The Australian Kidney Foundation
T/A Kidney Health Australia

2016
Financial Statement

ABN 37 008 464 426

Kidney Health® Australia

Contents

Directors' Report

For the year ended 31 December 2016

1. Directors

The Directors present their report together with the financial statements of The Australian Kidney Foundation trading as Kidney Health Australia ("the Foundation"), for the financial year ended 31 December 2016 and the auditor's report thereon.

Mr. Vincent G. Harink

B. Bus CA

Mr. Harink has been a Director of the Foundation since December 2004 and was Chairman of the Board and the Finance Committee from April 2010 to March 2016. He is currently the CEO of Veuve Property Group, a privately owned business that develops and owns early learning centres in Australia. In addition, he is a non-executive director of Altus Group Holdings Pty Ltd and subsidiaries, a leading traffic management group with interests in Australia and the United States. For the six years to December 2014, he was the Fund Manager and Senior Portfolio Manager for Arena REIT, the ASX listed social infrastructure property fund with a significant portfolio of childcare centre properties in Australia. Until July 2008 he was the Chief Executive Officer of Austock Property Funds Management Limited and subsidiary entities which managed several social infrastructure property funds that owned childcare and other social infrastructure properties. He also has over 20 years' experience in property, corporate finance, mergers and acquisitions and capital markets as a Director of Austock Corporate Finance Limited, a partner with Deliotte Touche Tohmatsu, a Director of Deloitte Corporate Finance Limited and a Director of KPMG corporate Finance Pty Ltd. He is a member of the Finance Committee and Remuneration Committee.

Prof Allan Collins

MD, FACP

Prof Collins was appointed to the Board in December 2009 and resigned December 2016. He is Professor of Medicine, University of Minnesota School of Medicine, Hennepin County Medical Center in Minneapolis, MN. He also serves as Director of the Chronic Disease Research Group of the Minneapolis Medical Research Foundation. He was their Principal Investigator for the U.S. Renal Data System (USRDS) Coordinating Center of the National Institutes of Health (NIH), the registry of kidney failure patients in the United States for 15 years. Prof Collins led the National Kidney Foundation's early CKD screening program (KEEP) data center managing all the data and annual reports. Prof Collins was the President of the US National Kidney Foundation from 2006 - 2008 and served on its 30 member board for six years, Scientific Advisory Board for 20 years and President's Council for eight years. Lastly, Prof Collins has participated in the World Health Organisation Research Agenda for Non-Communicable Diseases Planning Group and the Field Protocol Development Group for NCD management in low resource settings. In 2014, he started the new Peer Kidney Care initiative, an annual report on the 14 largest independent dialysis provider group's Chief Medical Officers in the US which account for 90 percent of those on dialysis. This new report assesses targeted areas of improving outcomes in patients to reduce morbidity and mortality.

1. Directors (cont.)

Prof Jonathan Craig
PhD M Med FRACP DipCH MBChB

Prof Craig was appointed to the Board in December 2011. He holds a Personal Chair in Clinical Epidemiology at the University of Sydney, and is a Senior Staff Specialist at the Children's Hospital at Westmead. He is Course Director of the Clinical Epidemiology program at the University of Sydney, and is Associate Dean of Research in the Faculty of Medicine. He is an internationally recognised clinician-scientist, with a focus on improving the health and wellbeing of people with chronic kidney disease, especially children and Indigenous people. His awards include International Distinguished Medal of the National (US) Kidney Foundation (2010), TJ Neale Award for Outstanding Contribution to Nephrological Science, and Honorary Membership of the Italian Society of Nephrology (2004). He is a past Chair of the Steering Group of the Cochrane Collaboration, is a member of NHMRC Expert Advisory Group: Structural review of NHMRC funding, and NHMRC Advisory Group on the Synthesis and Translation of Research Evidence, a member of the Pharmaceutical Benefits Advisory Committee, and Medicare Services Advisory Committee, WHO Expert Advisory Group for Global Strategy and Plan of Action on Public Health, Innovation and Intellectual Property, and The Agency for Care Effectiveness International Advisory Panel for the Singapore Ministry of Health.

Peter Jon Hartshorne
Bsc Civ.Eng and MBA

Mr. Hartshorne was appointed to the Board in April 2008. After serving a 6 year cadetship with McKinsey and Co. he went on to work for many top 100 international companies in the areas of Strategy and Technology enablement. He is now the Managing Director, Partner and Founder of The Infinity Group [established 1994] of companies, a private professional services firm in Australia, India and UK. In addition, Mr. Hartshorne is Chairman of Scholaris International Ltd., an international education based Software Company and Redgum Corporate Pty.Ltd. He is a member of the Remuneration and Succession Planning Committees and was appointed Chair of the Finance Committee March 2016.

Mr. Graeme Holmes
BEc and MBA

Mr. Holmes was appointed to the Board in May 2007. He has over 30 years domestic and international experience in business and strategic planning and general management, Industrial Relations and Strategic Human Resource Management. His involvement with charitable organisations includes thirteen years with Kidney Health Australia and work with the Prahran Mission. Mr. Holmes is a member of the Finance Committee and Chairman of the Remuneration & Succession Planning Committee of Kidney Health Australia.

1. Directors (cont.)

Mr. Peter Mitchell

Mr. Mitchell was appointed to the Board in May 2007. He is currently Commercial Adviser to FMT Worldwide, an Australian based software company. He also served for 10 years on the Australian Advisory Board of A.I.G. International. His career spans 52 years in finance with the Commonwealth Bank and Perpetual Private Clients. He was a long serving committee member and board member of the Melbourne Cricket Club. He was previously involved as a board member for 7 years with Kids Help Line Australia and 3 years as a board member with the Lasallian Foundation (Asia Pacific).

Mr. David Parker

AM

Mr. Parker was appointed to the Board in April 2010 and was previously the Chairman of Kidney Health Australia's National Consumer Council. Mr. Parker is currently Deputy Secretary at the Department of Agriculture and Water Resources and has particular responsibility for water, the departments economic and scientific research arm, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) as well as Exports, Trade and Market Access. Mr. Parker was previously a Deputy Secretary in the Department of Environment and the Commonwealth Treasury. His career at the Treasury spanned from 1984 until February 2011 and included a period working with the OECD in Paris. Mr. Parker has qualifications in economics and law and was made a Member of the Order of Australia in January 2012.

