National Heart Foundation of New Zealand

Consolidated financial statements for the year ended 30 June 2021

Contents

Consolidated statement of comprehensive revenue and expense

For the year ended 30 June 2021
in New Zealand Dollars

	Note	2021 $ 000	2020 $ 000 Restated
Revenue			
Fundraising and lottery ticket sales		11,658	8,652
Donations and legacies		10,326	10,140
Contract services		3,784	4,122
Investment income	7	7,863	860
Other income		534	1,493
Total revenue	2	**34,165**	**25,267**
Direct expenses	3	(13,458)	(12,769)
Net operating surplus		**20,707**	**12,498**
Expenditure			
Research - grants & administration		(4,862)	(3,716)
Public Health		(3,384)	(3,700)
Pacific Heartbeat		(1,124)	(1,088)
Heart Healthcare		(3,508)	(3,411)
Programme support		(4,419)	(4,747)
Depreciation and amortisation	9	(369)	(401)
Total expenditure	3	**(17,666)**	**(17,063)**
Net (loss)/surplus for the year		**3,041**	**(4,565)**

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This statement is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated statement of financial position

As at 30 June 2021
in New Zealand Dollars

	Note	2021 $ 000	2020 $ 000 Restated
Assets			
Cash and cash equivalents	4	5,036	8,100
Prepayments	5	5,902	6,828
Trade and other receivables	6	540	618
Investments	7, 8	182	2,121
Inventories		27	32
Total current assets		**11,687**	**17,699**
Investments	7, 8	49,290	37,791
Property, plant and equipment	9	3,215	3,275
Total non-current assets		**52,505**	**41,066**
Total assets		**64,192**	**58,765**
Liabilities			
Trade and other payables	10	3,462	2,122
Unearned income	11	2,348	1,829
Employee entitlements	12	621	646
Provisions	13	4,393	3,841
Total current liabilities		**10,824**	**8,438**
Total liabilities		**10,824**	**8,438**
Net assets		**53,368**	**50,327**
Equity			
Retained earnings		53,368	50,327
		53,368	**50,327**

For and on behalf of National Heart Foundation of New Zealand

W Fletcher	M T Tomlinson
Director	Chairman
Date 3 November 2021	Date 3 November 2021

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This statement is to be read in conjunction with the notes to the consolidated financial statements.

Consolidated statement of changes in members' equity

For the year ended 30 June 2021
in New Zealand Dollars

	Retained earnings $ 000	Fair value reserve $ 000	Total members' equity $ 000
Balance at 1 July 2019	**40,261**	**14,633**	**54,894**
(Loss)/Surplus for the year	(86)		(86)
Other comprehensive income (loss)		(1,141)	(1,141)
	40,175	**13,492**	**53,667**
Adjustment on initial application of PBE IPSAS 41	13,492	(13,492)	-
Adjustment on change in accounting policy - SaaS	(3,340)		(3,340)
Restated Balance at 30 June 2020	**50,327**	**-**	**50,327**
Balance at 1 July 2020	**50,327**	**-**	**50,327**
(Loss)/Surplus for the year	3,041		3,041
Balance at 30 June 2021	**53,368**	**-**	**53,368**

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Consolidated statement of cash flows

For the year ended 30 June 2021
in New Zealand Dollars

	Note	2021 $ 000	2020 $ 000
Fundraising activities, donations & legacies		22,403	19,047
Contract and other services		3,784	4,122
Interest received		568	445
Dividends received		232	573
Other income		535	1,494
Net GST (paid)/received		(31)	(88)
Direct expenses for operating income generation		(11,913)	(13,371)
Research and health services		(12,325)	(11,720)
Other operating and administration		(3,839)	(4,391)
Net cash flows from operating activities		**(586)**	**(3,889)**
Sale of Fair Value Through Surplus/Deficit financial assets		32,984	4,825
Redemption of investments carried at amortised cost		4,060	10,858
Purchase of Fair Value Through Surplus/Deficit financial assets		(35,943)	(361)
Purchase of investments carried at amortised cost		(3,270)	(5,025)
Purchase of property, plant and equipment		(309)	(329)
Net cash flows from investing activities		**(2,478)**	**9,968**
Net cash flows from financing activities		**-**	**-**
Net increase/(decrease) in cash held		**(3,064)**	**6,079**
Cash at the beginning of the year		8,100	2,021
Cash at the end of the year	**4**	**5,036**	**8,100**

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Notes to the consolidated financial statements

1 Overview

a Reporting Entity

The reporting entity, known as the Foundation, comprises The National Heart Foundation of New Zealand, the Trust for the Chair in Cardiovascular Studies and the Heart Health Research Trust, together referred to as the "Group". The National Heart Foundation is a charitable trust based in Auckland, which is incorporated under the Charitable Trusts Act 1957 and registered under the Charities Act 2005 (registration number CC23052).

