Diabetes SA Support Always

Financial Report 2019/2020

Diabetes SA.

It's South Australian
for Support Always.

Message from the CEO

2019/2020 marked the final year of our three-year strategic plan. Throughout this period the Association has focused on delivering increased access to information, education, services, working collaboratively, building relationships, and advocating across all sectors for people at risk or living with diabetes.

The result of this has been the steady increase in education attendance, the uptake of other services and broader reach into the community – and then we were all affected by COVID-19. Undeterred, we fast tracked our digital offering embarking on a project to increase our digital reach. We were pleasantly impressed by the results, with more than double the number of members registering for the online LIVE webinars than our face to face programs. The project also provided the Association with an opportunity to work with our members in a co-design approach to develop the content and delivery of these live webinars which proved invaluable.

With face to face education and services placed on hold, we stepped up our email and social media communications to ensure our members, and the wider community, knew we were here to support them by offering telehealth services through phone calls and video conferencing and continued with online retail sales. With the entire Diabetes SA team working from home, we continued to move forward with key program development, and in April we welcomed Dr Natalie Luscombe-Marsh a research scientist from CSIRO to lead our Research & Program Development under the direction of Fiona Benton. Significant work has been completed on the type 2 diabetes prevention program AUS2PREVENT that will now see the randomised control trial implemented in early 2021. The trial will provide the evidence to determine whether a lifestyle change program can benefit individuals at risk of diabetes as there is strong international evidence to suggest that 58% of all type 2 diabetes can be prevented with early intervention and lifestyle modification. In South Australia alone, 16% of the adult population are undiagnosed or at risk of or have prediabetes. Working hand in hand with the prevention program, is our program for early detection of diabetes. A three year, multi-stage detection strategy has been developed that addresses risk awareness, risk assessment and risk management. The aim of this strategy is to raise awareness of the signs, symptoms and risk factors for diabetes, identifying people at high risk with screening. It will also look at how we can improve our capacity to work with GP's and allied health professionals, to provide better support, lifestyle interventions and diabetes management. Whilst our focus will be the community, we will also target culturally and linguistically diverse communities where there is a high incidence of diabetes.

Our work in prevention and detection has resulted in collaborations with external experts, including Flinders University, for the health economic analysis, and the design of a randomised control trial for the prevention program. Whilst these programs have been seed funded through the generosity of our members and supporters, the challenge will be to secure external funding to support the implementation of these programs in the South Australian community.

The commitment to funding external research through the Diabetes SA Research Grants Program continued in the second round of the program with $300,000 being awarded to three South Australian researchers

- Dr Cher-Rin Chong for a novel strategy for cardiovascular protection in type 2 diabetes.
- Dr Megan Penno for deep profiling for early bi-markers of progression to islet autoimmunity and type 1 diabetes in mother-infant dyads participating in the ENDIA study.
- Dr David Jesudason for addressing life threatening ketoacidosis associated with sodium-glucose cotransporter-2 inhibitors and key antidiabetic medicines.

We will have the pleasure of communicating the successes and findings of the three researchers over the next two years and welcoming them to speaking engagements.

As the inaugural 2018 round of six research funding projects drew to a close, the Association was fortunate to work further with Professor Paul Ward and Heath Pillen from the College of Medicine and Public Health at Flinders University. Their initial funded project looked at the stigma and blame for people living with type 2 diabetes. Our Board and internal staff undertook a deliberation to consider what could diabetes organisations do to address the issues of stigmatisation and why? This was an important and valuable exercise that we will now explore further to determine what action the Association can take to reduce the stigma associated with type 2 diabetes.

In line with our strategic direction, a three-year marketing and communications strategy plan was approved by the Board. This followed the extensive work undertaken by Flinders Business in the 12-month market research project in 2018. This plan will guide our activities and support the new strategic direction of building awareness of our brand, and the programs and services we offer to our member base and the wider community. The three year IT strategy and plan will support this direction and we will invest in innovative technologies that support simplifying, integrating, and automating work practices to reduce operating costs.