Ms Anne Wilson

Dip. Wel. Studs, BA. Human Services; Grad Dip. Ad. Health; EPNL Stanford

Ms. Wilson joined Kidney Health Australia as CEO in January 2003 and was appointed Managing Director in June 2009 and resigned April 2016. Ms. Wilson was previously CEO of Asthma Australia and held senior management positions with MS Victoria, VicDeaf and Oz Child. Prior to entering work in the not-for-profit (NFP) sector, Ms. Wilson was employed by the Victorian Department of Education in the delivery of social work and counselling services to classified disadvantaged schools. In 2008, Ms. Wilson was awarded CEO of the year in the Australian NFP Network Awards.

1. Directors (cont.)

Prof Carol Pollock
MB, BS, PhD, FRACP

Prof Pollock was appointed to the Board in December 2014. She has an international reputation, with over 280 publications relevant to the aeitology of kidney disease and its treatment. She is an inaugural Fellow of the Australian Academy of Health and Medical Sciences, has been conferred a Vice Chancellors Award for Excellence in Research Supervision and recognised as a 'Distinguished Professor' by the University of Sydney. She was the 2014 recipient of the Ministerial Award for Excellence in Cardiovascular Research, which includes research into kidney disease. She was Scientific Chairman of the 2013 World Congress of Nephrology. She Chairs the ANZ Society of Nephrology Research Advisory Committee and the International Society of Nephrology Meetings committee, responsible for delivering both research and educational meetings and policy forums across the globe. Health leadership roles have included being inaugural Chair and then director of both the NSW Agency for Clinical Innovation and of the Clinical Excellence Commission (2010-2016). She recently retired as Chair of the Northern Sydney Local Health District Board (2010-2016). She is currently the Chair of the NSW Bureau of Health Information and of the NSW Cardiovascular Research Network.

Mr David Morgan
BA (Hons), M. Int. Law

Mr. Morgan was appointed to the Board in December 2014 and was appointed Chair of the Board in March 2016. He retired from the Department of Foreign Affairs and Trade in 2014. He served overseas as a diplomat and represented Australia in international trade and environment organisations. His policy experience includes helping to develop Australia's gene technology regime and other health and safety issues. From 2004 – 2009 Mr. Morgan was a Visiting Fellow at the University of Melbourne. He is the author/co-author of books and journal articles on the legal, economic and political aspects of biotechnology and other trade and environment issues. Mr. Morgan is the Chair of the Emorgo Foundation, a Director of the Victorian Bridge Association and a Councilor of the Australian Bridge Federation. He received a kidney from his father in 1989.

Directors' Report

For the year ended 31 December 2016

2. Directors' Meetings

The number of directors' meetings and sub-committee meetings attended and eligible to attend by each of the directors of the Foundation during the financial year were:

	Board ## / #	Finance Committee ## / #
Prof A Collins	10/5	-
Mr. V.G Harink	11/11	15/15
Mr. P.J Hartshorne	11/11	15/15
Mr. G Holmes	11/11	15/14
Mr. P Mitchell	11/10	-
Mr. D Parker	11/10	-
Prof J Craig	11/9	-
Ms. A Wilson	2/2	6/6
Prof C Pollock	11/11	-
Mr. D Morgan	11/11	-

 # number of meetings attended

number of meetings eligible to attend

(a) Sub-Committee

A review of the sub-committee charter was completed in 2016, resulting in the renaming of the Audit and Risk Committee to the Finance Committee.

3. Principal Activities

The Australian Kidney Foundation is a not-for-profit organisation dedicated to helping people with Kidney disease, with a view to improving their health outcomes and quality of life and those of their families and carers. The Australian Kidney Foundation is the national peak non-government charitable organisation in kidney health. Our aim is to advance the public agenda through awareness, detection, prevention and management of kidney disease. There were no significant changes in the nature of the activities during the year.

4. Registered Office

The registered office of the Foundation is 125 Cecil Street, South Melbourne VIC 3205.

5. Chief Executive Officer

The Chief Executive Officer is Ms. Mikaela Straface. Ms. Straface was appointed in September 2016.

The interim Chief Executive Officer was Ms. Rosanna Caré. Ms. Caré was appointed for the period May to September 2016.

The Chief Executive Officer was Ms. Anne Wilson. Ms. Wilson was appointed in January 2003, and resigned May 2016.

6. Chief Financial Officer

The Chief Financial Officer is Ms. Rosanna Caré. Ms. Caré was appointed in April 2010.

7. Company Secretary

The Company Secretary is Ms. Rosanna Caré. Ms. Caré was appointed in April 2010.

8. Financial Year

The financial year of the Foundation is from 1 January to 31 December.

9. Operating and Financial Review

Overview of the Foundation

The result for the year (after grant allocations) was an operating loss of $652,700 compared to an operating loss of $758,559 for the previous period.

The Australian Kidney Foundation reviewed its business strategy in 2016 following disappointing results with some of its expansion programs. Drawing on the external review of its business model undertaken in 2015 by PwC, it focused on improving its traditional revenue base and developing sustainable new activities.

The Foundation's priority activities continued in the areas of education, advocacy, research and support. The Foundation's Big Red Kidney Bus holiday dialysis program continued to provide a much-needed service for people on dialysis and their families; the expansion of the transplant housing program did the same for rural, regional and interstate transplant recipients.

At 31 December 2016, the Foundation had 62.01 FTE employees (31 December 2015: 77.73 FTE employees).

Kidney Health Australia

10. Strategies and Objectives

The Foundation's Mission is to promote good kidney health through delivery of programs in education, advocacy, research and support.

The Foundation's Vision is to save and improve the lives of Australians affected by kidney disease.

The Foundation's Values encompass commitment to excellence, working cooperatively, proactive leadership and making a difference.

Short Term

Strategy

The Foundation's short term Business Priorities centre on the delivery of support to Australians with kidney disease whilst ensuring a community focus on early detection and prevention through education, awareness, research and support with an Indigenous focus in all areas.

The Foundation's short term Business Priorities/Strategic Goals include;

- Increased community/stakeholder engagement
- Provide educational content
- Increased support to the kidney community
- Commitment to research through Priscilla Kincaid-Smith Kidney Research Foundation
- Build revenue streams.