The National Heart Foundation of New Zealand is engaged in:
• funding research activities, including the provision of grants for post-graduate study
• the delivery of health promotion services to improve the heart health of New Zealand residents
• the improvement of the nutritional aspects of the food supply
• raising funds to pursue its charitable objectives.

The consolidated financial statements of the Foundation are for the 12 month period ended 30 June 2021. The consolidated financial statements were authorised for issue by the board of directors on the date recorded on page 4.

Significant Accounting Policies

b Basis of preparation

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). For the purposes of financial reporting they comply with PBE Accounting Standards Not-For-Profit and Tier 2 reduced disclosure concessions have been applied.

The Foundation is a Tier 2 entity as it has total annual expenses greater than $2 million but less than $30 million in the two preceding reporting periods. In the 2021 year the Foundation had total annual expenses of $31.1m.

The consolidated financial statements are presented in New Zealand Dollars ($), which is the Foundation's functional currency, rounded to the nearest thousand, and have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value.

The consolidated statement of cash flows has been prepared using the direct method. The consolidated financial statements are prepared on an accrual basis.

The accounting policies set out below have been applied in preparing the consolidated financial statements for the year ended 30 June 2021.

Certain prior year balances have been reclassified to ensure consistency with current year's presentation.

c Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with PBE Accounting Standards Tier 2 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

d Change in Significant Accounting Policies

(i) Software-as-a-Service (SaaS) Arrangements

The International Financial Reporting Standards Interpretation Committee (IFRIC) has issued two final agenda decisions which impact SaaS arrangements

- Customer's right to receive access to the supplier's software hosted on the cloud (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.

- Configuration or customisation costs in a cloud computing arrangement (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group's accounting policy has historically been to capitalise all costs related to SaaS arrangements as intangible assets in the Statement of Financial Position. The adoption of the above agenda decisions has resulted in a recognition of these intangible assets as an expense in the Statement of Comprehensive Revenue and Expenses, impacting both the current and/or prior periods presented.

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Notes to the consolidated financial statements (continued)

1 Overview (continued)

d Change in Significant Accounting Policies (Continued)

(i) Software-as-a-Service (SaaS) Arrangements (continued)

The new accounting for SaaS arrangements is described below.
SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as an expense over the period of the service contract	Annual License Fee for use of application software
Recognise as an operating expense as the service is received	— Configuration cost — Implementation cost — Data conversion — Migration cost — Testing Cost — Training cost

Restatement

Historical financial information has been restated to account for the impact of the change in accounting policy in relation to SaaS arrangements, as follows:

Consolidated Statement of financial position

Financial Statement Caption	**Reported in 30/6/2020 $000 (NZD)**	**Restatement Adjustment $000 (NZD)**	**Restated Balance 30/6/2020 $000 (NZD)**
Intangible Assets	3,340	(3,340)	-
Total Non-Current Assets	44,406	(3,340)	41,066
Total Assets	62,105	(3,340)	58,765
Retained Earnings	53,667	(3,340)	50,327
Net Assets	53,667	(3,340)	50,327

Consolidated Statement of comprehensive revenue and expenses

Financial Statement Caption	**Reported in 30/6/2020 $000 (NZD)**	**Restatement Adjustment $000 (NZD)**	**Restated Balance 30/6/2020 $000 (NZD)**
Direct Expenses	(10,888)	(1,881)	(12,769)
Public Health	(2,880)	(820)	(3,700)
Heart Healthcare	(2,689)	(722)	(3,411)
Programme Support	(4,726)	(21)	(4,747)
Depreciation and amortisation	(505)	104	(401)

Notes to the consolidated financial statements (continued)

1 Overview (continued)

Consolidated Statement of of Cash flow

Financial Statement Caption	Reported in 30/6/2020 $000 (NZD)	Restatement Adjustment $000 (NZD)	Restated Balance 30/6/2020 $000 (NZD)
Direct expenses for operating income generation	(12,093)	(1,278)	(13,371)
Research and health services	(10,442)	(1,278)	(11,720)
Net Cash flows from operating activities	(1,333)	(2,556)	(3,889)
Purchase of intangible assets	(2,556)	2,556	-
Net cash flows from investing activities	7,412	2,556	9,968