During the 2019/2020 financial year, the Board welcomed three new Board Members – John Jovicevic, Lis Burtnik and Gary Neave, each from diverse backgrounds which brings a wealth of experience and expertise. The investment in new skills and people provided the opportunity to review the governance of the Board. As a result, we established the Finance, Audit and Risk Committee, the Corporate Governance and Remuneration Committee, and the Building Development Committee. One of the major projects that resulted was the review of the Association's Constitution and By-laws that will be presented to the Annual General Meeting.

During the year, we formed a new strategic alliance with Diabetes WA and Healthy Living NT as they too are responsible for areas of the country that face similar geographical and community challenges to us. By working together, and exchanging program and service technologies, our collective goal is to improve opportunities for people living with, or at risk of, diabetes to receive the best support options available.

Our engagement with external stakeholders continued, and one of the most promising of relationships has been the Chronic Conditions Collaborative (CCC). Whilst originally established through the Primary Health Networks in South Australia, the collaborative has evolved to become a collective group of organisations who represent people living with chronic conditions. The aim is to amplify consumer and community voices, and champion care that supports people living with multiple chronic conditions to thrive.

As I reflect back over the year, what has been amplified for me is the level of strength and resilience, we have all needed to navigate such a disruptive year. There is no doubt that COVID-19 has impacted our lives, but it has also brought many positives including our ability to come together to support one another and the opportunity to reconnect. As the CEO of this great organisation, I have been most proud of our Board for their stewardship during this time, the executive team, managers and staff for the way in which they have all risen to the challenge, and our members and supporters for continuing to support the organisation, and embracing new approaches to service delivery.

Angelique Pasalidis, CEO

Message from the Chair

As we continue to face the unprecedented COVID-19 situation, our staff this year have navigated a "new normal" to ensure continued delivery of health professional services to our Members.

Between learning how to work from home, implementing new safety precautions, managing family needs and more, it has been a tough time for everyone. Now more than ever, this leads me to show our appreciation to our dedicated Executive team, and all our staff. 2020 has been a year that has given me immense pride in what our staff have been able to achieve, and their continued excellence in service to our members and the South Australian Community.

To ensure smooth delivery of services, we have transitioned to new models of business including digitalisation to deliver education sessions. This will serve as a platform for us to speed up our transformation so that we will always be prepared for the unexpected.

This year, we welcomed two new faces to the Board, Lynn Bonython and Christine Bell. I look forward to their contribution to the Board through their skills and ideas.

However, it is with sadness that I say goodbye to two of our current longest serving Board members, Geoff Weeks and Monika Kruger.

Firstly, to Geoff Weeks, I take this opportunity to thank you for your continued service since July 2015 as an Executive Board member and Board member. Specifically, I want to express my gratitude to you for helping our Association accomplish many significant tasks, including our future directions and research grants. Your Chair of the Research Grants Sub-Committee has made all of us particularly proud to be able to provide external funding for vital research. That funding has been significant, and I hope ongoing for years to come. It is a legacy for which you have played a major role.

To Monika Kruger, I would like to thank you for your contribution to the Board, and the contributions you have made as a member and supporter of the Association. Your consumer lens has guided many conversations and has been invaluable in ensuring a focus on the person with diabetes. I take this opportunity to thank you for continued service since October 2012 as an Executive Board member and Board member. Specifically, I want to thank you for your dedication and commitment to the work for our future directions and research grants.

I am extremely proud of the Diabetes SA family and again, I warmly acknowledge and thank the CEO and each staff member and volunteer for their contributions to Diabetes SA as they continue to achieve excellence for our members and the community of South Australia.

Peter Crouch, President

Treasurer's Report

The 2019/20 financial year has presented a range of challenges and opportunities to Diabetes SA. The most significant challenge faced has been our response to the social and economic challenges presented by the COVID-19 global pandemic.