Long Term

Strategy

The Foundation's long term strategy takes into account the challenges faced by the kidney sector for health policy recognition of kidney disease as well as the challenges and opportunities faced by The Australian Kidney Foundation within the current economic operating environment.

The Foundation's long term strategic goals include;

- Increase awareness via engagement with the kidney community
- Increase prevention, early detection and best practice management of kidney disease
- Improve access and equity to kidney treatment and support
- Enable sustainable and relevant kidney research.

11. Performance Measurement

KHA will continue to review targets based on projections and business priorities required to deliver strategic priorities.

12. Dividends

The Foundation is a Company limited by guarantee and is prohibited from paying a dividend to its members.

13. State of Affairs

No significant change occurred in the Foundation's state of affairs.

14. Environmental Regulation

The Foundation's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. However, the Board believes that the Foundation has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those requirements as they apply to the Foundation.

15. Events subsequent to Balance Date

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

16. Likely Developments

The Foundation will continue its normal activities. The Directors are not aware of any likely developments, which would significantly affect the results of the Foundation in financial years subsequent to the financial year ended 31 December 2016.

17. Equal Opportunity Policy

The Foundation has in place an Equal Opportunity Policy, which includes policies relating to anti-discrimination, equal employment opportunity and harassment and victimisation.

18. Risk Management

The four strategic imperatives identified during the extensive strategic review of the business operations during 2015 of; education, advocacy, research and support were maintained in 2016.

19. Indemnification and Insurance of Officers

Indemnification

The Foundation has agreed to indemnify the immediate current and former Directors, the current and the immediate former Foundation Secretary, the Senior Executive Officers and the immediate former Senior Executive Officers against all liabilities to another person (other than the Foundation or a related body corporate) that may arise from their position as Directors, Secretary or Senior Executive Officers of the Foundation, except where the liability arises out of a lack of good faith. The agreement stipulates that the Foundation will meet the full amount of such liabilities, including costs and expenses.

The Foundation has not indemnified or made a relevant agreement to indemnify an auditor of the Foundation.

Insurance Premiums

The Foundation has paid insurance premiums of $9,131 (2015: $9,131) in respect of Directors and Officers Liability insurance contracts for all Directors and Executive Officers of the Foundation during the year.

20. Non-audit Services

During the year KPMG, the Foundation's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Finance Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Foundation and have been reviewed by the Finance committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Foundation, acting as an advocate for the Foundation or jointly sharing risks and rewards.

21. Lead Auditor's Independence Declaration

The Lead auditor's independence declaration is set out on page 50 and forms part of the directors' report for the year ended 31 December 2016.

22. Company Limited by Guarantee

The company is limited by guarantee. In the event of the company being wound up, the constitution states that each member is required to contribute a maximum of $20 towards meeting any outstanding obligations of the company.

Signed in accordance with a resolution of the directors:

Mr. Peter Jon Hartshorne
Director
Dated at Melbourne 27th of March 2017.

Statement of Surplus and Deficit and Other Comprehensive Income

For the year ended 31 December 2016

	Note	2016 $	2015 $
Surplus and Deficit			
Revenue and other income	4	12,092,449	12,321,636
Consulting fees		(528,137)	(576,914)
Depreciation and amortisation expenses		(397,908)	(276,656)
Research grant expenses		(203,919)	(491,312)
Health and medical program expenses		-	(622)
Lottery prizes expenses		(1,481,911)	(1,230,949)
Meeting and travel expenses		(88,921)	(155,197)
Meeting and travel program expenses		(295,083)	(504,885)
Occupancy and lease expenses		(846,372)	(915,599)
Employee expenses		(6,228,556)	(6,306,325)
Postage, freight and stationery expenses		(482,344)	(524,562)
Technology expenses		(436,234)	(423,963)
Telecommunications expenses		(211,615)	(190,798)
Other expenses	5	(1,688,246)	(1,743,866)
Results from operating activities		**(796,797)**	**(1,020,012)**
Finance income	10	175,251	269,176
Finance costs	10	(31,154)	(7,723)
Net finance income / (costs)		**144,097**	**261,453**
Income tax expense for the period	3(j)	-	-
(Deficit) for the year		**(652,700)**	**(758,559)**
Other comprehensive income			
Net change in fair value of financial securities	10	18,870	87,371
Net (loss) / gain on sale of investments recorded through equity	10	170,748	(108,451)
Other comprehensive income for the year		**189,618**	**(21,080)**
Total surplus and deficit and other comprehensive income for the year		**(463,082)**	**(779,639)**

The statement of surplus and deficit and other comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 17 to 49.

Statement of Changes in Equity

For the year ended 31 December 2016

	Note	General Reserve	Revaluation Reserve	Capital Profits Reserve	Priscilla Kincaid-Smith Kidney Research Foundation	Accumulated Surplus/ (Deficit)	Total
		$	$	$	$	$	$
Balance as at 1 January 2015		1,897,468	252,560	293,587	2,572,916	-	5,016,531
Total comprehensive income for the year							
(Loss) / Surplus for the year		-	-	-	-	(758,559)	(758,559)
Other comprehensive income							
Net change in fair value of financial securities	10	-	87,371	-	-	-	87,371
Net gain on sale of investments recorded through equity	10	-	-	(108,451)	-	-	(108,451)
Transfer from/(to) accumulated surplus/(deficit)		(758,559)	-	-	-	758,559	-
Total other comprehensive income		(758,559)	87,371	(108,451)	-	758,559	(21,080)
Total comprehensive income for the year		(758,559)	87,371	(108,451)	-	-	(779,639)
Balance as at 31 December 2015		1,138,909	339,931	185,136	2,572,916	-	4,236,892
Balance as at 1 January 2016		1,138,909	339,931	185,136	2,572,916	-	4,236,892
Total comprehensive income for the year							
(Loss) / Surplus for the year		-	-	-	-	(652,700)	(652,700)
Other comprehensive income							
Net change in fair value of financial securities	10	-	18,870	-	-	-	18,870
Net loss on sale of investments recorded through equity	10	-	-	170,748	-	-	170,748
Transfer from/(to) accumulated surplus/(deficit)		(652,700)	-	-	-	652,700	-
Total other comprehensive income		(652,700)	18,870	170,748	-	652,700	189,618
Total comprehensive income for the year		(652,700)	18,870	170,748	-	-	(463,082)
Balance as at 31 December 2016		486,209	358,800	355,884	2,572,916	-	3,773,810

The statement of changes in equity is to be read in conjunction with the notes of financial statements set out on pages 17 to 49.

