



National Foundation
for Medical Research
and Innovation



2019

AUDITED
FINANCIAL
STATEMENTS

National Foundation for Medical Research and Innovation

ABN 85 001 422 895

Financial Statements - 31 December 2019

National Foundation for Medical Research and Innovation
Contents
31 December 2019

Directors' report	2
Auditor's Independence Declaration	5
Independent auditor's report to the members of National Foundation for Medical Research and Innovation	6
Directors' declaration	9
Statement of profit or loss and other comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14

National Foundation for Medical Research and Innovation
Directors' report
31 December 2019

The Directors of the National Foundation for Medical Research and Innovation submit herewith the annual financial report of the Foundation for the financial year ended 31 December 2019. In order to comply with the provisions of the *Australian Charities and Not-for-profits Commission Act 2012*, the Directors report as follows:

Directors

The names and particulars of the Directors of the Foundation during or since the end of the financial year are:

Dr J Dixon Hughes OAM
Independent director
Member of the Research Advisory Committee

Mr J B Harkness
Independent Director

Dr K J Hellestrand
Independent Director

Mr A G McGrath
Honorary Secretary
Independent Director

Mr K Drewery (retired 22 May 2019)
Independent Director

Dr A H Bates (retired 22 May 2019)
Independent Director
Member of Research Advisory Committee

Prof. A I Smith
Independent Director
Chairman of Research Advisory Committee

Dr R G Sauer
Independent Director (Chairman)

Prof. E Saunders
Independent Director

Honorary Company Secretary
Ms A T Choy Flannigan

National Foundation for Medical Research and Innovation

Directors' report

31 December 2019

Principal activities

The Foundation is a charitable institution. Its principal activity during the year was to fund medical research. No significant change in that activity occurred during the year.

Dividends

The Constitution of the Foundation does not permit any payment of dividends to members.

Review of operations

During the year, the Foundation continued to fund medical research, providing research grants of \$957,378 (2018: \$892,516).

Financial Results

The statutory operating profit for the year is \$3,067,391 (2018: loss \$94,043) including the items noted below that have an impact on revenue and expenditure recognition over the course of the year and into the future.

The key items contributing to the operating profit / (loss) for the year are noted below:

	2019 \$	2018 \$
Operating profit (loss) for the year	3,067,391	(94,043)
Includes the following items:		
Unrealised (gain) / loss on financial assets	(2,077,529)	1,442,839
Equity Trustees grant – income	(655,901)	(653,700)
Equity Trustees grant – expensed	392,011	50,050
Cure4CF grant – income	(250,000)	-
Cure4CF grant – expensed	43,750	-
Realised loss on disposal of financial assets	268,796	22,670
Share buyback income	-	(602,584)
	<hr/>	<hr/>
Normalised operating profit for the year	788,518	165,232

Changes in state of affairs

There have been no significant changes in the state of affairs of the Foundation during the year.

Subsequent events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Foundation, the results of those operations or the state of affairs of the Foundation in future financial years.

Future developments

The Foundation will continue to act as a charitable institution implementing its Mission to advance innovations in medical research related to the nature, prevention, diagnosis, treatment and incidence of disease and other health problems that have a significant impact on the health of humans.

The Foundation has recognised the potential risk and impact on its operations and grants.

The Foundation already has many of the fundamentals in place to continue its activities and it is expected that COVID-19 will have minimal impact on our operations with the exception of potential illness and external interruptions.

It is however expected that some of the research projects supported by the Foundation will be impacted by COVID-19 including temporary university closures, reduction of shared services and access to some facilities. We have contacted researchers to reduce their anxiety and to inform them that the Foundation will be flexible with regards to time extensions and possible delays in the commencement of new projects where appropriate. It is not anticipated that this will have any significant impact upon the quantum committed to research projects from the Foundation.

**National Foundation for Medical Research and Innovation
Directors' report
31 December 2019**

Auditors independence declaration

The lead auditor's independence declaration for the year ended 31 December 2019 has been received and can be found on page 4 of the annual report.

Indemnification of Officers and Auditors

The Foundation has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Foundation or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' Benefits

During or since the financial year, no Director of the Foundation has received or become entitled to receive a benefit because of a contract that the Director or a firm of which the Director is a member, or an entity in which the Director has a substantial financial interest made with the Foundation or an entity that the Foundation controlled, or a body corporate that was related to the Foundation, when the contract was made or when the Director received, or became entitled to receive the benefit other than a benefit included in the aggregate amount of the emoluments received or due and receivable by the Directors shown in note 15 of the financial statements.