(ii) Financial Instrument

The Group has early adopted PBE IPSAS 41 Financial Instruments for the year ended 30 June 2021. This new standard is effective for periods beginning on or after 1 January 2022, however the Group has elected to early adopt this standard from financial reporting period starting from 01 July 2020.
PBE IPSAS 41 establishes requirements for the recognition and measurement of financial instruments by Tier 1 and Tier 2 public benefit entities. PBE IPSAS 41 supersedes PBE IPSAS 29 Financial Instruments, which was previously applied by the Group.
The new standard introduced a number of changes to the recognition and measurement of financial instruments including new classification and measurements for financial assets, new hedging accounting arrangements and a new impairment model for financial assets. The New Zealand Accounting Standards Board (NZASB) decided to issue PBE IPSAS 41 and withdraw PBE IFRS 9 and IPSAS 29 to align the requirements in PBE standards with the most recent IPSAS and equivalent NZ IFRS. In case of disclosure requirements, the NZASB has amended PBE IPSAS 30 Financial Instruments: Disclosures to include the disclosure concessions for Tier 2 entities, aligning to the equivalent requirements in NZ IFRS.
- Classification and Measurement of Financial Assets and Financial Liabilities

PBE IPSAS 41 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive revenue and expense (FVOCRE) and fair value through surplus or deficit (FVTSD). The classification of financial assets under PBE IPSAS 41 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. PBE IPSAS 41 eliminates the previous PBE IPSAS 29 categories of held to maturity, loans and receivables and available for sale. Under PBE IPSAS 41, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.
The adoption of PBE IPSAS 41 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments).
For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under PBE IPSAS 41, see Note 7.
The following table and the accompanying notes below explain the original measurement categories under PBE IPSAS 29 and the new measurement categories under PBE IPSAS 41 for each class of the Group's financial assets and financial liabilities as at 1 July 2020. The effect of adopting PBE IPSAS 41 on the carrying amounts of financial assets at 1 July 2020 relates solely to the change in recognition and measurement of equity investments from available for sale to fair value through surplus or deficit due to the consideration of the business model of such investments.

Financial Instruments	Original Classification under PBE IPSAS 29	New Classification under PBE IPSAS 41	Original Carrying Value $000 (NZD)	New Carrying Value $000 (NZD)
Equity investment	Available for Sale	Fair Value through surplus or deficit	35,246	35,246
Fixed interest	Held to maturity	Amortised cost	2,737	2,737
Term Deposits	Loans and receivables	Amortised cost	1,929	1,929
Cash and Cash Equivalents	Loans and receivables	Amortised cost	8,100	8,100
Trade receivables	Loans and receivables	Amortised cost	426	426
Trade payables	Other financial liabilities	Other financial liabilities	1,612	1,612

Further to the above, as a result of change in classification and measurement of equity investment, the following were restated.

Notes to the consolidated financial statements (continued)

1 Overview (continued)

Consolidated Statement of changes in the member's equity

Financial Statement Caption	**Reported in 30/6/2020 $000 (NZD)**	**Restatement Adjustment $000 (NZD)**	**Restated Balance 30/6/2020 $000 (NZD)**
Fair value reserves	13,492	(13,492)	-
Retained earnings	40,175	13,492	53,667
Total Members equity	53,667	-	53,667

Other Comprehensive Revenue and Expenses

Financial Statement Caption	**Reported in 30/6/2020 $000 (NZD)**	**Restatement Adjustment $000 (NZD)**	**Restated Balance 30/6/2020 $000 (NZD)**
Net changes in fair value of available-for-sale financial assets	(1,141)	1,141	-
Total other comprehensive revenue and expenses for the year	(1,141)	1,141	-

The fair value movement, investment income are reported in one financial statement caption in the consolidated statement of comprehensive income and the investment balances are presented under one financial statement caption, in the consolidated statement of financial position therefore a restatement is not required in regards to investment income and carrying value of the investment. However, the following disclosure were restated under Note 07;

Investment Income	**Reported in 30/6/2020 $000 (NZD)**	**Restatement Adjustment $000 (NZD)**	**Restated Balance 30/6/2020 $000 (NZD)**
Interest income from assets carried at amortised cost	372	-	372
Dividend Income from equity investment carried at FVTSD	951	-	951
Change in fair value of equity investment carried at FVTSD	-	(1,141)	(1,141)