Statement of Financial Position

As at 31 December 2016

	Note	2016 $	2015 $
Assets			
Cash and cash equivalents	6	927,037	499,686
Other receivables	7	261,200	228,529
Inventory	8	8,916	20,856
Prepayments		347,359	334,043
Total current assets		**1,544,512**	**1,083,114**
Equity securities - Fair value through other comprehensive income	9	3,019,000	4,094,834
Prepayments		2,743	4,491
Property, plant and equipment	11	1,389,866	1,545,838
Intangibles	12	97,595	125,334
Total non-current assets		**4,509,204**	**5,770,496**
Total assets		**6,053,716**	**6,853,610**
Liabilities			
Trade and other payables	13	1,001,060	997,389
Employee benefits	14	511,194	686,479
Provisions	15	-	12,500
Deferred income		412,226	568,503
Total current liabilities		**1,924,480**	**2,264,871**
Trade and other payables	13	12,250	18,667
Employee benefits	14	52,962	59,253
Provisions	15	290,214	273,928
Total non-current liabilities		**355,426**	**351,848**
Total liabilities		**2,279,906**	**2,616,719**
Net assets		**3,773,810**	**4,236,892**
Equity			
Reserves	16	3,773,810	4,236,892
Total equity		**3,773,810**	**4,236,892**

The statement of financial position is to be read in conjunction with the notes of the financial statements set out on pages 17 to 49.

Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Cash receipts in the course of operations		11,823,913	12,001,453
Cash payments in the course of operations		(12,660,573)	(13,011,014)
Cash generated (used in)/from operations		(836,660)	(1,009,561)
Dividends received		111,109	167,235
Interest/Distributions received		64,142	101,776
Interest paid		(31,154)	(7,723)
Net cash from operations	**20**	**(692,563)**	**(748,273)**
Cash flows (used in)/from investing activities			
Acquisition of property, plant and equipment and intangibles		(214,557)	(679,556)
Proceeds from sale property, plant and equipment and intangibles		-	-
Proceeds from sale of investments		1,408,780	941,006
Acquisition of investments		(74,308)	(841,698)
Net cash used in investing activities		**1,119,915**	**(580,248)**
Cash flows (used in)/from financing activities			
Payment of financial lease liability		-	-
Net cash (used in) financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		427,351	(1,328,521)
Cash and cash equivalents at beginning of period		499,685	1,828,206
Cash and cash equivalents at 31 December	**6**	**927,037**	**499,685**

The statement of cash flows is to be read in conjunction with the notes of the financial statements set out on pages 17 to 49.

Kidney Health Australia

Notes to the Financial Statements

Note 1. Reporting Entity

Kidney Health Australia ("the Foundation") is a company domiciled in Australia. The address of the Foundation's registered office is 125 Cecil Street, South Melbourne, 3205. The Foundation is a not-for-profit entity and primarily involved in health education and support.

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

Note 2. Basis of Preparation

(a) Statement of compliance

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

The financial report was approved by the Board of Directors on 27 March 2017

(b) Basis of measurement

The financial report has been prepared on the historical cost basis except for the following:

- Equity securities - are measured at fair value through other comprehensive income.

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

(i) Judgements

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

- Note 3(h) and Note 15 - provisions
- Note 3(d) and Note 19 - lease classification.

Notes to the Financial Statements

Note 2. Basis of Preparation (cont.)

(d) Use of estimates and judgements (cont.)

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2016 is included in the following notes:

- Note 3(f) and Note 17 - impairment.

(e) Change in accounting policy

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

(i) Non-derivative financial assets

The Foundation has early adopted AASB 9 Financial Instruments (2010) with a date of initial application of 1 January 2012.

As a result, the Foundation has classified its financial assets as subsequently measured at either amortised cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. These changes in accounting policy are applied on a retrospective basis from 1 January 2012. In accordance with the transitional provisions of AASB 9 (2010), the classification of financial assets that the Foundation held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date.

Kidney Health Australia

Notes to the Financial Statements

Note 3. Significant Accounting Policies

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

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Financial instruments

Non-derivative financial assets

The Foundation initially recognises financial assets on the trade date at which the Foundation becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through surplus or deficit, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The Foundation subsequently measures financial assets at either amortised cost or fair value.

The Foundation derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the asset. Any interest in such transferred financial assets that is created or retained by the Foundation is recognised as a separate asset or liability.

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

On initial recognition, the Foundation classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. In accordance with the transitional provisions of AASB 9 (2010), the classification of financial assets that the Foundation held at the date of initial application was based on the facts and circumstances of the business model in which the financial assets were held at that date.

Notes to the Financial Statements

Note 3. Significant Accounting Policies (cont.)

(a) Financial instruments (cont.)

Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost, using the effective interest method and net of any impairment loss, if:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

The Foundation's policy on impairment of financial assets measured at amortised cost is the same as that applied in its financial statements as at and for the year ended 31 December 2016 for loans, receivables and investments.

Financial assets measured at fair value

For investments in equity instruments that are not held for trading, the Foundation may elect at initial recognition to present gains and losses in other comprehensive income.

For instruments measured at fair value through other comprehensive income, gains and losses are never reclassified to surplus or deficit and no impairments are recognised in surplus or deficit. Dividends earned from such investments are recognised in profit or loss unless the dividends clearly represent a repayment of part of the cost of the investment.

The fair value of equity instruments is their quoted bid price as at the statement of financial position date. Any resultant gain or loss from cost whether related to market movement or from derecognition of the instrument is recognised directly in other comprehensive income. Investments classified as fair value are recognised/derecognised by the Foundation on the date it commits to purchase/sell the investments.

Share capital

The Foundation has no issued capital and is limited by guarantee. If the Foundation is wound up each member would have a liability of an amount not exceeding $20. Refer note 24.

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are stated at cost less impairment losses, this being equivalent to fair value.