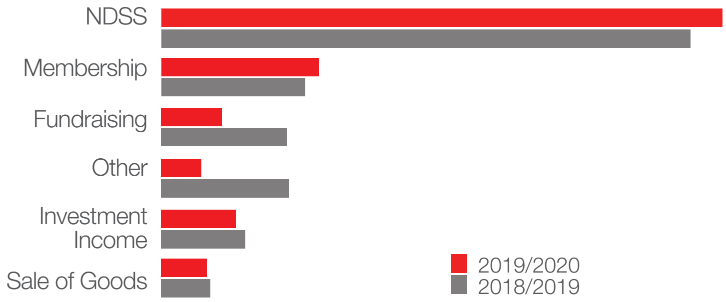
The Association has strengthened its financial governance practices with the establishment of a Finance Audit & Risk Committee (FAR Committee). The FAR Committee comprises the Treasurer, two Board Members, CEO and other members of the Executive and Finance team. The establishment of the FAR Committee has enabled more regular contact between members of the Board and Management to consider the financial affairs and risk management matters as they arise.

In particular, more regular and considered review of key matters such as budget performance, key finance policies, cash flow forecasting, monitoring the performance of the Association's investment portfolio and considering specific queries raised by the Board are examples of areas the FAR Committee have considered. The FAR Committee is also responsible for liaising with Association's external auditors and independent investment advisors which has resulted in more frequent and considered consideration of key matters by the Board as they have arisen during the year.

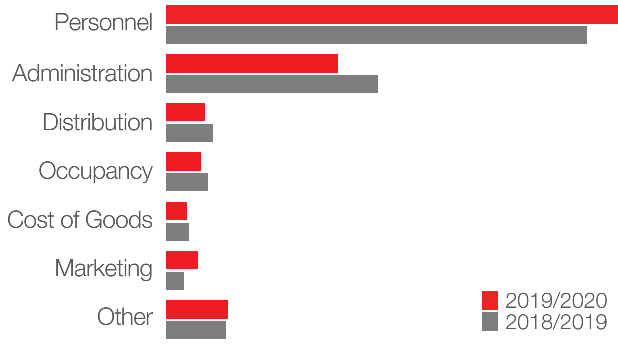
Given the turbulent economic conditions during the COVID-19 lockdown period, near weekly meetings were held with the Association's independent investment advisors (Macquarie Private Wealth) which were attended by the Treasurer, CEO and other members of the Association's Executive and Finance team. Updates were frequently provided to the Board and changes made to the composition of investments held to address changes in market conditions and to minimise risk relating to the corpus value and returns.

Overall, the Association recorded a loss for 2019/20 of $1.089 million which included a market value adjustment decrease of $206K and once-off government grant income of $100K relating to the Cashflow Boost program. The Association continued to promote and fund three external research programs in FY2020 which totalled $300K.

Where each dollar came from



Where each dollar was spent



FY2021 looks to present further challenges and opportunities for the Association as we embark on a number of other projects aimed at further enhancing the financial framework of the Association.

A detailed review of the Association's financial reporting and budgeting framework is due to commence with the aim of further strengthening our internal and external reporting capabilities as well ensuring we have a strong financial framework that is able to support the Association in undertaking research on a number of strategic projects being considered.

The development of a long-term financial plan in FY2021 will be to be developed that will further assist and guide the Association in achieving its long-term strategic objectives.

I would like to take this opportunity to thank the Board, and in particular note the contribution of the members of the FAR Committee for their valued input throughout this challenging year.

I would also like to acknowledge our Management team lead by our CEO for their valued support and hard work throughout the past 12 months.

John Jovicevic, Treasurer

Statement by Board of Management

The Diabetic Association of SA Incorporated trading as Diabetes SA

In the opinion of the Board of Management of The Diabetic Association of South Australia Incorporated, the 2019/2020 Financial Report of The Diabetic Association of South Australia Incorporated have been produced in accordance with:

1. (a) the Australian Charities and Not-for-profits Commission Act 2012, including:

   (i) Giving a true and fair view of its financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

   (ii) Complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2013; and

   (b) there are reasonable grounds to believe that of The Diabetic Association of South Australia Incorporated will be able to pay its debts as and when they become due and payable.

