

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

Financial Report

For the year ended 31 December 2011

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ARTHRITIS FOUNDATION OF W.A. INCORPORATED

STATEMENT BY THE BOARD OF MANAGEMENT

In the opinion of the Board of Management the financial report as set out on pages 4 to 25:

- (i) Presents a true and fair view of the financial position of the Arthritis Foundation of WA Incorporated (the "Foundation") as at 31 December 2011 and its performance for the year ended on that date;
- (ii) The operations of the Foundation have been carried out in accordance with the Constitution of the Foundation; and
- (iii) At the date of this statement, 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 in accordance with a resolution of the Board of Management by:



President



Board member

Dated this 29TH day of March 2012

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
ARTHRITIS FOUNDATION OF W.A. INCORPORATED

We have audited the accompanying financial report of Arthritis Foundation of W.A. Incorporated ("the Foundation"), which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by the Board of Management.

Responsibility for the Financial Report

The Board of Management of the Foundation is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Associations Incorporation Act 1987* of Western Australia, and for such internal control as the Board of Management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the financial report.

RSM Bird Cameron

Chartered Accountants

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

Independence

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

Basis for Qualified Auditor's Opinion

General fundraising of \$150,391 (2010: general fundraising of \$218,523) is a significant source of revenue for the Foundation. The Foundation has determined that it is impracticable to establish control over the collection of general fundraising revenue prior to entry into its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to general fundraising revenue had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether general fundraising revenue the Foundation obtained is complete.

Qualified Auditor's Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be required had the limitation on our audit procedures referred to in the preceding paragraph not existed, the financial report presents fairly, in all material respects, the financial position of the Arthritis Foundation of W.A. Incorporated as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards and *Associations Incorporation Act 1987* of Western Australia.



RSM BIRD CAMERON
Chartered Accountants



S C CUBITT
Director

Perth, WA

Dated: 29 March 2012

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTE	2011	2010
		\$	\$
Revenue	3	2,573,443	2,238,458
Branches and community support groups		(116,675)	(151,080)
Education		(358,287)	(311,068)
Administration		(183,448)	(164,820)
Health services		(620,789)	(607,960)
Fundraising and public relations	4(b)	(822,664)	(808,200)
Research		(79,828)	(96,337)
Loss on sale of investment		(17,312)	(14,002)
Impairment – shares & managed funds		<u>(241,836)</u>	<u>(30,485)</u>
Net surplus for the year		132,604	54,506
Other comprehensive income			
Net increase on revaluation of financial assets		<u>388,539</u>	<u>78,085</u>
Total comprehensive surplus for the year		<u>521,143</u>	<u>132,591</u>

The accompanying notes form part of these financial statements

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	NOTE	2011 \$	2010 \$
CURRENT ASSETS			
Cash and cash equivalents	6	1,367,519	1,376,380
Trade and other receivables	7	45,966	25,792
Other current assets	8	17,871	33,263
TOTAL CURRENT ASSETS		1,431,356	1,435,435
NON-CURRENT ASSETS			
Available for sale financial investments	9	5,545,177	5,572,183
Property, plant and equipment	10	1,520,383	1,586,616
TOTAL NON-CURRENT ASSETS		7,065,560	7,158,799
TOTAL ASSETS		8,496,916	8,594,234
CURRENT LIABILITIES			
Trade and other payables	11	464,588	288,062
Short-term provisions	12	98,367	116,276
TOTAL CURRENT LIABILITIES		562,955	404,338
TOTAL LIABILITIES		562,955	404,338
NET ASSETS		7,933,961	8,189,896
EQUITY			
Restricted	13	5,588,093	5,395,848
Designated	14	860,000	860,000
TOTAL RESTRICTED AND DESIGNATED FUNDS		6,448,093	6,255,848
UNRESTRICTED FUNDS		1,167,501	1,227,142
ASSET REVALUATION RESERVE		318,367	706,906
TOTAL EQUITY		7,933,961	8,189,896