Kidney Health Australia

Notes to the Financial Statements

Note 3. Significant Accounting Policies (cont.)

(a) Financial instruments (cont.)

Non-derivative financial liabilities
Financial liabilities are recognised initially on the trade date, which is the date that the Foundation becomes a party to the contractual provisions of the instrument.

The Foundation derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Foundation classifies all other non-derivative financial liabilities into the amortised cost measurement category. Such financial liabilities are recognised initially at fair value less any directly attibutable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Foundation's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(b) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

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

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

Note 3. Significant Accounting Policies (cont.)

(b) Property, plant and equipment (cont.)

(iii) Depreciation

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

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

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

• Office furniture, equipment and motor vehicles	3 - 7 years
• Leasehold property	9 - 15 years
• Buildings	40 years
• Under construction	N/A

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

(c) Intangible assets

(i) Other intangible assets - Software

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

(ii) Subsequent expenditure

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

(iii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

• Software	2 - 3 years

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

Notes to the Financial Statements

Note 3. Significant Accounting Policies (cont.)

(d) Leases

(i) Determining whether an arrangement contains a lease

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

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

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

(ii) Leased assets

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

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

(iii) Leased payments

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

(e) Inventories

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

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

Notes to the Financial Statements

Note 3. Significant Accounting Policies (cont.)

(f) Impairment

(i) Non-financial assets

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

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

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

Impairment losses are recognised in surplus or deficit. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

Notes to the Financial Statements

Note 3. Significant Accounting Policies (cont.)

(f) Impairment (cont.)

(ii) Non-derivative financial assets including receivables

Each financial asset apart from those classified at fair value through other comprehensive income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s), that can be estimated reliably, had an impact on estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount by the Foundation on terms that the Foundation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers and economic conditions or the disappearance of an active market for a security. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

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

(g) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined Contribution plans

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

Notes to the Financial Statements

Note 3. Significant Accounting Policies (cont.)

(g) Employee benefits (cont.)

(iii) Other Long-term employee benefits

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

(h) Provisions

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

(i) Make good provision

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

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

(ii) Straight lining of leases

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

(i) Revenue

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

(i) Fundraising income

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

Notes to the Financial Statements

Note 3. Significant Accounting Policies (cont.)

(i) Revenue (cont.)

(ii) Lottery income

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

(iii) Government grants

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

(iv) Other Income

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

(v) Deferred income

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

(j) Income tax

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

(k) Grant commitments

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

(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 Australian Taxation Office is included as a current asset or liability in the balance sheet.

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 Australian Taxation Office are classified as operating cash flows.

Notes to the Financial Statements

Note 3. Significant Accounting Policies (cont.)

(m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards are effective for annual periods beginning after 1 January 2016, however the Foundation has not early applied the following new or amended standards in preparing theses financial statements.

- ***AASB 1058 Income for Not-for-Profits***

  AASB 1058 Income for Not-for-profit Entities on the recognition and measurement of income for not-for-profit entities. The concept of reciprocal and non-reciprocal transactions has been removed, and instead an assessment of enforceability and performance obligations is required.

  The Foundation is assessing the potential impact on its financial statements resulting from the application of AASB 1058.

- ***AASB 15 Revenue with Contracts with Customers***

  AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue IAS 18. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

  The Foundation is assessing the potential impact on its financial statements resulting from the application of AASB 15.

- ***AASB 16 Leases***

  AASB 16 Leases requires companies to bring most operating leases on-balance sheet from 1 January 2019. Companies with operating leases will appear to be more asset-rich, but also more heavily indebted. AASB 16 is effective for the Foundation's 2019 financial statements. The Foundation does not plan to adopt this standard early and the extent of the impact has not been determined.

The following new standards are not expected to have a significant impact of the financial statements;

- Annual Improvement AASB 2012 - 2015 cycle.

(n) Financial risk management

Overview

The Foundation has exposure to the following risks from their use of financial instruments:

- Credit Risk
- Liquidity risk
- Market Risk.

This note presents the information about the Foundation's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout the financial report.

Notes to the Financial Statements

Note 3. Significant Accounting Policies (cont.)

(n) Financial risk management (cont.)

Risk management framework

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

The Foundation's risk management policies are established to identify and analyse the risks faced by the Foundation to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions and the Foundation's activities. The Foundation, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

Operating segments

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

Credit risk

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

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

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

Other receivables

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

Notes to the Financial Statements

Note 3. Significant Accounting Policies (cont.)

(n) Financial risk management (cont.)

Investments - liquid securities

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

Financial guarantees

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

Liquidity risk

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

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

Market risk

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

Other market price risk

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

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

The Foundation does not enter into commodity contracts.

Notes to the Financial Statements

Note 3. Significant Accounting Policies (cont.)

(n) Financial risk management (cont.)

Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Foundation.

There is no change to the Foundation's policy on capital management.

(o) Determination of fair values

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

(i) Trade and other receivables

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

(ii) Equity and unit trust securities

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

(iii) Non-derivative financial liabilities

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

(p) Finance income and finance costs

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

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

Notes to the Financial Statements

Note 4. Revenue and Other Income

	2016 $	2015 $
Bequests	2,809,976	2,686,624
Donations and fundraising income	2,047,233	1,817,818
Other charitable income	1,658,245	1,992,780
Lottery ticket sale income	5,239,897	5,442,629
Government grants	56,452	177,687
Other income	280,646	204,098
	12,092,449	12,321,636

Note 5. Other Expenses

	2016 $	2015 $
Advertising expenses	73,408	36,935
Professional fees	113,371	97,727
Bank and merchant charges	85,194	113,373
Publication expenses	868	4,716
Insurance expenses	140,261	59,589
Legal expenses	96,062	134,463
Public awareness expenses	96,284	120,283
Net loss on disposal of property, plant and equipment	98	1
Other expenses	1,082,700	1,176,779
	1,688,246	1,743,866

Note 6. Cash and Cash Equivalents

	2016 $	2015 $
Bank balances	327,037	499,686
Call deposits	600,000	-
Cash and cash equivalents in the statement of cash flows	927,037	499,686

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

Notes to the Financial Statements

Note 7. Other Receivables

	2016 $	2015 $
Current		
Other receivables	261,200	228,529
	261,200	**228,529**

The Foundation's exposure to credit risk and impairment losses related to other receivables are disclosed in Note 17. Its carrying value is equal to fair value. The other receivables are net of impairment losses which amount to Nil (2015: Nil) recognised in the current year.

