



I'm worth it!

Arthritis
VICTORIA
inc. OSTEOPOROSIS VICTORIA

Financial Report **2014**

Make a Move

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

Our strategic directions 2012–2016

- Creating a sustainable future
- Providing access to evidence-informed services
- Developing highly respected research capability
- Delivering community education
- Influencing systemic change
- Achieving recognition as a health industry leader

Treasurer's Report

In 2014 the Arthritis Foundation of Victoria (The Foundation) maintained its focus on the future by expanding and developing new activities which are in line with future trends in the musculoskeletal area while rationalising other activities. This has been achieved by reorganising the program service area following thorough reviews. At the same time The Foundation reinforced core and specialist capacities in critical areas. The past year was the final year of a three-year investment program designed to strengthen The Foundation's service provision and to broaden the scope of The Foundation's income sources. Disappointingly income from raffles and appeals did not meet expectations whereas progress was made in the areas of corporate giving and government grants.

The Foundation experienced a reduction in total reserves in the year of \$619,447 which comprised of the following major elements:

- deficit on operations of \$692,742 which was largely due to increased investment, as stated above
- reduction of land value of \$90,000 following a revaluation which took into account zoning changes introduced by Glen Eira City Council
- increase in value of buildings \$154,522 following the above valuation
- interest and dividends received totalling \$233,529 from funds designated for general operating use
- interest and dividends received totalling \$152,883. These were derived from funds designated for Specific Purpose use
- Specific Purpose expenses \$364,879
- net increase in the value of the Foundation's share portfolio of \$65,301
- reversal of previous fair value adjustments of shares sold during the year \$78,091

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. 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 \$390,000 in high yielding bank stocks while selling approximately \$350,000 in lower yielding 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 2014 once again reflects the challenging conditions prevailing in the economy and the final year of The Foundation's three-year plan to commit additional expenditure aimed at securing its financial and operational sustainability in the longer term.



Jim Dixon FCPA
Honorary Treasurer

**ARTHRITIS FOUNDATION OF VICTORIA
STATUTORY FINANCIAL STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Note</i>	2014 \$	2013 \$
Revenue from rendering of services	5	3,526,484	3,784,990
Revenue from sale of goods		73,538	81,755
Other income	7	343,589	254,901
		<u>3,943,611</u>	<u>4,121,646</u>
Development and business services expenses		(2,237,773)	(2,222,015)
Training and Information Programs		(1,990,061)	(2,167,665)
Policy and research unit expenses		(140,847)	(256,129)
Administration expenses		<u>(267,672)</u>	<u>(220,568)</u>
Operating surplus/(deficit) before finance, specific purpose income/expense, recognition of land as committee of management, and other comprehensive income and expenses		(692,742)	(744,731)
Finance income	6	233,529	145,469
		<u>(459,213)</u>	<u>(599,262)</u>
Operating (deficit) surplus before specific purpose and other comprehensive income/expense			
Specific purpose income/ (expense)			
Specific purpose revenue		152,883	161,921
Specific purpose finance income			
Specific profit/ (loss) on sale of shares		-	-
Specific purpose expenses		(364,879)	(219,589)
Specific Purpose shares and cash returned to trustee		-	-
		<u>(211,996)</u>	<u>(57,668)</u>
Land at Kooyong Road, revaluation decrement	14	<u>(90,000)</u>	<u>-</u>
Operating (deficit) surplus for the year before other comprehensive income and expenses		<u>(761,209)</u>	<u>(656,930)</u>
Other comprehensive income			
Net gain on valuation of land and buildings		154,552	0
Net change in fair value of available for sale financial assets		65,301	410,936
Reversal of previous fair value adjustments of available for sale financial assets disposed of during the year	1(a), 17	(78,091)	
Other comprehensive income/(deficit) for the year		<u>141,762</u>	<u>410,936</u>
Total comprehensive income for the year		<u>(619,447)</u>	<u>(245,994)</u>