The accompanying notes form part of these financial statements

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2011

	Restricted and Designated Funds	Unrestricted Funds	Financial Assets Reserve	Total
			\$	\$
Balance at 1 January 2010	6,693,736	734,748	628,821	8,057,305
Surplus/(loss) for the year	(437,888)	492,394	-	54,506
Available-for-sale investments adjusted to fair value	-	-	78,085	78,085
Total comprehensive surplus for the year	(437,888)	492,394	78,085	132,591
Balance at 31 December 2010	6,255,848	1,227,142	706,906	8,189,896
Balance at 1 January 2011	6,255,848	1,227,142	706,906	8,189,896
Surplus/(loss) for the year	(192,245)	59,641	-	(132,604)
Available-for-sale investments adjusted to fair value	-	-	388,539	388,539
Total comprehensive surplus for the year	(192,245)	59,641	388,539	255,935
Balance at 31 December 2011	6,063,603	1,286,783	1,095,445	8,445,831

Financial Assets Reserve

The financial assets reserve records revaluations in available-for-sale financial assets.

The accompanying notes form part of these financial statements

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTE	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from operations		2,060,429	1,926,748
Payments to suppliers and employees		(2,273,785)	(2,061,157)
Interest received		56,326	92,206
Trust distribution received		134,732	85,996
Dividends		302,482	181,933
Net cash provided by operating activities	15(b)	280,184	225,726
Cash flows from investing activities			
Payments for plant and equipment		(2,909)	(70,486)
Proceeds from sale of investments		(286,136)	461,546
Payments for investments			(1,515,704)
Net cash used in investing activities		(289,045)	(1,124,644)
Net increase in cash held		(8,861)	(898,918)
Cash at the beginning of the financial year		1,376,380	2,275,298
Cash at the end of the financial year	15(a)	1,367,519	1,376,380

The accompanying notes form part of these financial statements

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the requirements of the *Associations Incorporation Act 1987* of Western Australia.

The financial report covers The Arthritis Foundation of W.A. Inc. as an individual entity. The Arthritis Foundation of W.A. Inc. is an association incorporated in Western Australia under the *Associations Incorporation Act 1987*.

The financial report of the Arthritis Foundation of W.A. Inc as an individual entity complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Due to the application of Australian specific provisions for not-for-profit entities contained only within AIFRS, this financial report and notes thereto, are not necessarily compliant with International Accounting Standards.

The following is a summary of the material accounting policies adopted by the Foundation in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Allocation of expenses

The Foundation reports its expenditure on a functional basis and accordingly, classifies its expenditure to specific programme services which describe the Foundation's social service activities and supporting services. Additionally, there is an expense classification of Administration in respect of expenditure of an administrative and general nature that is incurred and is not identifiable with a single programme, but is indispensable to the conduct of those activities and to the Foundation's existence.

(c) Fund accounting

On occasions the Foundation may receive resources restricted for particular purposes. To facilitate observance of these limitations, the financial statements list separately those funds which are restricted or designated and those funds which are unrestricted.

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(c) Fund accounting (Cont.)

Restricted funds are those funds presently available for use, but expendable only for operating purposes specified by the donor or by statute. When the Board specifies a purpose for the expenditure of funds, where none has been stated by the original donor, such funds are classified as designated funds.

Unrestricted funds are those funds presently available for use by the Foundation at the discretion of the Board.

(d) Charitable Support

Charitable Support income, comprising bequests and legacies and donations and fundraising monies received, by their nature can only be recognised when they are recorded in the books of the Foundation. Bequests, legacies and donations are brought to account on a cash basis or where they are received other than in cash, according to the fair value of the bequest or donation when the ownership passes to the Foundation. All other income is brought to account on an accruals basis.

(e) Employee benefits

Provision is made for the Foundation's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(f) Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service.

Grant income and other contributions received are recognised when the Foundation obtains control of the grant or contribution and it is probable that the economic benefits will flow to the Foundation.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(g) Property, plant and equipment

Buildings and plant and equipment are measured on the cost basis less depreciation.

The carrying amount of buildings and plant and equipment is reviewed annually by the Foundation to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding freehold land. Depreciation is calculated on a reducing balance method for plant and equipment and straight line method for land and building over the useful lives of the assets to the Foundation commencing from the time the asset is held ready for use.