Note 8. Inventory

	2016 $	2015 $
Current		
Inventory	8,916	20,856
	8,916	**20,856**

During the year end 31 December 2016 changes in inventory included in 'other expenses' amounted to $96,245 (2015: $77,464). In 2016 the write-down of inventories to their net realisable value amounted to Nil (2015: Nil). The write-downs and reversals are included in 'other expenses'.

Note 9. Equity Securities - Fair Value through Other Comprehensive Income

	2016 $	2015 $
Non-current investments		
Equity Securities - fair value through other comprehensive income	3,019,000	4,094,834
	3,019,000	**4,094,834**

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

Note 9. Equity Securities - Fair Value through Other Comprehensive Income (cont.)

Other market risk

Sensitivity Analysis – equity price risk

All the Foundation's equity investments are listed shares on the Australian Stock Exchange and managed funds. These equity investments represent $3,019,000 (2015: $4,094,834) as part of the total equity securities.

For such equity investments classified as fair value through other comprehensive income, a 10% percent increase in the ASX 500 at the reporting date would have increased equity by $301,900 (2015: an increase of $409,483). An equal change in the opposite direction would have decreased equity by $301,900 (2015: a decrease of $409,483). The analysis is performed on the same basis for 2015.

Note 10. Finance Income and Finance Costs

	2016 $	2015 $
Recognised in the comprehensive income statement		
Interest income on bank deposits	15,000	14,749
Interest income on equity securities financial assets	1,344	1,040
Dividend income on equity securities financial assets	111,109	167,235
Distribution income on equity securities financial assets	47,798	85,987
Reversal of impairment	-	165
Total finance income	**175,251**	**269,176**
Interest paid	(31,154)	(7,723)
Total finance costs	**(31,154)**	**(7,723)**
Net finance income/(costs)	**144,097**	**261,453**
The previous finance income and costs include the following in respect of assets (liabilities) not at fair value through the comprehensive income statement		
Total interest income on financial assets	16,344	15,789
Recognised in other comprehensive income		
Net change in fair value of equity securities financial assets	18,870	87,371
Net gain on sale of investments recorded through equity	170,748	(108,451)
	189,618	**(21,080)**

Kidney Health Australia

Notes to the Financial Statements

Note 11. Property Plant and Equipment

	2016 $	2015 $
Office furniture, equipment and motor vehicles	2,884,599	3,259,416
Accumulated depreciation	(2,155,069)	(2,339,403)
	729,530	920,013
Buildings	517,773	517,773
Accumulated depreciation	(31,821)	(18,877)
	485,951	498,896
Leasehold property	357,149	351,884
Accumulated depreciation	(260,623)	(226,855)
	96,526	125,029
Under construction	77,859	1,900
Accumulated depreciation	-	-
	77,859	1,900
Sub-total of fixed assets	1,389,866	1,545,838
Total property, plant and equipment - at net book value	1,389,866	1,545,838

Reconciliations

	2016 $	2015 $
Office furniture, equipment and motor vehicles		
Carrying amount at beginning of period	920,013	610,270
Re-classification	-	3,685
Additions	52,333	490,706
Disposals/write-downs	(359)	-
Depreciation	(242,457)	(184,648)
Carrying amount at end of period	729,530	920,013
Buildings		
Carrying amount at beginning of period	498,896	511,840
Re-classification	-	-
Additions at deemed cost	-	-
Disposals/write-downs	-	-
Depreciation	(12,945)	(12,944)
Carrying amount at end of period	485,951	498,896
Leasehold property		
Carrying amount at beginning of period	125,029	124,415
Re-classification	1,900	-
Additions	3,365	76,966
Disposals/write-downs	-	(48,598)
Depreciation	(33,768)	(27,754)
Carrying amount at end of period	96,526	125,029
Under construction		
Carrying amount at beginning of period	1,900	14,510
Re-classification	(1,900)	(86,100)
Additions	77,859	73,490
Disposals/write-downs	-	-
Depreciation	-	-
Carrying amount at end of period	77,859	1,900
Sub-total of fixed assets	1,389,866	1,545,838
Total property, plant and equipment - at net book value	1,389,866	1,545,838

Notes to the Financial Statements

Note 12. Intangible Assets

	2016 $	2015 $
Software at cost	1,430,400	1,350,002
Accumulated depreciation	(1,332,805)	(1,224,668)
	97,595	125,334

Reconciliations

	2016 $	2015 $
Software		
Carrying amount at beginning of period	125,334	55,835
Re-classification	-	82,415
Additions	81,000	38,394
Disposals/write-downs	-	-
Amortisation	(108,739)	(51,310)
Carrying amount at end of period	97,595	125,334

Note 13. Trade and Other Payables

	2016 $	2015 $
Current		
Other trade payables	435,080	484,762
Non-trade payables and accrued expenses	565,980	512,627
	1,001,060	997,389
Non-current		
Non-trade payables and accrued expenses	12,250	18,667
	12,250	18,667

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

The Foundation has Guarantee Facilities in favour of the WA Lotteries Commission secured by a guaranteed amount of $50,000 (2015: $50,000), Sabcom Pty Ltd secured by a Security Deposit equivalent to the guarantee amount of $36,455 (2015: $36,455) and CBRE Pty Ltd secured by a Security Deposit equivalent to the guarantee amount of $47,760 (2015: $47,760).

There have been no claims made which would require a drawdown of the guarantee facilities. Hence, there is no liability recognised at 31 December 2016.

Notes to the Financial Statements

Note 14. Employee Benefits

	2016 $	2015 $
Current		
Liability for annual leave	206,219	264,244
Liability for long service leave	304,975	422,235
	511,194	**686,479**
Non-current		
Liability for long service leave	52,962	59,253
	52,962	**59,253**

(a) Defined contribution plans

The Foundation makes contributions to thirty-seven defined contribution plans that provide pension benefits for employees upon retirement. The amount recognised as an expense was $486,023 for the year ended 31 December 2016 (2015: $501,520).