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

**ARTHRITIS FOUNDATION OF VICTORIA
STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2014**

	Fair value reserve	Asset Revaluation reserve	Research funding reserve	Disease funds reserve	Lupus reserve	Retained earnings	Future reserve	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
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	-	-	-	-	-	(658,930)	-	(658,930)
Transfers to retained earnings	-	-	-	(84,710)	-	1,163,678	(1,078,966)	-
Bequest cash and cash equivalents in current year, including dividend and interest earned on bequested funds	-	-	161,921	-	-	(161,921)	-	-
Bequests received as shares	-	-	-	-	-	-	-	-
Appropriation to Research Activities	-	-	(211,890)	-	-	211,890	-	-
Profit realised on shares sold-rebalancing portfolio	-	-	-	-	-	-	-	-
Other Comprehensive Income for the year	410,935	-	-	-	-	-	-	410,935
Closing balance at 31 December 2013	760,346	498,322	2,260,484	-	252,962	3,187,696	-	6,959,810
2014								
Opening balance at 1 January 2014	760,346	498,322	2,260,484	-	252,962	3,187,696	-	6,959,810
Deficit for the year	-	-	-	-	-	(761,209)	-	(761,209)
Transfers to retained earnings	-	-	-	-	-	-	-	-
Bequest cash and cash equivalents in current year, including dividend and interest earned on bequested funds	-	-	132,479	-	-	(132,479)	-	-
Bequest cash and shares returned to trustee	-	-	-	-	-	-	-	-
Bequests received as shares	-	-	-	-	-	-	-	-
Appropriation to Research Activities	-	-	(364,879)	-	-	364,879	-	-
Other Comprehensive Income	(12,790)	154,552	-	-	-	-	-	141,762
Other Comprehensive Income for the year	(12,790)	154,552	-	-	-	-	-	141,762
Closing balance at 31 December 2014	747,556	652,874	2,028,084	-	252,962	2,656,887	-	6,340,363

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 2014**

	<i>Note</i>	2014 \$	2013 \$
Current assets			
Cash and cash equivalents	10	1,839,901	3,098,194
Trade and other receivables	11	62,225	45,125
Other investments	12	2,806,021	2,597,918
Inventories	13	7,800	4,885
Total current assets		<u>4,715,947</u>	<u>5,746,122</u>
Non-current assets			
Property, plant and equipment	14	<u>2,245,809</u>	<u>2,061,531</u>
Total non-current assets		<u>2,245,809</u>	<u>2,061,531</u>
Total assets		<u>6,961,756</u>	<u>7,807,653</u>
Current liabilities			
Trade and other payables	15	395,721	581,030
Employee benefits	16	190,293	237,853
Total current liabilities		<u>586,014</u>	<u>818,883</u>
Non-current liabilities			
Employee benefits	16	<u>35,379</u>	<u>28,960</u>
Total non-current liabilities		<u>35,379</u>	<u>28,960</u>
Total liabilities		<u>621,393</u>	<u>847,843</u>
Net assets		<u>6,340,363</u>	<u>6,959,810</u>
Equity			
Fair value reserve	17	747,556	760,346
Asset revaluation reserve	17	652,874	498,322
Research funding reserve	17	2,028,084	2,260,484
Lupus reserve	17	252,962	252,962
Diseases funds reserve	17	-	-
Future reserve	17	-	-
Retained earnings		2,658,887	3,187,696
Total equity		<u>6,340,363</u>	<u>6,959,810</u>

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 2014**

	Note	2014 \$ Inflows/(Outflows)	2013 \$ Inflows/(Outflows)
Cash flows from operating activities			
Cash receipts in the course of operations		4,125,646	4,251,393
Cash payments in the course of operations		(5,098,706)	(5,009,596)
Specific Purpose shares and cash returned to trustee		-	-
Specific purpose receipts		20,404	10,000
Specific purpose payments		(364,879)	(219,589)
Net cash from operating activities	18	(1,317,535)	(967,792)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(164,131)	(70,245)
Interest received		92,068	149,298
Acquisition of shares		(400,102)	(495,407)
Proceeds from sale of investments		349,019	-
Dividend income		182,388	148,092
Net cash from investing activities		59,242	(268,262)
Cash flows from financing activities			
Repayment of borrowings		-	-
Net cash (used in)/from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(1,258,293)	(1,236,054)
Cash and cash equivalents at 1 January		3,098,194	4,334,248
Cash and cash equivalents at 31 December	10	1,839,901	3,098,194

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 2014

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 2014 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), the *Associations Incorporations Reform Act* and the *Australian Charities and Not-for-profits Commission Act 2012*. 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 24 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 affects 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.

ARTHRITIS FOUNDATION OF VICTORIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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.

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.

ARTHRITIS FOUNDATION OF VICTORIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

3 Significant accounting policies (continued)

(a) Revenue (continued)

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.

(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 74% 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 2014

3 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(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.

(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.