Management of the Investment Portfolio

The Directors acknowledge the contribution of BT Financial Group Limited in managing the Foundation's investment portfolio.

Signed in accordance with a resolution of the Directors made pursuant to Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

On behalf of the directors



Mr A G McGrath
Director

21 April 2020

The Board of Directors
National Foundation for Medical Research and Innovation
Level 12
20 Martin Place
SYDNEY NSW 2000

Dear Board Members,

Auditor's Independence Declaration to the Directors of National Foundation for Medical Research and Innovation

In accordance with the requirements of section 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012*, as lead auditor for the audit of National Foundation for Medical Research and Innovation for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the 60-40 of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.

Yours sincerely



Nexia Sydney Audit Pty Ltd



Mark Boyle
Director

Sydney, NSW

Dated: 21 April 2020

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Independent Auditor's Report to the Members of National Foundation for Medical Research and Innovation

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of National Foundation for Medical Research and Innovation (the Company), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:

- i) giving a true and fair view of the Company's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information

The directors are responsible for the other information. The other information comprises the information in National Foundation for Medical Research and Innovation's annual report for the year ended 31 December 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Act 2012 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_files/ar4.pdf. This description forms part of our auditor's report.

Report on the Requirements of the Charitable Fundraising Act 1991 (NSW) and the Charitable Fundraising Regulation 2015 (NSW)

We have audited the financial report as required by section 24(2) of the Charitable Fundraising Act 1991 (NSW). Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Charitable Fundraising Act 1991 and Charitable Fundraising Regulation 2015.

Because of any inherent limitations of any assurance engagement, it possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the requirements prescribed in the above-mentioned Act and Regulation as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with these requirements are undertaken on a test basis. The audit opinion expressed in this report has been formed on the above basis.

Opinion

In our opinion:

- a) The financial report gives a true and fair view of the financial results of fundraising appeal activities for the financial year ended 31 December 2019;
- b) The financial report has been properly drawn up, and the associated records have been properly kept for the financial year ended 31 December 2019, in accordance with the Charitable Fundraising Act 1991 and Regulations;

- c) Money received as a result of fundraising appeal activities conducted during the financial year ended 31 December 2019 has, in all material respects, been properly accounted for and applied in accordance with the Charitable Fundraising Act 1991 and Regulations; and
- d) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.



Nexia Sydney Audit Pty Ltd



Mark Boyle
Director

Dated: 21 April 2020

Sydney

National Foundation for Medical Research and Innovation
Directors' declaration
31 December 2019

The Directors declare that, in their opinion:

- (a) There are reasonable grounds to believe that the Company is able to pay all of its debts, as and when they become due and payable; and
- (b) the attached financial statements and notes thereto satisfy the requirements of Division 60 of the Australian Charities and Not-for-profits Commissions Act 2012, including:
 - giving a true and fair view of the financial position and performance of the registered entity; and
 - comply with Australian Accounting Standards - Reduced Disclosure Requirements.
- (c) In respect of fundraising appeals under the Charitable Fundraising Act 1991;
 - the Statement of Comprehensive Income gives a true and fair view of all revenue and expenditure of the organisation with respect to fundraising appeals;
 - the Statement of Financial Position gives a true and fair view of the state of affairs with respect to fundraising appeals conducted by the organisation;
 - the provisions of the Charitable Fundraising Act 1991 (NSW), the Regulations under that Act and the conditions attached to the fundraising authority have been complied with by the organisation; and
 - the internal controls exercised by the Foundation are appropriate and effective in accounting for all income received and applied by the organisation from any of its fundraising appeals.

Signed in accordance with a resolution of the Directors pursuant to subsection 60.15(2) of the *Australian Charities and Not-for-profits Commission Regulation 2013* and Clause 6(3) of Schedule 1 of the *Charitable Fundraising Authority Conditions 2015*.