Note 15. Provisions

	Make Good $	Straight line Lease $	Grant Commitments $	Total $
Balance at 1 January 2015	152,836	69,588	51,500	273,924
Provisions made during the year	60,000	62,031	496,000	618,031
Provisions used during the year	(70,527)	-	(535,000)	(605,527)
Balance at 31 December 2015	**142,309**	**131,619**	**12,500**	**286,428**
Current	-	-	12,500	12,500
Non-current	142,309	131,619	-	273,928
	142,309	**131,619**	**12,500**	**286,428**
Balance at 1 January 2016	142,309	131,619	12,500	286,428
Provisions made during the year	4,590	11,696	206,000	222,286
Provisions used during the year	-	-	(218,500)	(218,500)
Balance at 31 December 2016	**146,899**	**143,315**	**-**	**290,214**
Current	-	-	-	-
Non-current	146,899	143,315	-	290,214
	146,899	**143,315**	**-**	**290,214**

Notes to the Financial Statements

Note 15. Provisions (cont.)

Make good provision

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

Straight lining provision for operating leases

Operating lease straight line provision relates to recognising the rental expense for the Foundation's Melbourne and Adelaide offices over the life of each lease; which is 5 years.

Grants commitments provision

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

Note 16. Capital and Reserves

General Reserve

Relates to prior and current year surplus/deficits.

Revaluation Reserve

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

The Priscilla Kincaid-Smith Kidney Research Foundation Reserve

The Priscilla Kincaid-Smith Kidney Research Foundation has been established by The Australian Kidney Foundation to promote kidney research to save and improve the lives of Australians with kidney disease. This Reserve was previously named as "Australia Kidney Research Foundation" in the comparative year.

Capital Profits Reserve

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

The Foundation is a company limited by guarantee. Refer to Note 24.

Notes to the Financial Statements

Note 17. Financial Instruments

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

Credit risk:

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

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

	Note	2016 $	2015 $
Equity securities - fair value through other comprehensive income	9	3,019,000	4,094,834
Other receivables	7	261,200	228,529
Cash and cash equivalents	6	927,037	499,686
		4,207,237	4,823,049

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

Impairment losses:

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

	Gross 2016 $	Impairment 2016 $	Gross 2015 $	Impairment 2015 $
Not past due	220,134	-	189,414	-
Past due 30 days	16,500	-	2,407	-
Past due 60+ days	24,566	-	36,708	-
Total	261,200	-	228,529	-

Notes to the Financial Statements

Note 17. Financial Instruments (cont.)

Impairment losses (cont.):

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016 $	2015 $
Impairment losses - Trade receivables		
Balance at 1 January	-	8,525
Impairment loss recognised/(reversed)	-	(8,525)
Balance at 31 December	**-**	**-**

Management assessed that the impairment loss at 31 December 2016 of Nil (2015: Nil) relates to amounts owing by customers, deemed unrecoverable.

Liquidity risk:

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

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

	Note	Carrying Amount 2016 $	Contracted Amount 2016 $	Carrying Amount 2015 $	Contracted Amount 2015 $
Trade and Other Payables	13	1,013,310	1,013,310	1,016,056	1,016,056
Total		**1,013,310**	**1,013,310**	**1,016,056**	**1,016,056**

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

Kidney Health Australia

Note 17. Financial Instruments (cont.)

Interest rate risk:

	2016 $	2015 $
Variable rate instruments		
Cash and cash equivalents	927,037	499,686
Fixed rate instruments		
Managed funds	419,432	623,732

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

Cash flow sensitivity analysis for variable rate instruments

A change of 1% interest rates at the reporting date would have increased equity and the surplus and deficit by $9,270 (2015: $4,993). A decrease in the opposite direction would decrease equity and the surplus and deficit by $9,270 (2015: $4,993). The analysis is performed on the same basis as 2015.

Fair value sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased equity and the surplus and deficit by $4,194 (2015: $6,237). A decrease in the opposite direction would decrease equity and the surplus and deficit by $4,993 (2015: $6,237). The analysis is performed on the same basis for 2015.

	Carrying 2016 $	Carrying 2015 $
Property units:		
Equity instruments - fair value through other comprehensive income	-	-

Sensitivity analysis for Property Units

A change of 10% in the unit prices in the unit trusts at the reporting date would have increased equity by Nil (2015: Nil). A decrease in the opposite direction would decrease equity by Nil (2015: Nil). The analysis is performed on the same basis as 2015.

Notes to the Financial Statements

Note 17. Financial Instruments (cont.)

Fair values

Fair value hierachy

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

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

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

	Level 1	Level 2	Level 3	Total
31 December 2015	3,255,267	839,567	-	4,094,834
Equity instruments - fair value through other comprehensive income	3,255,267	839,567	-	4,094,834

	Level 1	Level 2	Level 3	Total
31 December 2016	2,458,959	560,041	-	3,019,000
Equity instruments - fair value through other comprehensive income	2,458,959	560,041	-	3,019,000

Note 17. Financial Instruments (cont.)

Fair values (cont.)

Fair value versus carrying amounts

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

	Note	Fair value 2016 $	Fair value 2015 $	Carrying amount 2016 $	Carrying amount 2015 $
Loans and receivables					
Other receivables	7	261,200	228,529	261,200	228,529
Cash and cash equivalents	6	927,037	499,686	927,037	499,686
		1,188,237	728,215	1,188,237	728,215
Held-for-trading					
Equity securities - Fair value through other comprehensive income	9	3,019,000	4,094,834	3,019,000	4,094,834
Other financial liabilities					
Trade and other payables	13	(1,013,310)	(1,016,056)	(1,013,310)	(1,016,056)
		3,193,927	3,806,993	3,193,927	3,806,993

Note 18. Financial Assets at Fair Value Through Other Comprehensive Income

At 1 January 2012, the Foundation designated its investments in equity securities as at fair value through other comprehensive income as listed below. This designation was chosen as the investments are expected to be held for the long-term for strategic purposes.

	Fair value		Dividend income recognised	
	2016	2015	2016	2015
	$	$	$	$
Financial assets	3,019,000	4,094,834	111,109	167,235
	3,019,000	4,094,834	111,109	167,235

During the year, the Foundation has disposed investments in equity instruments amounting to $1,408,781 (2015: $941,005) based on the advice provided by the investment fund managers and subsequent approval by the CFO. The net cumulative loss/(gain) on disposal for the year amounted to $170,748 (2015: loss of $108,451), which has been transferred to the capital profits reserve.

