the Foundation only. The Foundation is primarily involved in the raising and distribution of funds and services for the benefit of the community with arthritis and arthritis related diseases.

2 Basis of preparation

(a) Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Associations Incorporation Reform Act. 2012 and its associated regulations* The Foundation is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were approved by the Board of Directors on 25 March 2014.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the investments and controlled land and buildings, which are measured at fair value. The method used to measure fair value is discussed further in note 3(n).

(c) Use of estimates and judgments

The preparation of a financial report requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(d) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Foundation's functional currency.

2 Basis of preparation (continued)

(e) Early adoption of Accounting Standard

The Foundation has elected to early adopt the Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053: *Application of Tiers of Australian Accounting Standards* and AASB 2010–2: *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.* Accordingly, the Foundation has also early adopted:

– AASB 2011–2: *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements*;

– AASB 2011–6: *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements*;

– AASB 2011–11: *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements*;

– AASB 2012–1: *Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements*;

– AASB 2012–7: *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*; and

– AASB 2012–11: *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments* except as it relates to:

- the requirements of AASB 10: *Consolidated Financial Statements*, AASB 128: *Investments in Associates and Joint Ventures* and related amendments because these Tier 1 Standards are not yet mandatorily applicable for not-for-profit entities; and
- AASB 2011–4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* because early adoption of amendments to AASB 2011–4 is not permitted.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The Foundation has not elected to early adopt any accounting standards or amendments in the current year, except as described above.

(a) Revenue

Rendering of services
Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Donations and bequests
Donations and bequests are recognised as revenue when received.

3 Significant accounting policies (continued)

(a) Revenue (continued)

Raffle income

Raffles are conducted on behalf of the organisation by an external agency with each raffle subject to an individual contract. It is impracticable for the Foundation to establish control over the collection of income from raffles prior to entry to its financial records. Accordingly revenue is not recognised until it has been banked which is when control has been passed to the organisation. The activities of the agency are governed under the Gambling Regulation (Commercial Raffle Organisers) Regulations 2006, which is incorporated within the Gambling Regulations Act 2003. These regulations are administered by the Victorian Commission for Gambling Regulation. At the same time the Foundation's risk management procedures recognise this situation and the Foundation has organised its activities accordingly.

Finance income and expenses

Finance income comprises interest income on funds invested, dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues, using the effective interest method which for floating rate financial assets is the rate inherent in the instrument. Dividend income is recognised on the date that the Foundation's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Dividend revenue includes franking credits.

Finance expenses comprise interest expense on borrowings and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Government grants

Grants and other contributions are recognised as revenues when the Foundation obtains control over the assets comprising the receipts.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon prior notification that a grant has been secured.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the state of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Goods sold

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated readily, and there is no continuing management involvement with the goods.

Unearned income

Money received for services not yet performed as at the end of the current financial year is recognised as unearned income.

Research expenditures

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

3 Significant accounting policies (continued)

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(c) Inventories

Inventories held for sale are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and 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 selling expenses. Inventories held for distribution are recorded at cost, adjusted where applicable for any loss of service potential. At balance date the Foundation was not holding a material level of inventories for distribution at no cost.

(d) Property, plant and equipment

(i) Controlled land and buildings

The Foundation has responsibility for and control of the Crown land site at Kooyong Road, Elsternwick as delegated by Committee of Management. The controlled land and buildings have been recognised at fair value, based on an independent valuation. The basis of valuation was market value for highest and best use, discounted by 77% in recognition of the restrictions on the use of the property. The building valuation is based on the depreciated replacement cost methodology.

(ii) Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is 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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" in profit or loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Foundation and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3 Significant accounting policies (continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

	2014	2013
• building	40 years	40 years
• plant and equipment	5-12 years	5-12 years
• motor vehicles	5 years	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(e) Leased assets

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. At balance date there were no finance leases.
Other leases are operating leases and the leased assets are not recognised on the Foundation's balance sheet.

(f) Financial instruments

(i) Initial recognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Foundation commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs.

(ii) Classification and subsequent measurement

Financial instruments are subsequently measured at fair value (refer to Note 3(n)), amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade debtors and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Foundation's intention to hold these investments to maturity. They are subsequently measured at amortised cost, less any provision for impairment. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

3 Significant accounting policies (continued)

(ii) Classification and subsequent measurement (continued)

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(g) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

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 original effective interest rate. Losses are recognised in profit and loss and reflected in an allowance against receivables.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

At the end of each reporting period, the entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3 Significant accounting policies (continued)

(h) Employee benefits

(i) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Foundation expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Foundation as the benefits are taken by the employees.