Mr A G McGrath
Director

21 April 2020

National Foundation for Medical Research and Innovation
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Note	2019 \$	2018 \$
Revenue			
Revenue	4	2,611,015	2,605,190
Other gains / (losses)	5	1,808,733	(1,465,509)
Expenses			
Administration expenses		(394,978)	(341,208)
Research grants made during the year		<u>(957,378)</u>	<u>(892,516)</u>
Surplus/(deficit) for the year		3,067,392	(94,043)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>3,067,392</u></u>	<u><u>(94,043)</u></u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

National Foundation for Medical Research and Innovation
Statement of financial position
As at 31 December 2019

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents		3,177,609	2,718,857
Trade and other receivables	7	<u>211,942</u>	<u>339,169</u>
Total current assets		<u>3,389,551</u>	<u>3,058,026</u>
Non-current assets			
Other financial assets	8	22,727,630	20,096,392
Plant and equipment		<u>-</u>	<u>2,208</u>
Total non-current assets		<u>22,727,630</u>	<u>20,098,600</u>
Total assets		<u>26,117,181</u>	<u>23,156,626</u>
Liabilities			
Current liabilities			
Trade and other payables		14,481	32,008
Employee benefits	9	60,243	48,217
Income in advance	10	<u>-</u>	<u>106,120</u>
Total current liabilities		<u>74,724</u>	<u>186,345</u>
Non-current liabilities			
Employee benefits	11	<u>26,890</u>	<u>22,106</u>
Total non-current liabilities		<u>26,890</u>	<u>22,106</u>
Total liabilities		<u>101,614</u>	<u>208,451</u>
Net assets		<u>26,015,567</u>	<u>22,948,175</u>
Equity			
General Funds		11,342,301	10,371,035
Funds held for specific purposes	12	14,648,266	12,552,140
Endowed fund for perpetual investment		<u>25,000</u>	<u>25,000</u>
Total equity		<u>26,015,567</u>	<u>22,948,175</u>

The above statement of financial position should be read in conjunction with the accompanying notes

National Foundation for Medical Research and Innovation
Statement of changes in equity
For the year ended 31 December 2019

	Endowed fund for perpetual investment \$	Funds held for specific purpose \$	General funds \$	Total equity \$
Balance at 1 January 2018	25,000	11,958,480	11,058,738	23,042,218
Deficit for the year	-	-	(94,043)	(94,043)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(94,043)	(94,043)
Allocation to/(from) specific reserves	-	593,660	(593,660)	-
Balance at 31 December 2018	<u>25,000</u>	<u>12,552,140</u>	<u>10,371,035</u>	<u>22,948,175</u>

	Endowed Fund for perpetual investment \$	Funds held for specific purpose \$	General funds \$	Total equity \$
Balance at 1 January 2019	25,000	12,552,140	10,371,035	22,948,175
Surplus for the year	-	-	3,067,392	3,067,392
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	3,067,392	3,067,392
Allocation to/(from) specific reserves	-	2,096,126	(2,096,126)	-
Balance at 31 December 2019	<u>25,000</u>	<u>14,648,266</u>	<u>11,342,301</u>	<u>26,015,567</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

National Foundation for Medical Research and Innovation
Statement of cash flows
For the year ended 31 December 2019

	2019	2018
	\$	\$
Cash flows from operating activities		
Donation received from a non-member in NSW	106	1,974
Dividend income received	681,120	1,094,971
Interest received	10,926	6,167
Unit trust distributions received	957,687	662,962
Overseas or foreign income received	59,695	98,399
Other income	905,900	592,079
Payments for research grants	(957,378)	(892,516)
Net receipts / (payments) from conference	6,072	(4,550)
Payments for administration expenses	(393,487)	(384,658)
	<u>1,270,641</u>	<u>1,174,828</u>
Net cash from operating activities		
Cash flows from investing activities		
Proceeds from sale of investments	2,584,027	3,159,280
Payments for purchases of investments	(3,395,916)	(3,712,388)
Purchase of property, plant and equipment	-	(2,208)
	<u>(811,889)</u>	<u>(555,316)</u>
Net cash used in investing activities		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	458,752	619,512
Cash and cash equivalents at the beginning of the financial year	<u>2,718,857</u>	<u>2,099,345</u>
Cash and cash equivalents at the end of the financial year	<u><u>3,177,609</u></u>	<u><u>2,718,857</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

National Foundation for Medical Research and Innovation
Notes to the financial statements
31 December 2019

Note 1. Adoption of new and revised accounting standards

The company has adopted all of the new revised or amended accounting standards and interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The impact of the adoption of these Accounting Standards and Interpretations on the financial performance or position of the company in either the current or prior financial reporting periods has been detailed under Note 2 for changes in accounting policy.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