**ARTHRITIS FOUNDATION OF VICTORIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3 Significant accounting policies (continued)

(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.

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.

**ARTHRITIS FOUNDATION OF VICTORIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3 Significant accounting policies (continued)

(i) Financial assets (continued)

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.

(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.

**ARTHRITIS FOUNDATION OF VICTORIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3 Significant accounting policies (continued)

(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.

(l) Goods and services tax

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.

ARTHRITIS FOUNDATION OF VICTORIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

3 Significant accounting policies (continued)
(n) Fair Value Measurement (continued)

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.

ARTHRITIS FOUNDATION OF VICTORIA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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 accounts payable
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

	2014	2013
	\$	\$
Financial assets		
Cash and cash equivalents	1,839,901	3,098,194
Trade receivables	62,225	45,125
Other investments	2,806,021	2,597,918
	<u>4,708,147</u>	<u>5,741,237</u>
Financial liabilities		
Trade and other payables	395,721	581,030
	<u>395,721</u>	<u>581,030</u>

5 Revenue from rendering of services

Membership subscriptions	81,445	80,406
Fundraising and donations	3,232,436	3,378,962
Education and services	212,603	325,622
	<u>3,526,484</u>	<u>3,784,990</u>

6 Finance income and expense

Interest income (excluding specific purpose interest income)	25,280	60,293
Dividend income (excluding specific purpose dividend income)	116,697	85,176
Net gain on disposal of investments (excluding specific purpose)	91,552	-
Finance income	<u>233,529</u>	<u>145,469</u>
Interest expense	-	-
Finance expense	-	-
Net finance income and expense	<u>233,529</u>	<u>145,469</u>

7 Other income

Loss on disposal of property, plant and equipment	-	(805)
Government grants	343,589	255,706
	<u>343,589</u>	<u>254,901</u>

ARTHRITIS FOUNDATION OF VICTORIA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

8 Personnel expenses

Wages and salaries	2,237,328	2,223,665
Superannuation guarantee charge	203,710	192,860
Increase in liability for employee entitlements	(41,141)	28,401
	<u>2,399,897</u>	<u>2,444,926</u>

9 Auditor's remuneration

Audit and other services

Audit and review of financial statements	16,000	16,600
Accounting assistance	-	-
	<u>16,000</u>	<u>16,600</u>

ARTHRITIS FOUNDATION OF VICTORIA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

10 Cash and cash equivalents	2014	2013
	\$	\$
Bank balances	112,038	173,584
Short-term deposits	139,961	78,458
Term deposits	1,937,244	3,183,812
Less: liability arising from funds held in trust (note 24)	<u>(349,342)</u>	<u>(337,660)</u>
	<u><u>1,839,901</u></u>	<u><u>3,098,194</u></u>

The effective interest rate on short-term deposits was 3.1% (2013: 4.1%) and 2.9% (2013: 2.7%) on Term Deposits

Cash and cash equivalents includes \$1,293,857 of reserves committed to specific purposes.

11 Trade and other receivables

Current

Trade receivables	4,120	5,735
Other receivables	58,105	39,390
	<u>62,225</u>	<u>45,125</u>

12 Other investments

Listed equity securities, at fair value	<u>2,806,021</u>	<u>2,597,918</u>
	<u><u>2,806,021</u></u>	<u><u>2,597,918</u></u>

Other investments includes \$987,189 of reserves committed to specific purposes.

13 Inventories

Inventories, at cost	<u>7,800</u>	<u>4,885</u>
	<u><u>7,800</u></u>	<u><u>4,885</u></u>

ARTHRITIS FOUNDATION OF VICTORIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

14 Property, plant and equipment

	Controlled Land at fair value \$	Controlled Building at fair value \$	Land improvements at cost \$	Plant and equipment at cost \$	Work in progress at cost \$	Total \$
Cost						
Balance at 1 January 2014	1,340,000	1,149,145	7,873	590,531	-	3,087,549
Other acquisitions	-	-	-	6,981	189,575	196,556
Transfers	-	59,943	(7,873)	(52,070)	-	-
Disposals	-	-	-	-	-	-
Revaluation	(90,000)	90,912	-	-	-	912
Balance at 31 December 2014	<u>1,250,000</u>	<u>1,300,000</u>	<u>-</u>	<u>545,442</u>	<u>189,575</u>	<u>3,285,017</u>