2. the Associations Incorporation Act 1985 (SA) including:

   that during the 2019/2020 financial year, no officer of the Association, or any firm of which an officer is a member, or any corporate entity in which an officer has a substantial financial interest, has received or become entitled to receive a benefit as a result of a contract between the officer, firm or corporate entity and the Association other than benefits received as an employee of the association as set out in the notes under Key Management Personnel Compensation.

Dated at Adelaide this 22nd day of September 2020

Signed in accordance with a resolution of the Board of Management.

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PRESIDENT

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TREASURER

Statement of Profit or Loss and Other Comprehensive Income

The Diabetic Association of SA Incorporated trading as Diabetes SA

Statement of Profit or Loss and Comprehensive Income for the financial year ended 30 June 2020

	Note	2020	2019
		$	$
Revenue – Sale of goods		185,276	199,585
Cost of sales		(117,828)	(129,070)
Gross Profit		67,448	70,515
Revenue – Rendering of services	3	3,440,654	3,405,386
Investment Income	3	305,158	343,858
Other gains and losses	3	(94,525)	379,411
Distribution expenses		(217,752)	(262,244)
Marketing expenses		(177,882)	(98,422)
Occupancy expenses		(193,930)	(237,430)
Administration expenses		(3,872,449)	(3,528,014)
Research Grant allocation		(300,000)	(270,750)
Other expenses		(46,387)	(64,859)
Profit/(Loss) for the year		(1,089,665)	(262,550)
Other comprehensive income:		-	-
Total Comprehensive Income for the year		(1,089,665)	(262,550)

The Statements are to be read in conjunction with the accompanying notes.

Statement of Financial Position

The Diabetic Association of SA Incorporated trading as Diabetes SA
Statement of Financial Position as at 30 June 2020

	Note	2020	2019
		$	$
Current Assets			
Cash and bank balances	17	626,265	468,973
Trade and other receivables	4	23,227	50,379
Inventories	5	53,681	30,305
Other financial assets	18	-	1,010,084
Other assets	6	40,522	43,426
Total Current Assets		743,695	1,603,167
Non-Current Assets			
Property, plant and equipment	7	1,250,950	1,253,291
Intangible assets	8	135,254	165,494
Right of use assets	9	20,157	-
Other financial assets	18	8,749,004	8,698,145
Total Non-Current Assets		10,155,365	10,116,930
Total Assets		10,899,060	11,720,096
Current Liabilities			
Trade and other payables	10	428,100	352,881
Lease liabilities		20,036	-
Provisions	12	324,656	289,176
Other liabilities	11	612,316	489,001
Total Current Liabilities		1,385,108	1,131,057
Non-Current Liabilities			
Provisions	12	70,864	57,414
Other liabilities	11	90,082	88,954
Total Non-Current Liabilities		160,946	146,368
Total Liabilities		1,546,054	1,277,425
Net Assets		9,353,006	10,442,671
Equity			
Reserves	13	5,485,821	5,489,092
Retained Earnings	14	3,867,185	4,953,579
Total Equity		9,353,006	10,442,671

The Statements are to be read in conjunction with the accompanying notes.