(ii) Other long-term employee benefits

The Foundation's net obligation in respect of long-term employee benefits 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, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on Commonwealth Government bonds that have maturity dates approximating the terms of the Foundation's obligations.

(i) Lease payments

Payments made under operating leases are recognised in profit or loss 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.

(j) Income tax

The Foundation is a charitable organisation and is exempt from income tax under Section 50-5 of the Income Tax Assessment Act 1997.

(k) Directors' emoluments

Directors act in a volunteer capacity and receive no income.

Directors' Insurance

The Foundation arranges insurance cover for current and former directors and officers, including senior executives of the Foundation. The insurance cover relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

(l) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, 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 balance sheet.

GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

3 Significant accounting policies (continued)

(l) Goods and services tax (continued)

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

Management has considered the potential impact of accounting standards issued but not yet operative at balance date and no material impact from the adoption of these standards in a future period is expected

(n) Fair Value Measurement

The Foundation measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Foundation would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, information is extracted from the most advantageous market available to the entity at the reporting date (ie the market that maximises the receipts from the sale of the asset or minimises the payment made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

3 Significant accounting policies (continued)

(o) New and Amended Accounting Policies Adopted by the Foundation

Employee benefits

The Foundation adopted AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The Foundation has applied these Standards retrospectively in accordance with AASB 108 and the transitional provisions in AASB 119 (September 2011).

For the purpose of measurement, AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled. Provisions that do not meet the criteria for classification as short-term employee benefits (ie other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees. Previously, the Foundation had separated provisions for benefits with similar characteristics, such as annual leave and sick leave, into short- and long-term portions, and applied the relevant measurement approach under AASB 119 to the respective portions.

As the Foundation expected that all of its employees would use all their annual leave entitlements earned during a reporting period within 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the Foundation 's employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the Foundation 's financial statements.

AASB 119 (September 2011) also introduced changes to the recognition and measurement requirements applicable to termination benefits and defined benefit plans. The Foundation did not have any of these types of obligations in the current or previous reporting period, therefore these changes did not impact the Foundation 's financial statements.

Fair value measurement

The Foundation has applied AASB 13: Fair Value Measurements, and the relevant consequential amendments arising from the related Amending Standards, prospectively from the mandatory application date of 1 January 2013 in accordance with AASB 108 and the specific transitional requirements in AASB 13.

No material adjustments to the carrying amounts of any of the Foundation 's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures for both assets and liabilities measured at fair value and other recurring fair value measurements disclosed in the Foundation 's financial statements. These enhanced disclosures are provided in Note 20.

The Foundation doesn't need to apply the AASB 13 disclosure requirements to comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013). However, as some of the disclosures now required under AASB 13 were previously required under other Australian Accounting Standards, such as AASB 7: Financial Instruments: Disclosures, the Foundation has included this previously provided information as comparatives in the current reporting period.

4 Financial risk management

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, and leases.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Categories of financial instruments

	2013 $	2012 $
Financial assets		
Cash and cash equivalents	3,098,194	4,334,248
Trade receivables	45,125	53,941
Other investments	2,597,918	1,647,265
	5,741,237	6,041,707
Financial liabilities		
Trade and other payables	581,030	658,412
	581,030	658,412

ARTHRITIS FOUNDATION OF VICTORIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

5 Revenue from rendering of services

	2013 $	2012 $
Membership subscriptions	80,406	74,980
Fundraising and donations	3,413,335	3,618,225
Education and services	291,249	216,923
	3,784,990	3,910,128

6 Finance income and expense

Interest income (excluding specific purpose interest income)	60,293	112,860
Dividend income (excluding specific purpose dividend income)	85,176	48,539
Net gain on disposal of investments (excluding specific purpose)	-	25,658
Finance income	145,469	187,057
Interest expense	-	-
Finance expense	-	-
Net finance income and expense	145,469	187,057

7 Other income

Loss on disposal of property, plant and equipment	(805)	-
Government grants	255,706	111,364
	254,901	111,364

8 Personnel expenses

Wages and salaries	2,223,665	2,189,598
Superannuation guarantee charge	192,860	183,677
Increase in liability for employee entitlements	28,401	13,516
	2,444,926	2,386,791

9 Auditor's remuneration

Audit and other services

Audit and review of financial statements	16,600	16,000
Accounting assistance	-	-
	16,600	16,000

10 Cash and cash equivalents

	2013 $	2012 $
Bank balances	173,584	79,504
Short-term deposits	78,458	517,071
Term deposits	3,183,812	4,065,376
Less: liability arising from funds held in trust (note 24)	(337,660)	(327,703)
	3,098,194	4,334,248

The effective interest rate on short-term deposits was 4.1% (2012: 4.9%) and 2.7% (2012: 4.5%) on Term Deposits

Cash and cash equivalents includes $1,895,157 of reserves committed to specific purposes.