Depreciation

Balance at 1 January 2014	-	566,645	18	459,355	-	1,026,018
Depreciation charge for the year	-	28,366	396	48,078	-	76,830
Transfers	-	18,639	(414)	(18,225)	-	-
Disposals	-	-	-	-	-	-
Revaluation	-	(63,640)	-	-	-	(63,640)
Balance at 31 December 2014	<u>-</u>	<u>550,000</u>	<u>-</u>	<u>489,208</u>	<u>-</u>	<u>1,039,208</u>

Carrying amounts

At 1 January 2014	<u>1,340,000</u>	<u>582,500</u>	<u>7,855</u>	<u>131,176</u>	<u>-</u>	<u>2,061,531</u>
At 31 December 2014	<u>1,250,000</u>	<u>750,000</u>	<u>-</u>	<u>56,234</u>	<u>189,575</u>	<u>2,245,809</u>

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 Practising Valuers, as at September 2014. The basis of valuation of land was market value for highest and best use, discounted by 74% 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 2014

15 Trade and other payables

	2014 \$	2013 \$
Current		
Trade creditors	39,414	218,708
Accrued expenses	251,521	263,819
Unearned income	104,786	98,503
	<u>395,721</u>	<u>581,030</u>

16 Employee benefits

Current		
Liability for annual leave	128,657	145,403
Liability for service leave	8,008	11,312
Liability for long service leave	53,628	81,138
	<u>190,293</u>	<u>237,853</u>
Non-current		
Liability for long service leave	35,379	28,960
	<u>35,379</u>	<u>28,960</u>

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

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.

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.

ARTHRITIS FOUNDATION OF VICTORIA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

18 Reconciliation of cash flows from operating activities

	2014	2013
	\$	\$
Cash flows from operating activities		
Operating surplus (deficit) for the period	(761,209)	(656,930)
<i>Adjustments for:</i>		
Loss on sale of property, plant and equipment	-	805
Depreciation	76,830	68,828
Revaluation decrement	90,000	-
Bequests received as shares	(78,258)	(44,308)
Net (gain)/loss on disposal of investments.	(91,552)	-
Interest income	(92,068)	(149,298)
Dividend income	(182,388)	(148,092)
Operating surplus before changes in working capital and provisions	<u>(1,038,645)</u>	<u>(928,995)</u>
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in receivables	(17,100)	8,816
(Increase)/decrease in inventories	(2,915)	1,368
Increase/(decrease) in accounts payable	(217,736)	(77,386)
(Decrease)/increase in employee benefits	(41,139)	28,405
Net cash from operating activities	<u><u>(1,317,535)</u></u>	<u><u>(967,792)</u></u>

19 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Less than one year	-	12,432
Between one and five years	-	-
	<u>-</u>	<u>12,432</u>

The Foundation leased one property under an operating lease. 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 expired June 2014 and was not renewed.

The Foundation has been granted Committee of Management status in relation to 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. The foundation 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)	
	<u>2,806,021</u>	<u>2,597,918</u>
	<u>2,806,021</u>	<u>2,597,918</u>

Property, plant and equipment

Controlled land	14 (ii)	1,250,000	1,340,000
Controlled buildings	14 (ii)	<u>750,000</u>	<u>582,500</u>
		<u>2,000,000</u>	<u>1,922,500</u>

(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 September 2014. The basis of valuation of land was market value for highest and best use, discounted by 74% 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 2014**

21 Related parties

Key management personnel compensation

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

	2014 \$	2013 \$
Short-term employee benefits	747,691	758,312
Post-employment benefits	69,501	66,794
	<u>817,192</u>	<u>825,106</u>

22 Contingent liabilities

As at 31 December 2014, the Foundation has no contingent liabilities.

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 1/01/14 \$	Contributed capital \$	Income earned \$	Funds disbursed \$	Closing balance at 31/12/14 \$
Lorin Prentice Award	4,651	-	1,178	(22)	5,807
VLBA Research	111,751	-	4,297	(430)	115,618
M. Strang Memorial	2,956	-	113	(11)	3,058
Dr. Koadlow	73,907	-	2,842	(284)	76,465
E. Urquhart	144,395	-	4,551	(552)	148,394
	<u>337,660</u>	-	<u>12,981</u>	<u>(1,299)</u>	<u>349,342</u>

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:

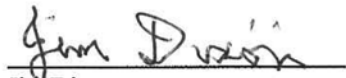
- (a) the Foundation is a reporting entity;
- (b) the financial statements and notes are drawn up, in accordance with Australian Accounting Standards Reduced Disclosure requirements, the basis of accounting described in note 2 and other mandatory reporting requirements, so as to present a true and fair view of the financial position of the Foundation as at 31 December 2014 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 Australian Charities and Not-For-Profits Commission Act 2012 (ss 60.5 and 60.15 of the ACNC Regulation).