The depreciation rates used for each class of asset are as follows:

	Depreciation rate
Plant and equipment	7.5–30%
Building	2.0%

(h) Impairment of Assets

At each reporting date, the Foundation reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Depreciated replacement cost is used to determine value in use. Depreciated replacement cost is the current cost of an item of plant and equipment less, where applicable, accumulated depreciation to date, calculated on the basis of such cost. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(i) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale investments are those financial assets that are designated as available-for-sale. When available-for-sale financial investments are recognised initially, they are measured at fair value. Any available-for-sale financial investments donated to the Foundation are recognised at fair value at the date the Foundation obtains control of the asset. After initial recognition available-for-sale financial investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Foundation assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment loss has arisen. Impairment losses are recognised in the income statement.

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(k) Comparatives

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(l) Critical accounting estimates and judgments

The Board evaluates estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Foundation.

Key estimates — Impairment

The Foundation assesses impairment at each reporting date by evaluating conditions specific to the Foundation that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

An impairment loss of \$241,835 (2010: \$30,485) has been recognised for the year ended 31 December 2011.

(m) New Accounting Standards issued but not yet effective

The Foundation has reviewed accounting standards and interpretations which have been issued but are not as yet effective as at the date of this financial report. No material impact is anticipated to arise from the application of these accounting standards and interpretations.

2. INCOME TAX

The Foundation is exempt from income tax under the provisions of Section 50-5 of the *Income Tax Assessment Act 1997* as a charitable institution and holds deductible gift recipient status.

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

	2011	2010
	\$	\$
3. REVENUE		
Charitable support fundraising (Note 4(b))	1,523,156	1,334,320
Fee for services	191,069	181,538
Government grants	483,783	435,764
Interest income	56,326	92,206
Dividend income	280,856	124,575
Gain on sale of investments	21,626	49,272
Other	16,627	20,783
	2,573,443	2,238,458
4. SURPLUS FROM OPERATIONS		
The surplus from operations has been determined after:		
(a) Expenses		
Depreciation	69,142	60,340
Gain/(loss) on sale of investment	(17,312)	(14,002)
Impairment of investments	241,836	30,485
Remuneration of auditors – Audit of the financial report	12,500	12,000
Rental expense on operating leases – Minimum rental payments	49,444	45,168

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

	2011	2010
	\$	\$
4. SURPLUS FROM OPERATIONS (Cont.)		
(b) Charitable support fundraising		
Revenue from fundraising activities		
Charitable trust distributions	134,732	85,996
Direct mail	328,964	357,840
Facilities hire	151,084	147,333
Periodical payments	13,914	16,620
Raffles	99,380	95,328
Bequests	82,083	100,141
Bingo (Combined Charities & HASC)	327,983	312,539
General fundraising	150,391	218,523
Chair Rheumatology & Musculoskeletal Medicine	234,625	-
	1,523,156	1,334,320
Direct and indirect costs relating thereto		
Direct mail	155,121	162,033
Raffles	61,474	64,615
Periodical payments	7,303	3,645
Bequests	96,003	89,368
General fundraising	117,724	343,092
Charitable Trust distribution	4,057	4,374
Marketing and public relations	57,921	114,910
Facilities hire	31,438	26,162
Chair Rheumatology & Musculoskeletal Medicine	82,977	-
Bingo	208,646	-
	822,664	808,200

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. SEGMENT REPORTING

The following segment information reflects the Foundation's primary activities of core services and investment management with Western Australia.

The Core Activity of the Foundation is to provide ongoing commitment to the care, education and research for people with arthritis and related conditions through the support of community funding. The Foundations fundraising activities include voluntary donations, direct mail outs, raffles, bequests, corporate sponsorship and other annual charity events.

Investment Management involves the managing of the investment portfolio, consisting of shares in listed companies and units in unlisted unit trusts.