11 Trade and other receivables

	2013 $	2012 $
Current		
Trade receivables	5,735	3,437
Other receivables	39,390	50,504
	45,125	53,941

12 Other investments

	2013 $	2012 $
Listed equity securities, at fair value	2,597,918	1,647,265
	2,597,918	1,647,265

Other investments includes $936,832 of reserves committed to specific purposes.

13 Inventories

	2013 $	2012 $
Inventories, at cost	4,885	6,253
	4,885	6,253

14 Property, plant and equipment

	Controlled Land at fair value $	Controlled Building at fair value $	Land improvements at cost $	Plant and equipment at cost $	Total $
Cost					
Balance at 1 January 2013	1,340,000	1,149,145	-	545,716	3,034,861
Other acquisitions			7,873	62,372	70,245
Disposals		-	-	(17,557)	(17,557)
Balance at 31 December 2013	1,340,000	1,149,145	7,873	590,531	3,087,549
Depreciation					
Balance at 1 January 2013	-	538,000	-	435,942	973,942
Depreciation charge for the year	-	28,645	18	40,165	68,828
Disposals	-	-	-	(16,752)	(16,752)
Balance at 31 December 2013	-	566,645	18	459,355	1,026,018
Carrying amounts					
At 1 January 2013	1,340,000	611,145	-	109,774	2,060,919
At 31 December 2013	1,340,000	582,500	7,855	131,176	2,061,531

Arthritis Victoria has responsibility for and control of the Crown land site at Kooyong Street, Elsternwick as delegated Committee of Management. The fair value of land and buildings has been determined based on a valuation by Sutherland Farrelly Pty Ltd, Certified Practicing Valuers, as at February 2011. The basis of valuation of land was market value for highest and best use, discounted by 77% in recognition of the restrictions on the use of the property. The building valuation is based on the depreciated replacement cost methodology.

ARTHRITIS FOUNDATION OF VICTORIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

15 Trade and other payables

	2013 $	2012 $
Current		
Trade creditors	218,708	167,575
Accrued expenses	263,819	302,461
Unearned income	98,503	188,376
	581,030	658,412

16 Employee benefits

	2013 $	2012 $
Current		
Liability for annual leave	145,403	132,779
Liability for service leave	11,312	7,629
Liability for long service leave	81,138	76,447
	237,853	216,855
Non-current		
Liability for long service leave	28,960	21,555
	28,960	21,555

17 Reserves

Retained Earnings
Retained Earnings represents accumulated surpluses earned. This incorporates monies which had been previously set aside for funding initiatives and monies previously donated to Arthritis Victoria for Arthritis research.
The cumulative balances were transferred from the Future Reserve and the Disease Fund Reserve to Retained Earnings during the year.

Fair value reserve
The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

Asset revaluation reserve
The asset revaluation reserve comprises the cumulative net change in the fair value of non-current assets until the assets are sold or impaired.

Research funding reserve
The research funding reserve relates to monies received, via wills and trusts, for the use in arthritis research and development.

Disease funds reserve
The disease funds reserve relates to monies previously donated to Arthritis Victoria for arthritis research carried out by the Centre for Rheumatic Diseases at Melbourne University. The cumulative balance of this reserve was transferred to Retained Earnings during the year.

Lupus reserve
The Lupus reserve relates to monies received from Lupus Australia which is in voluntary liquidation.The trustees requested Arthritis Victoria to take over it's activities in 2007 as it was no longer able to continue.

Future reserve
The Future reserve sets aside funds based on the intention of the Board of Directors and Management of Arthritis Victoria to use available assets to meet future funding of initiatives necessary to achieve the objectives of Arthritis Victoria. These initiatives could include the acquisition of new plant and equipment, research and the funding of more extensive operations.
The cumulative balance of this reserve was transferred to Retained Earnings during the year.