Non-Current Investments	**Reported in 30/6/2020 $000 (NZD)**	**Restatement Adjustment $000 (NZD)**	**Restated Balance 30/6/2020 $000 (NZD)**
Fixed Interest investment – held to maturity	372	(372)	-
Equity securities – available for sale	951	(951)	-
Investment carried Amortised Cost	-	2,545	2,545

Current Investments	**Reported in 30/6/2020 $000 (NZD)**	**Restatement Adjustment $000 (NZD)**	**Restated Balance 30/6/2020 $000 (NZD)**
Fixed Interest investment – held to maturity	2,121	(2,121)	-
Investment carried at Amortised Cost	-	2,121	2,121
Fair value through surplus or deficit – Equity investments	-	35,246	35,246

- Impairment of financial assets

PBE IFRS 9 replaces the 'incurred loss' model in PBE IPSAS 29 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCRE, but not to investments in equity instruments

No material impairment noted on the carrying value of the fixed interest investment, term deposits and cash and cash equivalent balances.

- Transition

The changes in accounting policies resulting from the adoption of PBE IPSAS 41 have been applied retrospectively.

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Notes to the consolidated financial statements (continued)

1 Overview (continued)

e Basis of consolidation

The consolidated financial statements includes the National Heart Foundation of New Zealand (NHF), the Trust for the Chair of Cardiovascular Studies (CVS) and the Heart Health Research Trust (HHRT). All three entities are registered Charitable Trusts.

NHF appoints the Trustees of CVS and HHRT and therefore has control over these entities.

On that basis consolidated financial statements for the group are prepared. All significant intra-group transactions and balances are eliminated on consolidation.

f Impairment

Property, plant and equipment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through use or sale. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive revenue and expense.

Receivables

Receivables are assessed for impairment at each balance date. If there is objective evidence of impairment, an impairment loss is recognised in the consolidated statement of comprehensive revenue and expense.

g Taxes

The Foundation is wholly exempt from New Zealand income tax having fully complied with all statutory conditions for these exemptions. Withholding and other taxes deducted at source from investments income on overseas investments are applied against the respective income in the consolidated statement of comprehensive revenue and expense. The consolidated statement of comprehensive revenue and expense has been prepared so that all components are stated exclusive of GST. All items in the consolidated statement of financial position are stated net of GST, with the exception of receivables and payables, which are stated inclusive of GST.

h Volunteer services

Volunteer services provided at a discount or at no cost are not recognised in the consolidated statement of revenue and expense because they cannot be measured reliably. Donated services and other forms of assistance provided to the Foundation are acknowledged elsewhere in the annual report.

i Research projects and grants

All grant applications are evaluated based on the their alignment to the purpose of the Heart Foundation. The Foundation makes the following categories of award:

Project Grants

• for work on a clearly defined research project with a maximum term of three years.

Fellowships and Scholarships

• Senior fellowships for cardiologists holding an appropriate postgraduate qualification to work in New Zealand primarily in cardiovascular research. Maximum duration is three years.

• Overseas training fellowships for medical graduates to engage in further clinical training or research in cardiovascular disease. These are normally tenable for one year and fellows are expected to return to New Zealand to continue a career.

• Research fellowships are granted to support graduates engaged in full-time research related to the aims of the Foundation. These grants are tenable in New Zealand for up to three years.

• Postgraduate scholarships provide personal support to graduate students of New Zealand universities whose cardiovascular research for a higher degree will further the aims of the Foundation. These scholarships are tenable only in New Zealand within a faculty of medicine and are normally awarded for a total of three years.

Limited Budget Grants - these fund a wide variety of research related activities in three areas:

• Small projects have a maximum value of $15,000

• Grants in aid for purposes such as the publication of a book, a health education project or the purchase of research equipment

• Travel grants for travel in New Zealand or overseas for short-term study or to attend conferences.

The Scientific Committee awards all grants during the first quarter of every year except some travel and some limited budget grants, which are awarded progressively during the year.

Project grants are recognised as an expense in the year granted. The annual amounts granted for Fellowship and Scholarships are recognised in each year of the term of the grant.

The existing grants are reviewed regularly to write off unspent amounts and allow for additional spending on individual grants, if required.