2011	Core Activities \$	Investment Management \$	Total \$
Revenue	2,270,961	302,482	2,573,443
Expenditure	(2,181,691)	(259,148)	(2,440,839)
Surplus for year	89,270	43,334	132,604
Other comprehensive income	-	388,539	388,539
Total comprehensive surplus for the year	89,270	431,873	521,143
Assets and liabilities			
Segment assets	2,951,739	5,545,177	8,496,916
Segment liabilities	562,955	-	562,955
Net assets	2,388,784	5,545,177	7,933,961
Other segment information			
Capital expenditure	2,909	-	2,909
Depreciation	69,142	-	69,142
2010	Core Activities \$	Investment Management \$	Total \$
Revenue	2,064,611	173,847	2,238,458
Expenditure	(2,139,465)	(44,487)	(2,183,952)
Surplus for year	(74,854)	129,360	54,506
Other comprehensive income	-	78,085	78,085
Total comprehensive surplus for the year	(74,854)	207,445	132,591
Assets and liabilities			
Segment assets	3,022,051	5,572,183	8,594,234
Segment liabilities	404,338	-	404,338
Net assets	2,617,713	5,572,183	8,189,896
Other segment information			
Capital expenditure	70,486	-	70,486
Depreciation	60,340	-	60,340

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

	2011	2010
	\$	\$
6. CASH AND CASH EQUIVALENTS		
Cash on hand	400	400
Cash at bank	480,211	235,585
Cash on deposit	886,908	1,140,395
	<u>1,367,519</u>	<u>1,376,380</u>
 7. TRADE AND OTHER RECEIVABLES		
Trade receivables	45,266	25,792
Other receivables	700	-
	<u>45,966</u>	<u>25,792</u>
 8. OTHER CURRENT ASSETS		
Accrued interest	5,532	31,204
Prepayments	12,339	2,059
	<u>17,871</u>	<u>33,263</u>
 9. AVAILABLE FOR SALE FINANCIAL INVESTMENTS		
Shares in listed companies	1,167,729	1,127,669
Units in unlisted investment unit trusts	4,377,448	4,444,514
	<u>5,545,177</u>	<u>5,572,183</u>

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

9. AVAILABLE FOR SALE FINANCIAL INVESTMENTS (Cont.)

2011

	Shares in listed companies	Units in unlisted investment unit trusts	Total
	\$	\$	\$
Carrying amount at the beginning of the year	1,127,669	4,444,514	5,572,183
Additions	228,813	601,100	829,913
Disposals	(76,722)	(164,844)	(241,566)
Changes in fair value recognised in profit/loss	(37,054)	(203,786)	(240,840)
Changes in fair value recognised in equity	<u>(74,974)</u>	<u>(298,539)</u>	<u>(373,513)</u>
Carrying amount at the end of the year	<u>1,167,732</u>	<u>4,378,445</u>	<u>5,546,177</u>

2010

	Shares in listed companies	Units in unlisted investment unit trusts	Total
	\$	\$	\$
Carrying amount at the beginning of the year	750,437	3,742,076	4,492,513
Additions	450,704	1,065,000	1,515,704
Disposals	(88,980)	(394,654)	(483,634)
Changes in fair value recognised in profit/loss	(21,946)	(8,539)	(30,485)
Changes in fair value recognised in equity	<u>37,454</u>	<u>40,631</u>	<u>78,085</u>
Carrying amount at the end of the year	<u>1,127,669</u>	<u>4,444,514</u>	<u>5,572,183</u>

Balances as at 31 December 2011 include a portfolio of securities listed on the Australian Stock Exchange and units in unlisted unit trusts, the latter managed by professional investment managers. These investments are spread across a range of various industrial and geographical sectors in accordance with the Foundations investment policy to reduce exposure to market price risk.

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

	2011	2010
	\$	\$
10. PROPERTY, PLANT & EQUIPMENT		
Buildings		
Lemnos Street, Shenton Park		
Cost	2,126,658	2,126,658
Accumulated depreciation	<u>(732,845)</u>	<u>(689,241)</u>
	<u>1,393,813</u>	<u>1,437,417</u>
Plant and equipment		
Cost	438,444	437,471
Accumulated depreciation	<u>(311,874)</u>	<u>(288,272)</u>
	<u>126,570</u>	<u>149,199</u>
Total property, plant and equipment	<u>1,520,383</u>	<u>1,586,616</u>