AASB 15 Revenue from Contracts with Customers

The company has adopted AASB 15 from 1 January 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

AASB 16 Leases

The company has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

National Foundation for Medical Research and Innovation
Notes to the financial statements
31 December 2019

Note 1. Adoption of new and revised accounting standards (continued)

AASB 1058 Income of Not-for-Profit Entities

The company has adopted AASB 1058 from 1 January 2019. The standard replaces AASB 1004 'Contributions' in respect to income recognition requirements for not-for-profit entities. The timing of income recognition under AASB 1058 is dependent upon whether the transaction gives rise to a liability or other performance obligation at the time of receipt. Income under the standard is recognised where: an asset is received in a transaction, such as by way of grant, bequest or donation; there has either been no consideration transferred, or the consideration paid is significantly less than the asset's fair value; and where the intention is to principally enable the entity to further its objectives. For transfers of financial assets to the entity which enable it to acquire or construct a recognisable non-financial asset, the entity must recognise a liability amounting to the excess of the fair value of the transfer received over any related amounts recognised. Related amounts recognised may relate to contributions by owners, AASB 15 revenue or contract liability recognised, lease liabilities in accordance with AASB 16, financial instruments in accordance with AASB 9, or provisions in accordance with AASB 137. The liability is brought to account as income over the period in which the entity satisfies its performance obligation. If the transaction does not enable the entity to acquire or construct a recognisable non-financial asset to be controlled by the entity, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income immediately. Where the fair value of volunteer services received can be measured, a private sector not-for-profit entity can elect to recognise the value of those services as an asset where asset recognition criteria are met or otherwise recognise the value as an expense.

Impact of adoption

AASB 15, AASB 16 and AASB 1058 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 January 2019.

Note 2. Summary of Significant accounting policies

Statement of Compliance

The National Foundation for Medical Research and Innovation is a company limited by guarantee and incorporated in Australia. The address of the Foundation's registered office is Level 12, 20 Martin Place, Sydney, NSW, 2000. The financial report covers the National Foundation for Medical Research and Innovation as an individual entity and was authorised for issue on 21 April 2020 by the directors of the company. The company has the power to amend and reissue the financial report.

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations of the Australian Accounting Standards Board and the *Australian Charities and Not-for-profits Commission Act 2012*. The Foundation is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards,

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Note 2. Summary of Significant accounting policies (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sales Revenue

Events, fundraising and raffles are recognised when received or receivable.

Grant revenue

Revenue from grants with sufficiently specific performance obligations is recognised as and when the Foundation satisfies a performance obligation by transferring the promised goods or services.

Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Income from grants without sufficiently specific performance obligations is recognised when the Foundation obtains control over the granted assets (e.g. cash).

When the Foundation receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value, these assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of profit or loss and other comprehensive income.

Income from investments

Revenue from investments is recognised when the Foundation's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Donations

Donations and bequests are recognised as revenue when received.

Income Tax

The Foundation is exempt from income tax due to it being a charitable institution in terms of Section 50-5 of the Income Tax Assessment Act, 1997, as amended.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Note 2. Summary of Significant accounting policies (continued)

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset, unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Foundation has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Foundation intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Foundation's financial liabilities include trade and other payables which are measured at amortised cost using the effective interest rate method.

Impairment of Financial Assets

At the end of the reporting period the Foundation assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Trade and other payables

These amounts represent liabilities for goods and services provided to the incorporated association prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 60 days of recognition.

Note 2. Summary of Significant accounting policies (continued)

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

National Foundation for Medical Research and Innovation
Notes to the financial statements
31 December 2019

Note 2. Summary of Significant accounting policies (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for employee benefits

Provisions for employee benefits payable after 12 months from the reporting date are based on future wage and salary levels, experience of employee departures and periods of service. The amount of these provisions would change should any of these factors change in the next 12 months.