Statement of Changes in Equity

The Diabetic Association of SA Incorporated trading as Diabetes SA
Statement of Changes in Equity for the financial year ended 30 June 2020

	Reserves	Retained Earnings	Total
	$	$	$
Balance at 1 July 2018	568,925	10,136,296	10,705,221
Transfer on initial adoption of AASB 9	(168,925)	168,925	-
Adjusted balance at 1 July 2018	400,000	10,305,221	10,705,221
Profit for the year	-	(262,550)	(262,550)
Transfers from reserves to RE	(400,000)	400,000	-
Transfers from RE to reserves	5,489,092	(5,489,092)	-
Balance at 30 June 2019	5,489,092	4,953,579	10,442,671
Balance at 1 July 2019	5,489,092	4,953,579	10,442,671
Profit for the year		(1,089,665)	(1,089,665)
Transfers from RE to reserves	(3,272)	3,272	-
Balance at 30 June 2020	5,485,821	3,867,185	9,353,006

The Statements are to be read in conjunction with the accompanying notes.

Statement of Changes in Cash Flows

The Diabetic Association of SA Incorporated trading as Diabetes SA
Statement of Cash Flows for the financial year ended 30 June 2020

	Note	2020	2019
		$	$
Cash Flows from Operating Activities			
Receipts from customers		3,815,501	3,545,485
Government Grants Received		50,000	-
Payments for operating leases - interest component		(1,507)	-
Payments to suppliers and employees		(4,502,632)	(4,306,423)
Net cash generated by / (used in) operating activities		(638,638)	(760,938)
Cash Flows from Investing Activities			
Payments to acquire financial assets		(1,952,826)	(372,278)
Payments for property, plant and equipment		(129,194)	(133,451)
Payments for intangible assets		(93,060)	(95,407)
Proceeds from disposal of property, plant and equipment		-	-
Proceeds from disposal of financial assets		2,705,557	69,868
Investment income received		288,480	343,858
Net cash (used in) / generated by investing activities		818,957	(187,410)
Cash Flows from Financing Activities			
Payments for operating leases - principal component		(23,027)	-
Net cash generated by / (used in) financial activities		(23,027)	-
Net increase in cash and cash equivalents		157,292	(948,348)
Cash and cash equivalents at the beginning of the financial year		468,972	1,417,321
Cash and cash equivalents at the end of the financial year	17	626,265	468,972

The Statements are to be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the Financial Year Ended 30 June 2020

The Diabetic Association of SA Incorporated trading as Diabetes SA

Note Contents

The notes to the Financial Statements are continued.

1. General Information

The Diabetic Association of SA Inc. is a member based Association, largely self funded through membership subscriptions and fundraising activities. The Association is the only charity in South Australia helping people living with diabetes through the provision of information, support, education and products. The Association also undertakes activities which improve understanding and awareness of diabetes and participates in the search for a cure.

Registered Office and Principal place of business: 159 Sir Donald Bradman Drive, Hilton SA 5033.

2. Significant Accounting Policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, the Australian Charities and Not-for-profits Commission Act 2012 and complies with other requirements of the law.

The financial statements were authorised for issue by the Board of Management on 24 September 2020.

Basis of preparation

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

Adoption of new and revised Accounting Standards

The association has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The following Accounting Standards and Interpretations are most relevant to the entity:

AASB 15 Revenue from Contracts with Customers

The association has adopted AASB 15 from 1 July 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 1058 Income of Not-for-Profit Entities

The association has adopted AASB 1058 from 1 July 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

The notes to the Financial Statements are continued.

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.

AASB 16 Leases

The association has adopted AASB 16 from 1 July 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.

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 July 2019.

On adoption of AASB 16 the following commitments have been identified and booked:

	$
Operating lease commitments at 1 July 2019	22,536
Reasonably certain extension options	22,221
Discounted using incremental borrowing rate of 3.5%	(1,694)
Total lease liabilities recognised under AASB 16 at 1 July 2019	43,063

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

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank deposits and investments in money market instruments.

(b) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably. Sick leave is non-vesting and has not been provided for.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Association in respect of services provided by employees up to reporting date.

The Association contributes to complying superannuation funds at the required rate of the employees' wages and salaries. Superannuation contributions are recognised as an expense when incurred.

(c) Financial assets

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 association 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, it's carrying value is written off.

The notes to the Financial Statements are continued.

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.