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

2011

	Buildings	Plant and Equipment	Total
	\$	\$	\$
Carrying amount at the beginning of the year	1,437,417	149,199	1,586,616
Additions	-	2,909	2,909
Depreciation	<u>(43,605)</u>	<u>(25,537)</u>	<u>(69,142)</u>
Carrying amount at the end of the year	<u>1,393,812</u>	<u>126,571</u>	<u>1,520,383</u>

The Foundation's buildings and improvements are situated on Crown Land, and title was previously held through a Reserve and vested in the name of the Foundation, over which there was a reservation, which designated that the land must be used for the purpose of an "Arthritis Centre". During the year ended 31 December 2002, the Foundation applied for and was granted a Crown Grant in Trust title whereby the Foundation must continue to use the building and improvements as before, for the purpose of an "Arthritis Centre".

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

		2011	2010
		\$	\$
11. TRADE AND OTHER PAYABLES			
Sundry payables and accrued expenses		464,588	288,062
12. PROVISIONS			
Employee benefits		98,367	116,276
13. RESTRICTED FUNDS			
Funds restricted by Donors	1(c)		
Education		293,000	293,000
Research		1,315,150	1,315,150
Statutory		1,385,040	1,427,420
Charitable trusts		2,360,278	2,360,278
Chair Rheumatology & Musculoskeletal Medicine		234,625	-
		5,588,093	5,395,848
14. DESIGNATED FUNDS			
Funds restricted by Board	1(c)		
Building maintenance		200,000	200,000
Research		660,000	660,000
		860,000	860,000

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

	2011	2010
	\$	\$
15. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash		
<p>For the purposes of the cash flow statement, cash includes cash on hand and in banks, investments in money market instruments, interest bearing deposits and net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:</p>		
Cash on hand	400	400
Cash at bank	480,211	235,585
Cash on deposit	886,908	1,140,395
	1,367,519	1,376,380
(b) Reconciliation of net cash provided by operating activities to net surplus		
Profit from ordinary activities after income tax	132,604	76,071
Depreciation	69,142	60,340
(Gain)/loss on sale of investments	17,312	14,002
Impairment of investments	224,524	17,006
Movements in assets and liabilities		
Trade and other receivables	(19,474)	50,618
Other current assets	14,692	(10,278)
Trade and other payables	(176,526)	33,295
Provisions	17,910	(15,328)
Net cash provided by operating activities	280,184	225,726

16. BEQUESTS AND LEGACIES NOT YET RECORDABLE

The Foundation is the beneficiary of certain bequests and legacies and a donation, under various wills of deceased benefactors and an agreement respectively, the total realisable amount of which is not presently determinable. Such amounts will be recorded when clear title is established and the proceeds are measurable.

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

	2011 \$	2010 \$
17. CONTINGENT LIABILITY		
Bank guarantee		
Bank guarantee in favour of the Gaming Division of the Office of Racing and Gaming relative to raffle draws to be conducted by the Foundation	<u>35,000</u>	<u>45,000</u>
18. COMMITMENTS FOR EXPENDITURE		
(a) Operating lease		
Not later than 1 year	29,846	35,292
Later than 1 year and not later than 5 years	<u>-</u>	<u>56,839</u>
	<u>29,846</u>	<u>92,131</u>

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. FINANCIAL INSTRUMENTS

Financial risk management

The main risks arising from the Foundation's financial instruments are interest rate risk, liquidity risk, credit risk and market price risk. The Foundation does not hold financial instruments denominated in foreign currencies and does not use derivative instruments to manage risks associated with its financial instruments.

The Foundation's policies for managing each of these risks are summarised below. The policies are subject to Board approval and are reviewed regularly.

(a) Interest rate risk

The Foundation is exposed to interest rate fluctuations on its cash at bank and cash on deposit included in its available-for-sale financial investments. The Foundation actively monitors interest rates for cash at bank and on deposit to maximise interest income. The company accepts the risk in relation to fixed interest securities as they are held to generate income on surplus funds.

