



# Finance Director Report

## Risk Management

ADEA's Finance, Audit & Risk Management Committee (FARM) comprises the ADEA Finance Director as Chair, an additional Board Director, an independent professional industry accountant and ADEA's Chief Financial Officer. FARM identifies and evaluates potential risks to the organisation and develops mitigation strategies for recommendation to the Board of Directors. FARM meets on a monthly basis via teleconferencing and also deals with other important organisational issues such as ADEA's annual independent audit process. FARM encourages you to read ADEA's audited financial statements and accompanying notes included in the 2014-15 Annual Report.

During the financial year FARM reviewed and mitigated various organisational risks and oversaw the implementation of ADEA's new independent investment strategy. ADEA's investment portfolio has performed well, even when taking into consideration turbulent financial market conditions in the last few months of the financial year. ADEA remains highly solvent and is able to pay all liabilities as they fall due. As at 30 June 2015, ADEA had approximately \$3.3 million in highly liquid assets such as cash at bank, term deposits and diversified managed fund investments.

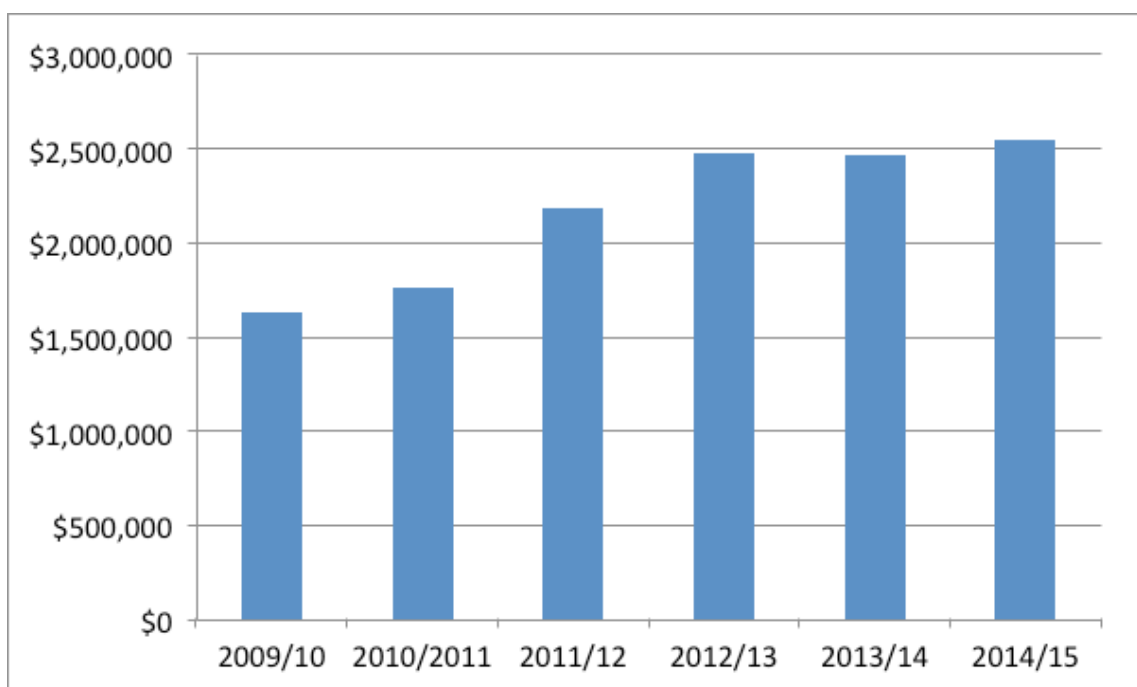
## Financial Position

Overall, ADEA's financial position is very strong with growth in total equity increasing by \$85,415 over the last 12 months to approximately \$2.55 million. Total equity, which represents the net worth of the organisation, is calculated as total assets of \$3,310,232 minus total liabilities of \$756,077. As previously mentioned a large proportion of ADEA's total equity resides in highly liquid assets which can be used to fund future strategic initiatives and to protect the organisation from any unanticipated detrimental abnormal events.

## Financial Performance

For the financial year ending 30 June 2015 ADEA recorded a trading profit of \$84,415. This was derived from total income of \$1,951,212 against total expenses of \$1,866,797. This compares to a -\$2,465 trading loss for the previous financial year primarily due to investing in new internal operational systems expected to generate organisational efficiencies trading forward.

Figure 1: Total ADEA Equity 2010 to 2015



## Income

The following graph highlights that ADEA has the benefit of a diversified income stream to support strategic and operational activities. From an organisational risk perspective, this highlights that ADEA is not highly dependent on one particular income source, such as government grants, which if ceased, could cause serious solvency issues for the organisation.

During the period ADEA experienced healthy membership growth as a result of a concerted membership drive. This resulted in membership income increasing by approximately \$73,838 to \$527,539 to represent approximately 27% of total annual income. Historically, membership income has remained relatively stable and is important for underpinning daily recurrent operational activities.

During the financial year, the ADEA Board of Directors approved a 3% increase in annual membership and credentialling fees to commence on 1 July 2015. This fee increase is very important to help offset the effects of general price inflation on ADEA's ever rising operating costs and to partially contribute towards investing in new improved systems and processes such as the new online credentialling system.