18 Reconciliation of cash flows from operating activities

	2013 $	2012 $
Cash flows from operating activities		
Operating surplus (deficit) for the period	(656,930)	(422,300)
Adjustments for:		
Loss on sale of property, plant and equipment	805	-
Depreciation	68,828	71,527
Specific purpose shares returned to trustees	-	42,808
Bequests received as shares	(44,308)	(125,815)
Net (gain)/loss on disposal of investments.	-	(72,527)
Interest income	(149,298)	(232,579)
Dividend income	(148,092)	(107,637)
Operating surplus before changes in working capital and provisions	(928,995)	(846,523)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	8,816	190,591
(Increase)/decrease in inventories	1,368	1,650
Increase/(decrease) in accounts payable	(77,386)	(8,144)
(Decrease)/increase in employee benefits	28,405	13,516
Net cash from operating activities	(967,792)	(648,910)

19 Operating leases

Leases as lessee
Non-cancellable operating lease rentals are payable as follows:

Less than one year	12,432	24,000
Between one and five years	-	12,000
	12,432	36,000

The Foundation leases one property under operating leases. The lease was typically run on a monthly renewal basis or for a period of 1 year, with an option to renew the lease at the end of the term. The lease was renewed in 2011 and runs until June 2014.

The Foundation has been granted Committee of Management status in relation the land upon which the building has been built.

20 Fair Value Measurements

The company has the following assets, as set out in the table below, that are measured at fair value on a recurring basis after their initial recognition. Thefoundation does not have any liabilities that are carried at fair value in the statement of financial position and has no assets or liabilities that are measured at fair value on a non-recurring basis.

Recurring fair value measurements			
Financial assets			
Available-for-sale financial assets shares in listed corporations	12 (i)	2,597,918	1,647,265
		2,597,918	1,647,265
Property, plant and equipment			
Controlled land	14 (ii)	1,340,000	1,340,000
Controlled buildings	14 (ii)	582,500	611,145
		1,922,500	1,951,145

(i) For investments in listed shares, the fair values have been determined based on closing quoted bid prices at the end of the reporting period.

(ii) For controlled land and buildings, the fair values are based on an independent valuation as at February 2011. The basis of valuation of land was market value for highest and best use, discounted by 77% in recognition of the restrictions on the use of the property. The building valuation is based on the depreciated replacement cost methodology.

21 Related parties

Key management personnel compensation

The key management personnel compensation included in "personnel expenses" (see note 8) are as follows:

	2013 $	2012 $
Short-term employee benefits	578,861	634,735
Post-employment benefits	51,065	52,840
	629,926	687,575

Mr G Bowll is a director of The Arthritis Foundation of Victoria and also a director of The Starship Pty Ltd. The Starship Pty Ltd provided advertising consulting services to the Foundation on normal commercial terms and conditions.

22 Contingent liabilities

The Foundation has entered into several property operating lease arrangements as set out in note 19. These lease arrangements oblige the Foundation to make-good the premises rented at the end of the respective lease periods. The Foundation presently considers that it is unlikely the estimated costs to be incurred in respect of these obligations will be material to the financial statements.

23 Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Foundation, to affect significantly the operations of the Foundation, the results of those operations, or the state of affairs of the Foundation, in future financial years.

24 Funds managed by the Foundation

Donor	Opening balance at 1/01/13 $	Contributed capital $	Income earned $	Funds disbursed $	Closing balance at 31/12/13 $
Lorin Prentice Award	4,504	-	190.85	(44)	4,651
VLBA Research	108,231	-	4,586.20	(1,066)	111,751
M. Strang Memorial	2,862	-	121.27	(27)	2,956
Dr. Koadlow	71,579	-	3,033.10	(705)	73,907
E. Urquhart	144,040	-	6,103.57	(5,749)	144,395
	331,216	-	14,035	(7,591)	337,660

Funds managed by the Foundation are controlled by the donors' appointees and continuing obligations exist, and on this basis, do not form part of the Foundation's assets and liabilities.

ARTHRITIS FOUNDATION OF VICTORIA

DIRECTORS' DECLARATION

In the opinion of the directors of Arthritis Foundation of Victoria:

(a) the Foundation is a reporting entity;

(b) the financial statements and notes are drawn up, in accordance with Australian Accounting Standards Reduced Disclosure requirements, the basis of accounting described in note 2 and other mandatory reporting requirements, so as to present a true and fair view of the financial position of the Foundation as at 31 December 2013 and its performance, as represented by the results of its operations and cash flows, for the financial year ended on that date;

(c) there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable; and

(d) The financial statements and notes satisfy the requirements of the ACNC Act (ss 60.5 and 60.15 of the ACNC Regulation).