Notes to the consolidated financial statements (continued)

2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Foundation and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

a Fundraising activities
Fundraising activities are non-exchange transactions where the income is recognised on receipt of the donation.

b Lottery ticket sales
Income from lottery ticket sales are exchange transactions. Income from lottery ticket sales is recognised when the draw is completed for the final prize for the respective lottery.

c Donations and legacies
Donations and legacies include income from donations, legacies and grants and are classified as non-exchange transactions. Grant and donation income is recognised as income when it becomes receivable unless the Foundation has a liability to repay the grant if the requirements of the grant or donation are not fulfilled. A liability is recognised to the extent that such conditions are unfulfilled at the end of the reporting period. Grants include those provided by community trusts. Some community trusts require specific acknowledgement as a condition of their support. Bequests are recognised in the consolidated statement of comprehensive revenue and expense when probate of the will has been granted, receipt of the bequest is probable and the amount of the bequest can be measured reliably.

d Contract services
Contract services are classified as exchange transactions. Income from service contracts is recognised when the contracted deliverables are provided. The unused portion of this income is recorded as unearned income.

e Investment income
Investment income includes interest and dividend income and are classified as exchange transactions. Interest is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Foundation's right to receive payments is established.

f Other income
Other income in 2020 includes the COVID-19 Wage Subsidy, income from sale of goods and services. The COVID-19 Wage Subsidy is classified as a non-exchange transaction, and income from sale of goods and services and royalties are classified as exchange transactions. Revenue from the sale of goods and services is recognised when the goods or services are delivered to customers.

3 Direct and Other Expenditure

The following items are included in direct expenses and expenditure:	**2021 $ 000**	**2020 $ 000**
Auditors remuneration for audit services - KPMG	38	35
Other services provided by KPMG	14	9
Depreciation expense	369	401
Operating lease expense	349	421
Employee related expenses		
- included in direct expenses	1,464	2,338
- within Expenditure	7,397	6,316

Payments made under operating leases are recognised in the consolidated statement of comprehensive revenue and expense on a straight-line basis over the term of the lease.

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Notes to the consolidated financial statements (continued)

4 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and cash at bank, deposits held on call with financial institutions, other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. Short term deposits are financial assets that are classified at amortised cost.

	2021	2020
	$ 000	$ 000
Bank balances - National Office	676	404
Bank balances - Branches	156	123
Liquid assets with investment brokers	2,930	5,341
Call deposits	1,274	2,232
	5,036	**8,100**

5 Prepayments

Prepayments include expenditure paid in advance of the service being delivered, product being delivered, or in the corresponding revenue occuring in a future period.

	2021	2020
	$ 000	$ 000
Property acquired and work in progress for lottery prizes	5,902	6,828
	5,902	**6,828**

6 Trade and other receivables

Receivables are initially recognised at the original invoice amount less impairment losses (2021: Nil , 2020: Nil). Receivables are financial assets that are classified as loans and receivables.

	2021	2020
	$ 000	$ 000
Trade receivables	455	426
GST Receivable	68	-
Interest income accrued	17	192
	540	**618**

7 Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Surplus or Deficit (FVTSD) transaction costs that are directly attributable to its acquisition or issue. At initial recognition, an entity may measure short-term receivables and payables at the original invoice amount if the effect of discounting is immaterial.

(ii) Classification and subsequent measurement Financial assets

On initial recognition, a financial asset is classified as measured at:

a) Amortised cost
b) Fair Value through Other Comprehensive Revenue and Expenses (FVOCRE)– debt investment
c) Fair Value through Other Comprehensive Revenue and Expenses (FVOCRE) – equity investment
d) Fair Value Through Surplus or Deficit (FVTSD)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its management model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the management model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTSD:

— it is held within a management model whose objective is to hold assets to collect contractual cash flows; and
— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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Notes to the consolidated financial statements (continued)

7 Financial instruments (continued)

A debt investment is measured at FVOCRE if it meets both of the following conditions and is not designated as at FVTSD:
— it is held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in comprehensive revenue and expenses (CRE). This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortised cost or FVOCRE as described above are measured at FVTSD. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCRE as at FVTSD if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Management model assessment

The Group has an investment committee which makes an assessment of the objective of the management model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
— the stated policies and objectives for the portfolio and the operation of those policies in practice.