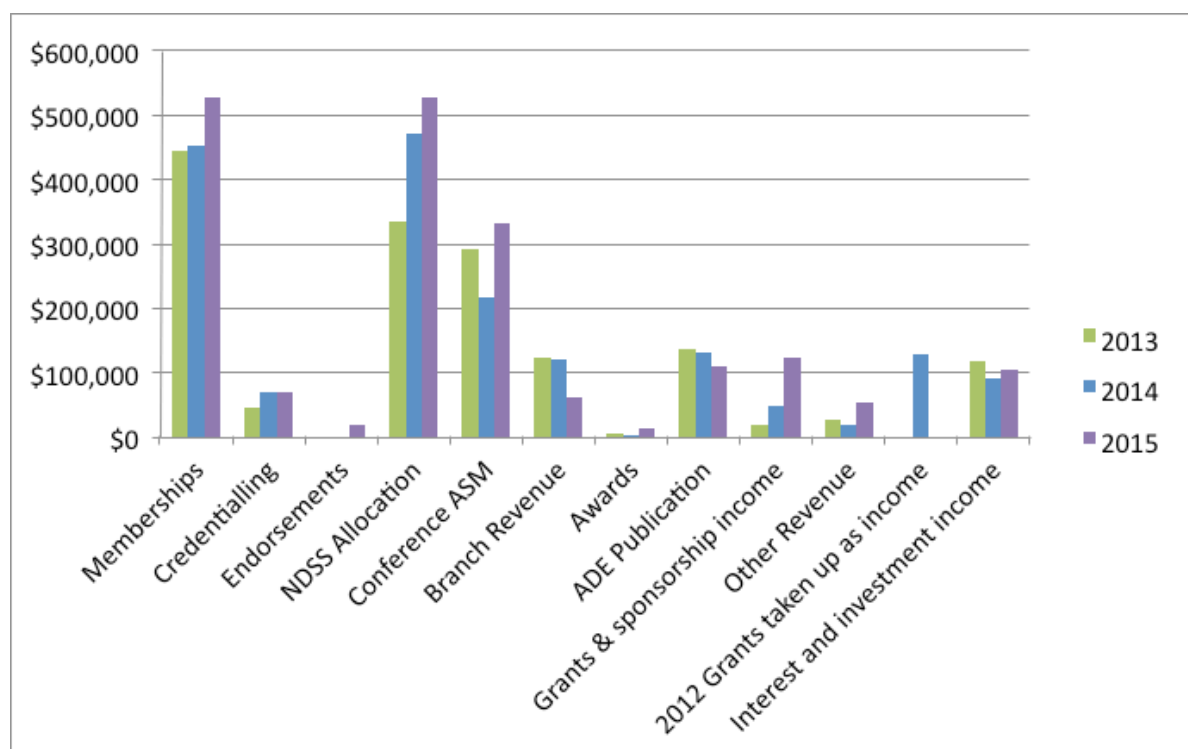
The \$56,325 increase in National Diabetes Services Scheme funding to \$471,089 was primarily due to increased registrants and further growth in the National Disaster Planning and Management Program. NDSS funding is ultimately derived from the Commonwealth Department of Health through Diabetes Australia.

The \$116,489 increase in Annual Scientific Meeting income to \$333,662 was primarily due to the conference being held in the larger member base of Melbourne with no major competing concurrent events being held. This is unlike the previous 2013/14 financial year when the International Diabetes Federation Congress was staged around the time of the Sydney Annual Scientific Meeting.

Member activities, such as Branch Conferences, are very important in raising additional income to help fund the shortfall between membership income and total organisational operating expenditure. The main reason for overall branch revenue being lower during the period was due to the larger Victorian State Conference being held in July 2015.

ADE Publication income, primarily comprising advertising by pharmaceutical companies in the Australian Diabetes Educator publication, is another important source of income.

Figure 2: ADEA Income Sources From 2013 to 2015



This experienced a \$22,709 reduction primarily due to tougher economic conditions impacting on pharmaceutical company advertising budgets.

## Expenditure

The following graph highlights changes in various ADEA expense categories resulting total expenses increasing by \$101,421 to \$1,866,797 for the financial year ending 30 June 2015.

The \$48,488 increase in staff costs to \$678,616 was primarily a result of an ADEA Board approved 3% salary increase and the additional expenses of employing a number of temporary staff while permanent ADEA staff were on parental leave. ADEA's total staff salary expense represents approximately 34% of total ADEA income which is within acceptable industry standards.

It should also be noted that the extremely low salary expense during 2012-13 was due to ADEA not having both a Chief Executive Officer and Professional Officer for many months. Furthermore, ADEA's accountant position remained part time for the majority of 2012-2013.

The \$61,232 increase in National Diabetes Services Scheme expenses to total \$530,698

was due to increased registrants and expansion of the National Disaster Management Program. These increased expenses were ultimately funded by increased grant funding from Diabetes Australia resulting in negligible impact on ADEA's final operating profit.

During the period ADEA also incurred a one off \$19,021 expense relating to the wind up of its involvement in the National Association of Diabetes Centres (NADC) partnership with the Australian Diabetes Society. This was essentially due to ADEA agreeing to forfeit any ownership of NADC's assets and to write off amounts owing to ADEA for accounting services provided to the partnership. All NADC associated activities now reside with the Australian Diabetes Society.

This report brings to a close my term as the Finance Director of ADEA. I have enjoyed my time on the National Board and since commencing my term in 2013 have had the privilege of working with a great team in National Office. I would like to thank Daniel McKinney, the Chief Financial Officer, for his invaluable guidance and advice during my term of office. I wish the ADEA Board successful deliberations in the appointment of the next Finance Director.

Cheryl Steele, CDE  
Finance Director

Figure 3: ADEA Expenses From 2013 to 2015