Reclassifications

There were no other reclassifications of financial assets since the date of initial application of AASB 9, being 1 January 2012.

Note 19. Leases

Finance lease liabilities are payable as follows:

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

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

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

Notes to the Financial Statements

Note 19. Leases (cont.)

Operating leases: Leases as lessee

	2016 $	2015 $
Non-cancellable operating lease rentals -		
Less than one year	656,340	664,075
Between one and five years	1,192,079	1,816,984
	1,848,419	2,481,059

The Foundation leases the Adelaide, Perth and Melbourne offices and office equipment under operating leases. The office leases typically run for a period of 3 to 5 years, with an option to renew the lease, after that date. Lease payments are increased every year to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index.

During the year an amount of $727,925 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2015: $807,871).

Notes to the Financial Statements

Note 20. Reconciliation of Cash Flows from Operating Activities

	Note	2016 $	2015 $
Cash flows from operating activities			
(Loss) / Surplus for the period		(652,700)	(758,559)
Adjustments for -			
Depreciation and amortisation	11/12	397,908	276,657
(Reversal of) impairment loss on receivables		-	(165)
Other non-cash adjustments		12,204	12,199
In kind donations for property, plant and equipment and equities		(79,588)	(139,293)
Makegood Recognition		(1,275)	70,527
Operating profit before changes in working capital and provisions		**(323,451)**	**(538,634)**
Change in trade and other receivables		(32,671)	93,224
Change in prepayments		(11,568)	(118,446)
Change in inventory		11,940	(16,775)
Change in provisions and employee benefits		(177,790)	39,112
Change in trade and other payables		(2,746)	1,095
Change in deferred income		(156,277)	(207,850)
Net cash inflow/(outflow) from operating activities		**(692,563)**	**(748,273)**

Note 21. Subsequent Events

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

Notes to the Financial Statements

Note 22. Auditors' Remuneration

	2016 $	2015 $
Audit services		
Auditors of the Foundation - KPMG Australia:		
Audit of financial report	56,841	55,800
Other assurance services - KPMG Australia	64,700	36,860
Total auditors' remuneration	**121,541**	**92,660**

Note 23. Related Parties

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

Non-executive Directors

Mr. V G Harink (Appointed December 2004) (Appointed Chairman April 2010, resigned March 2016)
Mr. P J Hartshorne (Appointed April 2008)
Mr. G Holmes (Appointed in May 2007)
Mr. D Parker (Appointed in April 2010)
Mr. P Mitchell (Appointed May 2007)
Prof. A Collins (Appointed in December 2009, resigned December 2016)
Prof. J C Craig (Appointed December 2011)
Prof. C Pollock (Appointed December 2014)
Mr. D Morgan (Appointed December 2014) (Appointed interim Chair March 16 and Chair June 16)

Non-executive Directors are not paid compensation with the exception of those transactions noted below.

Executive

Ms. A Wilson (Chief Executive Officer, Appointed January 2003) (Managing Director, Appointed June 2009, resigned April 2016)
Ms. M Strafrace (Chief Executive Officer, Appointed September 2016)
Ms. R Caré (Chief Financial Officer and Company Secretary, Appointed April 2010)

Note 23. Related Parties (cont.)

	2016 $	2015 $
Key Management Personnel compensation		
Short term employee benefits	695,003	419,076
Other long term benefits	21,828	104,926
	716,831	524,002

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

Other key management personnel transactions with the Foundation

The following non-executive directors received remuneration for their services to the Foundation:

Non-executive Director	Services provided	2016 $	2015 $
Prof. C Pollock	Consultation, review of CARI program	-	11,064

Non-executive

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

Prof. Pollock was engaged as a consultant prior to her appointment as Non-executive director.

Note 24. Company Limited by Guarantee

The Foundation is a company incorporated in Australia under the *Australian Charities and Not-for-profits Commission Act 2012* as a company limited by guarantee. Every member of the company undertakes to contribute to the asset of the company in the event of the same being wound up during the time that they are a member, or within one year afterwards for payment of the debts and liabilities of the company contracted before the time at which they cease to become a member and of the costs, charges and expenses of winding up the same, and for the adjustment of the rights of the contributories amongst themselves such an amount as may be required not exceeding the sum of $20.00.

Notes to the Financial Statements

Note 25. Contingencies

The Foundation is defending an action brought by the lessor of the Foundation's former South Australian office. The amount of the claim and legal expenses at present is not able to be reliably estimated. Further information about likely developments in the defence of this action has not been included in this report because in the opinion of the Directors disclosure of the information would be likely to result in unreasonable prejudice to the Foundation.

Directors' declaration

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

(a) the financial statements and notes that are set out on Pages 17 to 49 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

(i) giving a true and fair view of the Foundation's financial position as at 31 December 2016 and of its performance for the financial year ended on that date; and

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

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

Signed inaccordance with a resolution of the directors:

Dated at ...... Melbourne ......27th ......day of ......March ......2017.

Mr. Peter Jon Hartshorne
Director

KPMG

Independent Auditor's Report

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

Opinion

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

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

- giving a true and fair view of the Foundation's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The ***Financial Report*** comprises the:

- Statement of financial position as at 31 December 2016
- Statement of surplus and deficit and other comprehensive income
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

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

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

We are independent of the Foundation in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in The Australian Kidney Foundation T/A Kidney Health Australia's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors report and the Foundation's information and activities for the year.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the ACNC;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Foundation's 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 the Foundation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

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

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

Undertaking an audit in accordance with *Australian Auditing Standards*, means exercising professional judgment and maintaining professional skepticism.

KPMG

Our responsibilities include:

(i) Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.

(ii) Designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(iii) Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.

(iv) Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(v) Concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

(vi) Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

KPMG

KPMG

Bond

Amanda Bond

Partner

Melbourne

27 March 2017

KPMG

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

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Amanda Bond
Partner

Melbourne

27 March 2017

Kidney Health Australia

Connect with us:
Freecall 1800 454 363
www.kidney.org.au

Prevent, Detect, Support.