The Foundation's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted interest rates on those financial assets and financial liabilities, is as follows:

2011	Weighted average effective interest Rate %	Floating interest Rate \$	Fixed Interest Rate \$	Non- interest bearing \$	Total \$
FINANCIAL ASSETS					
Cash	3.92%	477,980	886,908	2,631	1,367,519
Trade and other receivables		-	-	45,966	45,966
Other current assets		-	-	17,817	17,817
Financial assets		-	-	5,454,177	5,454,177
		<u>477,980</u>	<u>886,908</u>	<u>5,520,591</u>	<u>6,885,479</u>
FINANCIAL LIABILITIES					
Trade and other payables		-	-	464,588	464,588
Provisions		-	-	98,367	98,367
		<u>-</u>	<u>-</u>	<u>562,955</u>	<u>562,955</u>

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. FINANCIAL INSTRUMENTS (Cont.)

(a) Interest rate risk (Cont.)

2010

	Weighted average effective interest Rate %	Floating interest Rate \$	Fixed Interest Rate \$	Non- interest bearing \$	Total \$
FINANCIAL ASSETS					
Cash	7.7	192,642	1,140,395	43,343	1,376,380
Trade and other receivables		-	-	25,792	25,792
Other current assets		-	-	33,263	33,263
Financial assets		-	-	5,572,183	5,572,183
		<u>192,642</u>	<u>1,140,395</u>	<u>5,674,581</u>	<u>7,007,618</u>
FINANCIAL LIABILITIES					
Trade and other payables		-	-	288,062	288,062
Provisions		-	-	116,276	116,276
		<u>-</u>	<u>-</u>	<u>404,338</u>	<u>404,338</u>

Interest rate sensitivity

At 31 December 2011, if interest rates had changed by +/-1% during the entire year with all other variables held constant, profit for the year and equity would have been \$13,649 lower/higher (2010: \$13,300 lower/higher), mainly as a result of lower/higher interest income from cash and cash equivalents.

(b) Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid funds are maintained.

When necessary, cash for unforeseen events may be sourced from liquidation of available-for-sale financial investments. It is Foundation investment policy that 50% of total investment must be liquefiable with 14 days.

(c) Credit risk

The Foundation is exposed to credit risk in respect of funds deposited with banks and other financial institutions.

Funds are deposited only with those banks and financial institutions approved by the Board. Such approval is only given in respect of banks that hold an A1 rating from Standard and Poor's.

At the reporting date, the company does not have any material credit risk exposures to any single bank or financial institution.

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. FINANCIAL INSTRUMENTS (Cont.)

(d) Market price risk

Market price risk is the risk that the Foundation's operations will be adversely affected by a significant adverse fluctuation on the value of its available-for-sale investments. The Foundation has engaged a licensed investment advisor to advise on the management of its investment portfolio. The Board has approved risk and return parameters for investment in available-for-sale investments and receives reports from management and its licensed investment advisor on a monthly basis regarding the performance of the investment portfolio.

Market price sensitivity

At 31 December 2011, if market prices had changed by $\pm 15\%$, with all other variables held constant, the net assets for the year and equity would have been \$831,777 lower/higher (2010: \$836,827 lower/higher).

(e) Net fair values

The financial assets and financial liabilities included in current assets and current liabilities in the Balance Sheet are carried at amounts that approximate their net fair values.

20. RELATED PARTY INFORMATION

(a) Members of the Board of Management

The names of the members of the Board of Management, who serve in a voluntary capacity and are not remunerated, in office during any part of the year were:

Dr Jack Edelman
Dr Irene Dagmar Froyland
Mr Timothy Spooner
A/Prof Richard Prince
Dr Bob Langlands
Mr William Roberston
Dr Margaret Mazur

(b) Transactions with the Foundation

There were no transactions, commercial or otherwise, between the members of the Board of Management and the Foundation during the year.

ARTHRITIS FOUNDATION OF W.A. INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

21. CONTINGENT LIABILITIES

The Foundation does not have any contingent liabilities at 31 December 2011.

22. EVENTS SUBSEQUENT TO REPORTING DATE

Since 31 December 2011, no event has arisen that would be likely to affect the operations or the state of affairs of the Foundation, not otherwise disclosed in the Foundation's financial report.

23. FOUNDATION DETAILS

The principal place of business of the Foundation is:

Wyllie Arthritis Centre
17 Lemnos Street
Shenton Park WA 6008