These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
— how the performance of the portfolio is evaluated and reported to the Group's Board of Trustees
— the risks that affect the performance of the management model (and the financial assets held within that management model) and how those risks are managed;
— how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
— the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:
— contingent events that would change the amount or timing of cash flows;
— terms that may adjust the contractual coupon rate, including variable-rate features;
— prepayment and extension features; and
— terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).
A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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Notes to the consolidated financial statements (continued)

7 Financial instruments (continued)

Financial assets – Subsequent measurement and gains and losses

Financial Assets at FVTSD	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in surplus or deficit. All the equity investments are classified and subsequently measured at FVTSD.
Financial Assets at Amortised Cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in surplus or deficit. Any gain or loss on derecognition is recognised in surplus or deficit. Cash and cash equivalents, term deposits and fixed interest investments are classified and subsequently measured at amortised cost.
Debt Investment at FVOCRE	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in surplus or deficit. Other net gains and losses are recognised in OCRE. On derecognition, gains and losses accumulated in OCRE are reclassified to surplus or deficit. No financial assets are classified in this category.
Equity Investment at FVOCRE	These assets are subsequently measured at fair value. Dividends are recognised as income in surplus or deficit unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCRE and are never reclassified to surplus or deficit. No financial assets are classified in this category.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTSD. A financial liability is classified as at FVTSD if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTSD are measured at fair value and net gains and losses, including any interest expense, are recognised in surplus or deficit. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in surplus or deficit. Any gain or loss on derecognition is also recognised in surplus of deficit.

(iii) Derecognition

Financial assets

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not de-recognised.

Financial liabilities

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also de-recognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in surplus or deficit.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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Notes to the consolidated financial statements (continued)

7 Financial instruments (continued)

(v) Impairment of non-derivative financial assets
The Group recognises loss allowances for ECLs on:
— financial assets measured at amortised cost; and
— debt investments measured at FVOCRE.
The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
— debt securities that are determined to have low credit risk at the reporting date; and
— other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.
The Group considers a financial asset to be in default when:
— the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
— the financial asset is more than 90 days past due.

The Group considers a fixed interest, cash and cash equivalents and term deposits financial instruments to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.
Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.
12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).
The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(vi) Carrying Value – Classification Basis

	2021	2020
Non-Current Financial Assets	**$ 000**	**$ 000**
Term Deposits	200	308
Fixed interest carried at amortised cost	3,555	2,237
Equity investments - FVTSD	45,535	35,246
	49,290	**37,791**
Current Financial Assets		
Cash and Cash equivalents	5,036	8,100
Term Deposits	82	1,821
Fixed interest carried at amortised cost	100	300
	5,218	**10,221**

Non-current fixed interest investments and term deposits have stated interest rates of 0.25% to 5.25% (2020: 3.45% to 7.20%) and mature after one year. Current fixed interest investments and term deposits and have stated interest rates of 0.85% to 5.70% (2020: 3.00% to 4.75%) and mature within one year.

	2021	2020
Investment income includes:	**$ 000**	**$ 000**
Interest income from investments carried at amortised cost	389	372
Dividend income from Equity investments carried at FVTSD	552	951
Changes in fair value of equity investments held at FVTSD	6,922	(463)
	7,863	**860**

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Notes to the consolidated financial statements (continued)

8 Fair value of financial instruments

The fair values of financial instruments are categorised into a fair value category based on inputs used in the valuation technique adopted.

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

The Foundation's investments are measured using Level 1 inputs for equity investments carried at FVTSD.

Financial risk management

Exposure to credit, interest rate, foreign currency, equity price and liquidity risks arise in the normal course of the Foundation's operations.

The Foundation is risk averse and seeks to minimise its exposure to risks associated with financial assets and liabilities.

Credit risk

Credit risk is the risk that one party will fail to discharge their obligation and thereby cause a financial loss to the other party.

The Foundation is exposed to credit risk through its customer base and through its investment portfolio.

The customer base is predominantly with the Ministry of Health. The associated credit risk is assessed to be minimal. Geographically, there is no concentration of credit risk.

The Foundation is guided by its Investment Committee when making investment decisions. The Foundation has developed a Statement of Investment Policy Objectives (SIPO) to be followed by the Investment Committee. The SIPO seeks to minimise the Foundation's exposure to credit risk by adopting the following guidelines:

• For held-to-maturity investments (fixed interest investments), the SIPO permits up to 30% of the fixed interest portfolio to be invested in New Zealand or Australian corporate bonds which are not rated.

• No more than 10% of the investment portfolio may be invested in any one entity or organisation other than the New Zealand government or registered banks with a long term S&P rating of at least A+ (or equivalent credit rating) with authorisation by the Foundation's Board.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity requirements are monitored on a ongoing basis and sufficient cash funds are maintained to meet obligations. The Foundation has a policy of paying its obligations to suppliers in accordance with the agreed terms of trade.

Market risk

Market risk is the risk that the fair value of future cash flows of an investment will fluctuate because of changes in market prices.