Note 4. Revenue

	2019	2018
	\$	\$
Income from investments	1,581,891	1,834,214
Donation from a member	106	1,974
Grant income - DPI/NFMRI Research Grant	106,120	113,685
Grant Income - Equity Trustees' Grant	655,900	653,700
Grant income - Cure4CF Grant	250,000	-
Net conference income / (expense)	6,072	(4,550)
Interest income	10,926	6,167
	<u>2,611,015</u>	<u>2,605,190</u>

Note 5. Other gains / (losses)

	2019	2018
	\$	\$
Realised loss from disposal of financial instruments	(268,796)	(22,670)
Unrealised gain / (loss) on revaluation of financial instruments	2,077,529	(1,442,839)
	<u>1,808,733</u>	<u>(1,465,509)</u>

**National Foundation for Medical Research and Innovation
Notes to the financial statements
31 December 2019**

Note 6. Auditors' Remuneration

Remuneration of the auditor Nexia Sydney Audit Pty Ltd, for:

	2019	2018
	\$	\$
Audit of the financial report	<u>18,500</u>	<u>18,000</u>

Note 7. Current assets - Trade and other receivables

	2019	2018
	\$	\$
Investment income receivable	99,784	74,346
Goods and services tax recoverable	29,369	28,330
Imputation credits receivable	<u>82,789</u>	<u>236,493</u>
	<u>211,942</u>	<u>339,169</u>

Note 8. Non-current assets - Other financial assets

	2019	2018
	\$	\$
Shares in domestic companies	7,386,747	5,971,682
Domestic fixed interest fund	6,074,501	5,847,001
International fixed interest fund	2,216,500	2,100,210
Property trusts	3,520,523	3,030,155
Shares in overseas companies	<u>3,529,359</u>	<u>3,147,344</u>
	<u>22,727,630</u>	<u>20,096,392</u>

Note 9. Current liabilities - Employee benefits

	2019	2018
	\$	\$
Provision for annual leave	<u>60,243</u>	<u>48,217</u>

Note 10. Current liabilities - Income in advance

	2019	2018
	\$	\$
Grants received in advance	<u>-</u>	<u>106,120</u>

Note 11. Non-current liabilities - employee benefits

	2019	2018
	\$	\$
Long service leave	<u>26,890</u>	<u>22,106</u>

National Foundation for Medical Research and Innovation
Notes to the financial statements
31 December 2019

Note 12. Equity - Funds held for specific purposes

	Estate of Tempe Mann - Cancer / Blood Diseases	Cynthia and Patricia Gaden Fund - Allergy & Asthma	Estate of Bill & Shirley Westbrook - Cancer	In memory of Adelaide Mary Hogan (Paine) - Cancer	Equity Trustees' Fund	Cure4CF Fund	Total
As at beginning of financial year	5,687,207	1,775,958	947,094	3,538,231	603,650	-	12,552,140
Transfer from general funds - share of income and expenses for financial year	792,734	247,549	132,012	493,191	655,901	250,000	2,571,387
	<u>6,479,941</u>	<u>2,023,507</u>	<u>1,079,106</u>	<u>4,031,422</u>	<u>1,259,551</u>	<u>250,000</u>	<u>15,123,527</u>
Distribution of funds for specific purpose	-	(2,000)	(37,500)	-	(392,011)	(43,750)	(475,261)
Closing balance at end of financial year	<u>6,479,941</u>	<u>2,021,507</u>	<u>1,041,606</u>	<u>4,031,422</u>	<u>867,540</u>	<u>206,250</u>	<u>14,648,266</u>

The allocation from the General Funds to funds held for specific purposes has been calculated on a pro-rata basis for both income and expenses.

Note 13. Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

Note 14. Members' Liabilities

The liability of the members is limited. Every member of the Foundation undertakes to contribute to the assets of the Foundation, in the event of the same being wound up while they are a member, or within one year after they cease to be a member, for payment of the debts and the liabilities of the Foundation (contracted before they cease to be a member) and of the costs, charges and expenses of winding up and for the adjustment of the rights of the contributors among themselves, such amount as may be required not exceeding fifty dollars (\$50.00).

Note 15. Key Management Personnel Compensation

Total Key Management Personnel remuneration during the financial year was \$210,462 (2018 : \$204,689).

During or since the financial year, no remuneration has been paid to the directors as a result of holding office as a member of the governing body of the Company.

