
Finance Director's Report

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Risk Management

The ADEA Board of Directors has overall responsibility for supervising and mitigating organisational risk. The Board generally takes a risk averse approach to various organisational issues such as strategic planning, operational management, budget development and financial investment in order to maintain profitability to build net equity. Included is delegating risk and financial management responsibilities to the ADEA Finance, Audit & Risk Management Committee (FARM). Members include ADEA independent director John Michailidis, independent professional accountant Greg Cliffe, ADEA finance officer Daniel McKinney and myself as Chair and ADEA finance director. FARM also has responsibility for ADEA's annual financial audit and I encourage you to review ADEA's financial statements in the 2015/16 ADEA Annual report.

Financial Performance

The term "Not for Profit" (NFP) to describe organisations such as ADEA is experiencing a modern re-interpretation. Society is becoming more aware that organisations in the NFP sector must generate profit to survive and grow. This is especially the case since various government funding sources have contracted in recent times. Profit is therefore 'put to purpose' to further ADEA's vision, mission and objectives. For the financial year ending 30 June 2016 ADEA generated a \$100,912 profit representing a \$16,497 improvement on previous financial year performance.

During the financial year ADEA experienced a slight reduction in the number of its sustaining members. Competing demand for corporate partners by similar not-for-profit organisations such as ADEA is extremely competitive. This is not only in terms of the value that ADEA must provide to attract financial support, but also in terms

of the alternative opportunities provided by other not-for-profit organisations. National Office will therefore strive to maintain relevancy and provide increasing value for our important partner organisations. Sustaining membership income for the financial year ending 30 June 2016 totalled \$47,134.

On 30 June 2016 ADEA's contract with Diabetes Australia for National Diabetes Services Scheme (NDSS) funding from the Commonwealth Department of Health expired. ADEA successfully renegotiate a new four year funding agreement until 30 June 2020 comprising \$500,000 per annum indexed against inflation. This annual funding amount is a slight reduction compared to previous financial years but ADEA has managed to generate efficiencies within its program in an attempt to minimise the overall net impact.

Membership is an important source of income contributing towards operational expenditure. During the financial year ADEA was able to help fund increasing organisational activities by increasing membership. For example, as at 30 June 2016 ADEA had 2029 members, up 100 members from the previous year. This generated annual membership income totalling \$503,971, or 22.4% of total ADEA income. This income source is also important as ADEA is a small organisation aiming for greater influence and impact within the realms of diabetes management. To keep pace of increasing general expenses to ensure organisational sustainability membership fees are only increased relative to the consumer price index. The ADEA Board and management continue to consider the ways to improve and add to member benefits.

During the 2016 financial year overall ADEA Branch financial performance significantly increased to total \$294,347. This was primarily due to more overall activities, such as conferences and workshops, and National Office providing greater support

to Branch Executive. National Office assistance in negotiating competitive associated commercial agreements and helping to manage income and expense budgeting also underpinned the enthusiasm and dedication of Branch Program Organising Committees. It is hoped that with National Office support, branch annual conferences and education days will increasingly strengthen state based professional networks and development opportunities.

A significant but necessary organisational expense during the period was the upgrading of information technology hardware and software systems in National Office. Besides increasing organisational efficiency within Canberra, these upgrades also benefit members via improved communications, faster processing and more streamlined online credentialing and mentoring. Over the coming year National Office will continue to investigate new technologies to generate organisational efficiencies and provide increasing member value.

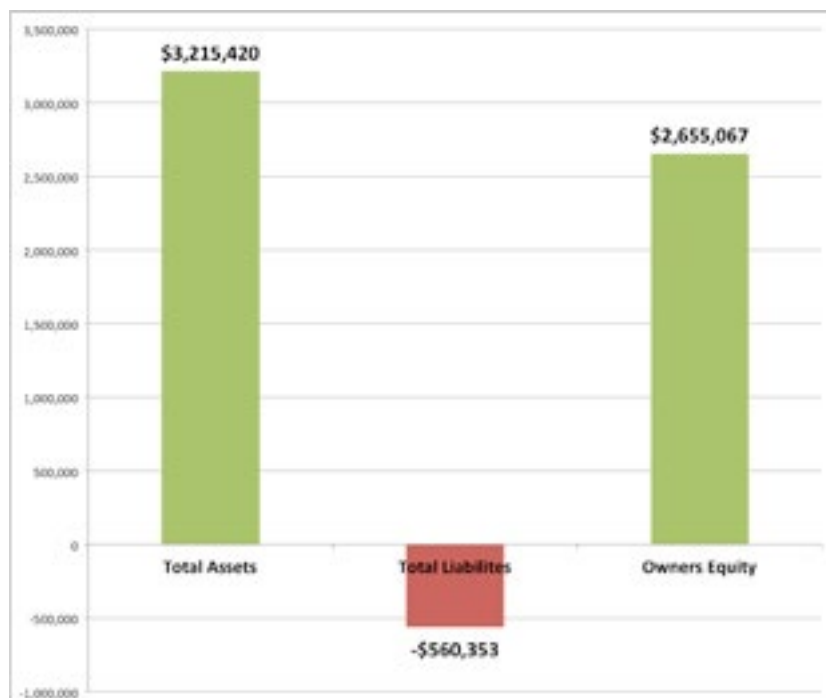
Financial Position

ADEA's current financial position is very strong. For example, as at 30 June 2016 ADEA had \$2,655,067 in total owner's equity comprising total assets of \$3,215,420 against total liabilities of \$560,353. Approximately \$3.1 million, or 96%, comprised highly liquid assets of cash, term deposits and managed fund investments. These highly liquid assets that are easily convertible to cash allow ADEA to pay any liabilities as they fall due.

In view of ADEA's strong balance sheet, a major profit for purpose (PFP) decision by the Board was to allocate \$250,000 in initial seed capital to establish the new ADEA Diabetes Research Foundation. This is a direct outcome of ADEA's strategic plan to increase its research contribution.

Over the next few years it is expected that the research the Foundation supports will add evidence to that outlined in the 2014 Deloitte Access Economics report ADEA commissioned titled Benefits of Credentialed Diabetes Educators to people with diabetes and Australia. The

ADEA Financial Position as at 30 June 2016



Foundation's ultimate aim is for research funding to become independently sustainable from ADEA financial support via various income sources such as receiving grants, bequests and tax deductible donations and managing a successful art union campaign to build an endowment fund where financial returns will fund research. ADEA's desirable financial capital base also puts the Board of Directors in a good position to develop the new ADEA 2020 Strategic Plan over the coming year.

The financial team comprising the CFO, CEO and ADEA's contracted accounting firm Equity Partners, will also provide support by prudently developing and managing ADEA's budget to ensure organisational resources are efficiently and effectively utilised.

Further detailed financial information can be found in ADEA's 2016 annual audited financial statements located at www.adea.com.au or the Australian Charities and Not-for-profit Commission (ACNC) website www.acnc.gov.au.

Profit for purpose organisations exist in a competitive market for grants (not necessarily) and any potential government funding and many areas of potential funding and financial support are also being very strategic and targeted with their finances.