The Foundation's investment portfolio is exposed to market risk which includes currency risk, other price risk and interest risk. The Foundation's SIPO is used to guide investment decisions which aim to achieve a balanced and diversified portfolio. The Foundation's Investment Committee has implemented asset allocation bands and associated guideline trading ranges to guide the diversification of the investment portfolio across investment sectors. Diversification across the various asset classes reduces portfolio risk and diversification across countries also reduces portfolio risk. The allocation and range for cash and short term deposits is higher than would normally be adopted in recognition of the timing fluctuations in the receipt of the Foundation's income.

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Notes to the consolidated financial statements (continued)

8 Fair value of financial instruments (continued)

Capital management

The Foundation's policy is to maintain a strong capital basis to maintain stakeholder and supplier confidence and a consistent level of service despite potential fluctuations in donated income. The Foundation prepares an annual budget for income and expenditure and endeavours to ensure that expenditure does not exceed planned income. Actual financial results are regularly monitored and reported to the Board on a quarterly basis.

9 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment, are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost is generally the purchase cost, together with any incidental costs of acquisition. The cost of donated items is the fair value at the date of acquisition. Where an item of plant and equipment is disposed of, the gain or loss recognised in the consolidated statement of comprehensive revenue and expense is calculated as the difference between the net sale price and the carrying amount of the asset.
Land and buildings consist of the Foundation's Auckland offices. An independent valuation was obtained as at 30 June 2019 for the Foundation's Auckland office; the market value was assessed to be $7,300,000.

Subsequent costs

The Foundation recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the company and the cost of the item can be measured reliably. All other costs are recognised in the consolidated statement of comprehensive revenue and expense as an expense as incurred.

Depreciation

Depreciation is calculated so as to write off the cost of property, plant and equipment, less any assigned residual value, on a straight-line basis over the expected economic lives of the assets concerned. Leasehold improvements are depreciated over the term of the lease. Freehold land is not depreciated.

The estimated economic lives of the assets are as follows:

Freehold buildings	50 to 100 years	Computer hardware	2½ to 4 years
Building plant and equipment	6 ⅔ to 20 years	Office partitions and fittings	5 to 10 years
Office furniture and equipment	5 to 10 years	Motor Vehicles	5 years

Property, plant and equipment

2021	**Land $ 000**	**Buildings $ 000**	**Office Furniture & equipment $ 000**	**Office partitions & fittings $ 000**	**Motor vehicles $ 000**	**Total $ 000**
Cost						
Balance as at 30 June 2020	668	2,896	1,597	1,171	223	**6,555**
Additions	-	15	101	75	118	**309**
Disposals	-	-	-	-	-	**-**
Reclassifications	-	-	-	-	-	**-**
Balance as at 30 June 2021	**668**	**2,911**	**1,698**	**1,246**	**341**	**6,864**
Accumulated Depreciation						
Balance as at 30 June 2020	-	(1,586)	(874)	(605)	(215)	**(3,280)**
Depreciation	-	(48)	(250)	(45)	(26)	**(369)**
Disposals	-	-	-	-	-	**-**
Reclassifications	-	-	-	-	-	**-**
Balance as at 30 June 2021	**-**	**(1,634)**	**(1,124)**	**(650)**	**(241)**	**(3,649)**
Net book value 30 June 2021	**668**	**1,277**	**574**	**596**	**100**	**3,215**
2020						
Net book value 30 June 2020	**668**	**1,310**	**723**	**566**	**8**	**3,275**

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Notes to the consolidated financial statements (continued)

10 Trade and other payables

Included in Trade and other payables is Trade payables, Net GST payable and other payables and accruals. Trade payables and other payables and accruals represent liabilities of goods and services provided to the Foundation and which have not been paid at the end of the financial year. These amounts are usually settled within 30 days. Given their short term nature, the carrying values of trade and other payables are considered a reasonable approximation of their fair values. Trade and other payables are classified as other financial liabilities at amortised cost.

	2021 $ 000	2020 $ 000
Trade payables	2,667	1,612
GST payable (receivable)	-	31
Other payables and accruals	794	479
	3,462	**2,122**

11 Unearned Income

Unearned income relates to funds received for services not yet delivered as at balance date. These include proceeds from the sale of lottery tickets for the lotteries subsequently drawn after the end of the financial year and funds received for specific projects and/or contracts where deliverables have not been completed by the end of the financial year.