Note 16. Contingent Liabilities

The following GST inclusive commitments exist as at 31 December 2019, in respect of approved research grants which are contingent upon the respective researchers complying with the terms of their agreement with the Foundation:

National Foundation for Medical Research and Innovation
Notes to the financial statements
31 December 2019

Note 16. Contingent Liabilities (continued)

	2019	2018
	\$	\$
Professor Marc Pellegrini Eradicating life-threatening infections in people with cystic fibrosis (Research undertaken at Walter & Eliza Hall Institute of Medical Research) (Walter & Eliza Hall Institute of Medical Research administers the research grant)	131,250	-
Associate Professor Sarah Vreugde A novel treatment for non-tuberculous mycobacteria lung infections in cystic fibrosis patients (Research undertaken at University of Adelaide) (University of Adelaide administers the research grant)	85,297	-
Associate Professor James Chong Development of novel recombinant human platelet derived growth factor therapy for prevention of ischemic heart failure (Research undertaken at University of Sydney) (University of Sydney administers the research grant)	133,332	-
Associate Professor Bernard Flynn 2020 Dr John Raftos Medal Sphingosine Kinase-1 inhibitors for the treatment of pulmonary hypertension (Research undertaken at Monash University) (Monash University administers the research grant)	160,400	-
Dr Wei Ding Nanostrategy for X-ray triggered chemotherapy towards rectal cancer treatment (Research undertaken at University of New South Wales) (University of New South Wales administers the research grant)	101,825	-
Dr James Blackburn Improving sarcoma cancer diagnostics through implementation of a novel fusion gene test (Research undertaken at Garven Institute of Medical Research) (Garven Institute of Medical Research administers the research grant)	72,433	-
Associate Professor Nuri Güven Pre-clinical assessment of toxicity to select drug development candidates against mitochondrial dysfunction (Research undertaken at University of Tasmania) (University of Tasmania administers the research grant)	72,152	-
Associate Professor Joanne Macdonald A rapid, sensitive and portable molecular genetic test for diagnosis of malaria in blood (Research undertaken at University of Sunshine Coast) (University of Sunshine Coast administers the research grant)	70,275	-
Associate Professor Lenka Munoz 2020 Dr John Raftos Medal	50,000	-
Dr Sanjaya Kuruppu Improving the efficacy of a new venom derived drug for Alzheimer's Disease (Research undertaken at Monash University) (Monash University administers the research grant)	45,000	-

National Foundation for Medical Research and Innovation
Notes to the financial statements
31 December 2019

Note 16. Contingent Liabilities (continued)

Dr Lesley Cheng

Specificity testing and cross-laboratory validation of a blood test for Alzheimer's Disease

(Research undertaken at LaTrobe University)

(LaTrobe University administers the research grant)

18,825 -

Professor Peter van Wijngaarden

Translating an eye imaging biomarker for Alzheimer's Disease to the clinic

(Research undertaken at Centre for Eye Research Australia)

(Centre for Eye Research Australia administers the research grant)

125,000 -

Associate Professor Anthony White

A personalised medicine approach for screening neuroinflammatory drug efficacy in Alzheimer's Disease

(Research undertaken at QIMR Berghofer)

(QIMR Berghofer administers the research grant)

25,000 -

Professor Roger Chung

Preclinical evaluation of novel therapies for clearance of TDP-43 in amyotrophic lateral sclerosis

(Research undertaken at Macquarie University)

(Macquarie University administers the research grant)

- 183,488

Dr Clare Stirzaker

Liquid Biopsy monitoring for triple negative breast cancer; a novel epigenetic test

(Research undertaken at Garvan Institute of Medical Research)

(Garvan Institute of Medical Research administers the research grant)

- 141,835

Dr Steven Wise

Durable treatment of peripheral artery disease

(Research undertaken at Garvan Institute of Medical Research)

(Garvan Institute of Medical Research administers the research grant)

- 95,022

Associate Professor Joanne Macdonald

A rapid, sensitive and pariable molecular genetic test for diagnosis of malaria in blood

(Research undertaken at University of Sunshine Coast)

(University of Sunshine Coast administers the research grant)

- 93,700

Dr Adam Taylor

Liposome delivery of a chikungunya virus vaccine candidate: a solution to vaccine delivery bottlenecks

(Research undertaken at Griffith University)

(Griffith University administers the research grant)

16,666 33,333

Dr Nicholas Huntington

2019 Dr John Dixon Hughes Medal

(Research undertaken at the Monash University)

(Monash University administers the research grant)

- 50,000

Dr Wendy Cooper

Dr John Raftos AM Medal for Medical Research Innovation

- 12,500

National Foundation for Medical Research and Innovation
Notes to the financial statements
31 December 2019