Signed in accordance with a resolution of the directors:

Philip Misso

Judge Philip Misso

President

Jim Dixon

Jim Dixon

Treasurer

Dated at …Melbourne……………............ this …25th… day of March…………….. 2014.

UHY Haines Norton
Chartered Accountants

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF THE ARTHRITIS FOUNDATION OF VICTORIA INC.

Report on the Financial Report

We have audited the accompanying financial report of The Arthritis Foundation of Victoria Inc. (the association) which comprises the Statement of Financial Position as at 31 December 2013, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the Statement by Members of the Committee.

Board's Responsibility for the Financial Report

The Board of the association is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Associations Incorporation Reform Act (Vic) 2012. This responsibility includes such internal control as the committee determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the committee, as well as evaluating the overall presentation of the financial report.

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

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF THE ARTHRITIS FOUNDATION OF VICTORIA INC.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of The Arthritis Foundation of Victoria Inc. for the year ended 31 December 2013 included on the Foundation's website. The Foundation's directors are responsible for the integrity of the Foundation's website. We have not been engaged to report on the integrity of the Foundation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

Opinion

In our opinion the financial report of The Arthritis Foundation of Victoria Inc. is in accordance with Associations Incorporation Reform Act (Vic) 2012, including:

(a) giving a true and fair view of the Association's financial position as at 31 December 2013 and of their performance for the year ended on that date;

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements, the Associations Incorporation Reform Act (Vic) 2012 and Division 60 of the Australian Charities and Not-for-profits Commission Act 2012.

Emphasis of matter

We draw attention to Note 3 (a) to the financial report which describes the revenue recognition policy of the association, including the limitations that exist in relation to the recording of cash receipts from raffle income. Revenue from this source represents a significant proportion of the association's revenue. Our opinion is unmodified in respect of this matter.

UHY Haines Norton

UHY Haines Norton
Chartered Accountants
Melbourne
Date: 27 March 2014

Joella Gould

Joella Gould
Partner

Intelligent choice
Intelligent solutions

Arthritis and Osteoporosis Victoria is the state's peak body for people living with over 150 musculoskeletal conditions. In 2013, there were over 1.5 million Victorians and 6.1 million Australians living with MSK.

Here are some MSK conditions:

Achilles tendonitis
Adhesive capsulitis (frozen shoulder)
Adult-onset Still's disease
Ankylosing spondylitis
Back problems
Baker's cyst
Behçet's syndrome
Bursitis
Carpal tunnel syndrome
Charcot's arthropathy
Chondromalacia patellae
Churg-Strauss vasculitis
CREST syndrome
Crohn's disease
De Quervain's tenosynovitis
Dermatomyositis
Diffuse idiopathic skeletal hyperstosis (DISH)
Discoid lupus erythematosus
Drug-induced lupus erythematosus
Dupuytren's contracture
Ehlers-Danlos syndrome
Felty syndrome
Fibromyalgia
Freiberg's osteochondrosis
Giant cell arteritis
Gout
Henoch-Schönlein purpura
Juvenile dermatomyositis
Juvenile idiopathic arthritis
- Pauciarticular-onset arthritis
- Seronegative polyarticular arthritis
- Seropositive polyarticular arthritis
- Systemic-onset arthritis
- Enthesitis-related arthritis
- Psoriatic juvenile arthritis

Kawasaki disease
Kienböck's disease
Lateral epicondylitis ('tennis elbow')
Low back pain
Medial epicondylitis ('golfer's elbow')
Mixed connective tissue disease and overlap syndromes
Osgood-Schlatter's disease
Osteoarthritis
Osteomalacia
Osteonecrosis
Osteoporosis
Paget's disease of bone
Palindromic rheumatism
Perthes' disease
Plantar fasciitis
Polyarteritis nodosa
Polymyalgia rheumatica
Polymyositis
Pseudogout
Psoriatic arthritis
Raynaud's phenomenon
Reactive arthritis
Rheumatoid arthritis
Ross River and Barmah Forest virus
Rotator cuff disease
Sacroiliitis
Sarcoidosis
Scheuermann's disease
Sciatica
Scleroderma
Septic arthritis
Sever's disease
Sjögren's syndrome
Spinal stenosis
Spondylolysis
Systemic lupus erythematosus (SLE)
Takayasu's arteritis
Tarsal tunnel syndrome
Temporomandibular joint disorders
Trigger finger (flexor tenosynovitis)
Ulcerative colitis
Vasculitis
Wegener's granulomatosis

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