	2021 $ 000	2020 $ 000
Lottery income received in advance	128	186
Legacies received for future spending	1,040	1,109
Contracts invoiced in advance	470	68
Funds held for specific reseach projects	710	468
	2,348	**1,831**

12 Employee entitlements

A provision for employee entitlements is recognised for benefits earned by employees but not paid at reporting date. Employee benefits include salaries, wages, annual leave, long service leave and sick leave. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries and annual leave which will be settled after one year have been measured at their nominal amount. Other employee benefits payable after more than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

	2021 $ 000	2020 $ 000
Annual leave provision	540	560
Accrued leave in lieu of provision	4	9
Long service leave provision	77	77
	621	**646**

13 Provisions

The provision for unclaimed grants represents the unpaid balances as at the balance sheet date on research and related grants awarded to successful applicants and projects. Awarded grants relate to current and ongoing research funded by the Foundation and to which the Foundation is firmly committed. Provisions for unclaimed grants are recognised when the Foundation has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

	Unclaimed Grants $ 000
Balance as at 1 July 2020	3,841
Provisions made during the period	4,061
Grants drawn during the period	(3,510)
Grants unused	-
Balance as at 30 June 2021	**4,393**

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Notes to the consolidated financial statements (continued)

14 Contingent liabilities

At the date of this report there are no known contingent liabilities for which the Foundation may be liable (2020: Nil).

15 Commitments

Since balance date, the Scientific Committee has awarded $3,928,943 in Project and Travel Grants, Fellowships and Grants-in-Aid (2020: $3,848,907). Included within this balance, is a commitment to fund existing and new Fellowships for a further $2,653,328 for the second and third years of those Scholarships and Fellowships (2020: $2,126,304).

The Foundation has commitments for the completion of property purchases and building contracts in connection with the lottery programme. Progress payments made or invoiced up to balance date are included in Prepayments. The balance remaining to be invoiced and paid on these contracts is $1,836,868 (2020: $2,256,029).

Rental commitments for all non-cancellable operating leases are:	2021 $ 000	2020 $ 000
Less than one year	274	226
Between 1 and 5 years	368	323
More than five years	-	-
Total operating lease commitments	**642**	**549**

16 Related parties

Key management personnel

Members of key management are regarded as related parties and comprise the board members and senior management of the Foundation. Remuneration and other benefits for services provided to the National Heart Foundation are as follows:

	2021 # of personnel	2020 # of personnel	2021 $ 000	2020 $ 000
Board Chair	1	1	24	24
Leadership Group	10	10	1,838	1,522
			1,862	**1,546**

Board members, other than the chair were not remunerated. As at the 30 June 2021, key personnel comprised the Chief Executive,five senior managers, Medical Director and senior advisors for Maori, Pacific, nutrition and policy.

17 Events subsequent to balance date

There have been no other events subsequent to 30 June 2021 that would have a material impact on the consolidated financial statements (2020: nil).

The COVID-19 lockdown commencing in August 2021 has had little inpact on the organisation as our lottery is run on-line and the support of our regular givers has continued at similar levels as pre lockdown.

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Independent Auditor's Report

To the Trustees of National Heart Foundation of New Zealand

Report on the audit of the consolidated financial statements

Qualified opinion

In our opinion, the accompanying consolidated financial statements of National Heart Foundation of New Zealand (the 'foundation') and its subsidiaries (the 'group') on pages 3 to 20, except for the possible effects of the matter described in the basis for qualified opinion:

i. present fairly in all material respects the group's financial position as at 30 June 2021 and its financial performance and cash flows for the year ended on that date; and

ii. comply with Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit).

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 June 2021;

— the consolidated statements of comprehensive income, changes in members' equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for qualified opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Our audit opinion on the financial statements for the year ended 30 June 2020 was modified regarding donations and legacy bequests, appeals and fundraising events revenues. Our opinion on the current period's consolidated financial statements is also modified because of the effect of this matter on the comparability of the current period's figures and the corresponding figures.

We are independent of the group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to assurance reports of lotteries drawn through the year. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Emphasis of matter

We draw attention to Note 1 (d) to the consolidated financial statements which describes that there are restatements to comparatives reported for the financial year ended 30 June 2021 resulting from changes to accounting policies in respect to Software as a Service Arrangements and early adoption of NZ PBE IPSAS 41 "Financial Instruments". Our opinion is not modified in respect of this matter.

Use of this independent auditor's report

This independent auditor's report is made solely to the Trustees as a body. Our audit work has been undertaken so that we might state to the Trustees those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the foundation, are responsible for:

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards Reduced Disclosure Regime (Not For Profit));

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent auditor's report that includes our opinion.

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

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

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/

This description forms part of our independent auditor's report.

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Auckland

3 November 2021