Note 16. Contingent Liabilities (continued)

Associate Professor Philip Sutton

Vaccinating against helicobacter pylori-induced gastric cancer - optimising the manufacturing process

(Research undertaken at Murdoch Children's Research Institute)

(The Murdoch Children's Research Institute administers this grant)

- 37,500

Associate Professor Janet Davies

Point of care diagnosis for hayfever and asthma; development and validation of rapid subtropical specific IgE tests

(Research undertaken at the Queensland University of Technology)

(The Queensland University of Technology administers this grant)

- 2,000

Total Contingent Liabilities

1,107,455 942,103

Research Grant Commitments

Commitments not later than 12 months

785,254 656,011

Commitments later than 12 months but not later than five years

322,201 286,092

1,107,455 942,103

Note 17. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 15.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

National Foundation for Medical Research and Innovation
Notes to the financial statements
31 December 2019

Note 18. Research Grants

The sum paid in grants totalled \$957,378 (2018: \$892,516) as recorded in the income and expenditure account and funded the following research projects:

	2019	2018
	\$	\$
Associate Professor Janet Davies (Asthma/Allergy)		
Towards an improved affergen immunotherapy vaccine targeting subtropical grass pollens (Research undertaken at the Queensland University of Technology) (Queensland University of Technology administers the research grant)	2,000	100,179
Professor Michael Good (Infectious Diseases)		
Producing and testing a GMP grade peptide conjugate vaccine to prevent infection with Group A streptococcus (Research being undertaken at Griffith University) (Griffith University administers the research grant)	-	200,000
Professor Des Richardson (Infectious Diseases)		
Commercial translation of innovative null hepcidin analogues that prevent the anaemia of chronic diseases (Research undertaken at the University of Sydney) (The University of Sydney administers the research grant)	-	81,500
Professor Michelle Hill (Cancer)		
Blood glycoprotein panel for early detection of oesophageal cancer (Research was undertaken at the QIMR Berghofer Medical Research Institute) (The QIMR Berghofer Medical Research Institute research grant)	-	84,602
Professor Mark Kendall		
2017 Dr John Dixon Hughes Medal for Medical Research Innovation	37,500	12,500
Doctor Nicholas Opie (General)		
Safety validation of the stentrod: a biomedical device for paralysis that converts thoughts into computer commands (Research undertaken at the University of Melbourne) (The University of Melbourne administers the research grant)	-	100,000
Professor Philip Sutton		
Vaccinating against helicobacter pylori-induced gastric cancer - optimising the manufacturing process	37,500	112,500
Dr Joanna Woodcock		
Preclinical evaluation of 14-3-3 protein inhibitors for lung cancer therapy (Research undertaken at the University of South Australia) (The University of South Australia administers this grant) (This is a project jointly funded by the Foundation and The NSW Community Foundation - Nicholas & Phyllis Pinter Trust (managed by Equity Trustees))	(49)	50,050

**National Foundation for Medical Research and Innovation
Notes to the financial statements
31 December 2019**

Note 18. Research Grants (continued)

	2019 \$	2018 \$
Professor Eric Gowans (Infectious Diseases)		
A DNA vaccine for Zika virus (Research undertaken at the University of Adelaide) (The University of Adelaide administers the research grant) (This is a project jointly funded by NSW Department of Primary Industries and the Foundation)	-	113,685
Professor Marc Pellegrini		
Eradicating life-threatening infections in people with cystic fibrosis (Research undertaken at Walter & Eliza Hall Institute of Medical Research) (Walter & Eliza Hall Institute of Medical Research administers the research grant)	43,750	-
Dr Lesley Cheng		
Specificity testing and cross-laboratory validation of a blood test for Alzheimer's (Research undertaken at LaTrobe University) (LaTrobe University administers the research grant)	56,475	-
Associate Professor Anthony White		
A personalised medicine approach for screening neuroinflammatory drug efficacy in Alzheimer's Disease (Research undertaken at QIMR Berghofer) (QIMR Berghofer administers the research grant)	75,000	-
Dr Adam Taylor		
Liposome delivery of a chikungunya virus vaccine candidate: a solution to vaccine delivery bottlenecks (Research undertaken at Griffith University) (Griffith University administers the research grant)	33,333	-
Dr Nicholas Huntington		
2019 Dr John Dixon Hughes Medal (Research undertaken at the Monash University) (Monash University administers the research grant)	50,000	-
Professor Roger Chung		
Preclinical evaluation of novel therapies for clearance of TDP-43 in amyotrophic lateral sclerosis (Research undertaken at Macquarie University) (Macquarie University administers the research grant)	183,488	-
Dr Clare Stirzaker		
Liquid Biopsy monitoring for triple negative breast cancer; a novel epigenetic test (Research undertaken at Garvan Institute of Medical Research) (Garvan Institute of Medical Research administers the research grant)	141,834	-