Signed in accordance with a resolution of the directors:



Duncan Langdon

President



Jim Dixon

Treasurer

Dated at Melbourne this 24th day of March 2015.

**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 2014, 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, the *Associations Incorporation Reform Act (Vic) 2012* and the *Australian Charities and Not-for-Profits Commission Act 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.

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 2014 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.

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

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements and the *Australian Charities and Not-For-Profits Commission Act 2012*.

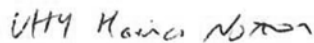
Opinion

In our opinion the financial report of The Arthritis Foundation of Victoria Inc. is in accordance with *Associations Incorporation Reform Act (Vic) 2012* and the *Australian Charities and Not-For-Profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Association's financial position as at 31 December 2014 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 the *Australian Charities and Not-for-profits Commission Regulations 2013*.

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
Chartered Accountants
Melbourne
Date: 25 March 2015

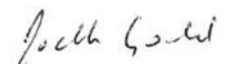

Joella Gould
Partner

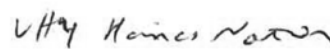
AUDITOR'S INDEPENDENCE DECLARATION

To the Board of Directors of the Arthritis Foundation of Victoria Inc.:

As Engagement Partner for the audit of the Arthritis Foundation of Victoria Inc. for the year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a. No contraventions of the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit.


Joella Gould
Partner
Melbourne
Date: 24 March 2015


UHY Haines Norton
Chartered Accountants

Arthritis and Osteoporosis Victoria is the state peak body for people living with over 150 muscle, bone and joint conditions

Here are some of them:

Achilles tendonitis	Freiberg's osteochondrosis	Osgood-Schlatter's disease	Sever's disease
Adhesive capsulitis (frozen shoulder)	Giant cell arteritis	Osteoarthritis	Sjögren's syndrome
Adult-onset Still's disease	Gout	Osteomalacia	Spinal stenosis
Ankylosing spondylitis	Henoch-Schönlein purpura	Osteonecrosis	Spondylolysis
Back problems	Juvenile dermatomyositis	Osteoporosis	Systemic lupus erythematosus (SLE)
Baker's cyst	Juvenile idiopathic arthritis	Paget's disease of bone	Takayasu's arteritis
Behçet's syndrome	<ul style="list-style-type: none">• Pauciarticular-onset arthritis	Palindromic rheumatism	Tarsal tunnel syndrome
Bursitis	<ul style="list-style-type: none">• Seronegative polyarticular arthritis	Perthes' disease	Temporomandibular joint disorders
Carpal tunnel syndrome	<ul style="list-style-type: none">• Seropositive polyarticular arthritis	Plantar fasciitis	Trigger finger (flexor tenosynovitis)
Charcot's arthropathy	<ul style="list-style-type: none">• Systemic-onset arthritis	Polyarteritis nodosa	Ulcerative colitis
Chondromalacia patellae	<ul style="list-style-type: none">• Enthesitis-related arthritis	Polymyalgia rheumatica	Vasculitis
Churg-Strauss vasculitis	<ul style="list-style-type: none">• Psoriatic juvenile arthritis	Polymyositis	Wegener's granulomatosis
CREST syndrome	Kawasaki disease	Pseudogout	
Crohn's disease	Kienböck's disease	Psoriatic arthritis	
De Quervain's tenosynovitis	Lateral epicondylitis ('tennis elbow')	Raynaud's phenomenon	
Dermatomyositis	Low back pain	Reactive arthritis	
Diffuse idiopathic skeletal hyperostosis (DISH)	Medial epicondylitis ('golfer's elbow')	Rheumatoid arthritis	
Discoid lupus erythematosus	Mixed connective tissue disease and overlap syndromes	Ross River and Barmah Forest virus	
Drug-induced lupus erythematosus		Rotator cuff disease	
Dupuytren's contracture		Sacroiliitis	
Ehlers-Danlos syndrome		Sarcoidosis	
Felty syndrome		Scheuermann's disease	
Fibromyalgia		Sciatica	
		Scleroderma	
		Septic arthritis	

Leave a bequest and a lasting legacy

To find out more, contact our
bequest team on **1800 263 265** or
email us at afv@arthritisvic.org.au



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