National Foundation for Medical Research and Innovation
Notes to the financial statements
31 December 2019

Note 18. Research Grants (continued)

	2019 \$	2018 \$
Professor Peter van Wijngaarden		
Translating an eye imaging biomarker for Alzheimer's Disease to the clinic (Research undertaken at Centre for Eye Research Australia) (Centre for Eye Research Australia administers the research grant)	73,750	-
Dr Sanjaya Kuruppu		
Improving the efficacy of a new venom derived drug for Alzheimer's Disease (Research undertaken at Monash University) (Monash University administers the research grant)	45,000	-
Dr Steven Wise		
Durable treatment of peripheral artery disease (Research undertaken at Garvan Institute of Medical Research) (Garvan Institute of Medical Research administers the research grant)	95,022	-
Professor Wendy Cooper		
Dr John Raftos AM Medal for Medical Research Innovation	12,500	37,500
Associate Professor Joanne Macdonald		
A rapid, sensitive and portable molecular genetic test for diagnosis of malaria in blood (Research undertaken at University of Sunshine Coast) (University of Sunshine Coast administers the research grant)	<u>70,275</u>	<u>-</u>
Total Research Grants	<u>957,378</u>	<u>892,516</u>

Note 19. Events after the reporting period

Impact of COVID-19:

The Foundation has recognised the potential risk and impact on its operations and grants.

The Foundation already has many of the fundamentals in place to continue its activities and it is expected that COVID-19 will have minimal impact on its operations with the exception of potential illness and external interruptions.

It is however expected that some of the research projects supported by the Foundation will be impacted by COVID-19 including temporary university closures, reduction of shared services and access to some facilities. The Foundation has contacted researchers to reduce their anxiety and to inform them that the Foundation will be flexible with regards to time extensions and possible delays in the commencement of new projects where appropriate. It is not anticipated that this will have any significant impact upon the quantum committed to research projects from the Foundation.

At 31 December 2019, the market value of the Foundation's portfolio was \$24,430,131. As a consequence of COVID -19, there has been extreme volatility in financial markets. As at 30 March, 2020, the market value of the Foundation's investment portfolio was \$21,214,290. In addition, it is likely that income from the Foundation's investments will be negatively impacted during the period of uncertainty. At this stage, it not possible to quantify this impact.

National Foundation for Medical Research and Innovation
Notes to the financial statements
31 December 2019

Note 19. Events after the reporting period (continued)

Grants brought to account as revenue in the 2018 and 2019 financial years in accordance with the Foundation's accounting policies but not yet expended to researchers total \$1,073,790 as at 31 December 2019 (2018: \$603,650) as set out in Note 12.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the incorporated association's operations, the results of those operations, or the incorporated association's state of affairs in future financial years.

Note 20. Reconciliation of result for the year to cash flows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2019	2018
	\$	\$
Profit / (loss) for the year	3,067,392	(94,043)
Depreciation expense	2,208	-
Loss / (gain) on disposal of financial assets	268,796	22,670
Unrealised loss / (gain) on investments	(2,077,529)	1,442,839
Decrease / (increase) in receivables	116,611	(115,446)
Decrease / (increase) in other assets	-	22,118
(Decrease) / increase in income in advance	(106,120)	(113,685)
(Decrease) / increase in trade and other payables	(17,527)	(5,952)
Increase / (decrease) in employee benefits provisions	16,810	16,327
	<u>1,270,641</u>	<u>1,174,828</u>
Cash flows from operations	<u>1,270,641</u>	<u>1,174,828</u>

Note 21. Fundraising Activities

During the year the gross income and expenditure from fundraising activities was \$0 (2018: \$Nil). As a result, the impact on the statement of financial position was \$0 (2018: \$ Nil).

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