Impairment

The association recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated association's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(e) Impairment of tangible assets

At each reporting date, the Association reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Association estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

The notes to the Financial Statements are continued.

(f) Income Tax

The Diabetic Association of South Australia Inc. is a charitable institution for the purposes of Australian taxation legislation and is therefore exempt from Income Tax. This exemption has been confirmed by the Australian Taxation Office.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with all categories being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(h) Lease liabilities and right-of-use assets

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities. The association has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(i) Payables

Trade payables and other accounts payable are recognised when the Association becomes obliged to make future payments resulting from the purchase of goods and services.

(j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Freehold land is carried at cost.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised as profit or loss.

The following estimated useful lives in the calculation of depreciation:

- Building 50 years
- Furniture and Equipment 2-10 years
- Motor Vehicles 8 years

The notes to the Financial Statements are continued.

(k) Intangible assets

Acquired intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

Subsequent measurement

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite.

Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note (e).

The following useful lives are applied:

- Computer Software 2-5 years

Amortisation has been included within depreciation and amortisation. Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

(l) Revenue recognition

The association recognises revenue as follows:

Sale of goods

Revenue is recognised when the performance obligation to provide the goods has been satisifed.

Provision of NDSS Services

Income from the provisioning of NDSS Services is received on a quarterly basis in the first week of each quarter as income in advance of the provisioning of the agreed services or programs.

Acquittals are provided on a quarterly basis with under or over provision payments paid or returned annually.

Any amounts received during the financial year which remain unspent at year end are recorded as a liability repayable to NDSS Australia as disclosed in note 11.

Membership Fees

Revenue from membership fees is recognised by reference to the period of the underlying membership.

Current unexpired Membership Fees are that portion of membership fees that have been paid in advance and not yet earned, but will be earned in the next 12 months. (see note 11)

Non-current unexpired Membership Fees are that portion of membership fees that have been paid in advance and not yet earned, but will be earned in greater than 12 months time. (see note 11)

Fundraising – Donations and Bequests

Revenue or assets arising from donations and bequests is recognised when control is obtained, as it is impossible for the Association to reliably measure these prior to this time. Cash donations are recognised when banked and other donations and bequests are recognised when title or possession transfers to the Association. Cash donations are recognised when banked and other donations and bequests are recognised when title or possession transfers to the Association.

Investment Income

Dividend revenue and managed funds revenue from investments is recognised on receipt.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(m) COVID-19

As a result of government social restriction policies enacted as a result of the global COVID-19 health pandemic, these policies resulted in the following impact to the business operations of the Association during the financial year:

- the retail store was closed for a 10 week period, re-opening on 1st June 2020
- staff worked remotely from home during the same 10 week period,
- no face to face activities were run from early February which predominately impacted program delivery for NDSS and PHN activities.

The notes to the Financial Statements are continued.

3. Revenue and Profit

(a) Revenue

		2020 $	2019 $
Revenue from Sale of goods		185,276	199,585
Revenue from Rendering of services			
NDSS goods and services		2,293,266	2,163,207
Membership subscriptions		641,208	588,296
Fundraising (Note 20)		246,283	511,773
Education and Training Fees		229,407	104,474
Other Revenue from Rendering of services		30,490	37,637
		3,440,654	3,405,386
Investment Income			
Interest income:	Bank deposits	620	11,049
	Managed Funds	287,860	301,254
Dividends:	Financial assets at fair value through profit or loss	16,678	31,555
		305,158	343,858

(b) Profit for the year

Profit for the year has been arrived at after (charging)/crediting the following:

		2020	2019
(i) Other gains and losses			
Gain/(Loss) on disposal of property, plant and equipment		-	(2,792)
Gain/(Loss) on disposal of financial assets at fair value through profit or loss		11,969	3,762
		11,969	970
(ii) Fair Value adjustments to financial assets at fair value through profit or loss		(206,494)	369,602
(iii) Free meter promotion		-	8,839
(iv) Government Grants Received – Cashflow boost		100,000	-
Other expenses			
Profit for the year includes the following expenses:			
Cost of sales		(117,828)	(127,976)
Amortisation:	Computer Software	(123,300)	(84,959)
		(123,300)	(84,959)
Depreciation:	Buildings	(28,408)	(28,408)
	Furniture and equipment	(89,053)	(65,115)
	Motor vehicles	(4,745)	(4,744)
	Leased Assets	(22,906)	-
		(145,112)	(98,268)
Employee benefits expense:	Salaries and On-Costs	(2,885,129)	(2,297,626)
	Employee Benefits	(30,580)	(47,079)
		(2,915,710)	(2,344,705)
Consulting Expense		(203,583)	(232,113)

The notes to the Financial Statements are continued.

4. Trade and Other Receivables

	2020 $	2019 $
Trade receivables	6,549	19,467
Other receivables	16,678	30,912
Allowance for expected credit losses	-	-
	23,227	50,379

The average credit period on sale of goods is 30 days.
No interest is charged on trade receivables from the date of the invoice.

5. Inventories

Finished Goods at cost	53,681	30,305

6. Other Current Assets

Prepayments	40,522	43,426

7. Property, Plant and Equipment

	Freehold Land	Buildings	Furniture & Equipment	Motor Vehicles	Total
	At cost	At cost	At cost	At cost	
Gross Carrying Amount	$	$	$	$	$
Balance at 30 June 2018	518,000	1,420,418	999,690	37,960	2,976,068
Additions	-	-	133,451	-	133,451
Disposals	(260,000)	-	(86,241)	-	(346,241)
Balance at 30 June 2019	258,000	1,420,418	1,046,900	37,960	2,763,278
Additions	-	-	129,194	-	129,194
Disposals	-	-	(19,453)	-	(19,453)
Balance at 30 June 2020	258,000	1,420,418	1,156,641	37,960	2,873,019
Accumulated Depreciation					
Balance at 30 June 2018	-	(639,549)	(851,995)	(3,623)	(1,495,167)
Depreciation Expense	-	(28,408)	(65,120)	(4,745)	(98,273)
Disposals	-	-	83,455	-	83,455
Balance at 30 June 2019	-	(667,958)	(833,659)	(8,368)	(1,509,985)
Depreciation Expense	-	(28,408)	(89,053)	(4,745)	(122,206)
Disposals	-	-	10,122	-	10,122
Balance at 30 June 2020	-	(696,366)	(912,590)	(13,113)	(1,622,069)
Net Book Value					
As at 30 June 2019	258,000	752,460	213,240	29,592	1,253,291
As at 30 June 2020	258,000	724,052	244,051	24,847	1,250,950

The aggregate depreciation allocated during the year is recognised as an expense and disclosed in note 3 to the financial statements.

There was no depreciation during the year that was capitalised as part of the cost of other assets.

The notes to the Financial Statements are continued.

8. Intangible and Leased assets

	Intangible assets	Work in progress		Total
	Computer Software	iMIS Project	Website Update	
	At cost	At cost	At cost	
Gross Carrying Amount	$	$	$	$
Balance at 30 June 2018	331,640	72,617	67,025	471,282
Additions	95,408	-	-	95,408
Disposals/capitalisation	(60,407)	-	-	(60,407)
WIP Transfer	133,142	(66,117)	(67,025)	-
Balance at 30 June 2019	499,783	6,500	-	506,283
Additions	93,060	-	-	93,060
Disposals/capitalisation	-	-	-	-
WIP Transfer	6,500	(6,500)	-	-
Balance at 30 June 2020	599,343	-	-	599,343
Accumulated Amortisation				
Balance at 30 June 2018	(316,236)	-	-	(316,236)
Amortisation Expense	(84,959)	-	-	(84,959)
Disposals/capitalisation	60,405	-	-	60,405
Balance at 30 June 2019	(340,790)	-	-	(340,790)
Amortisation Expense	(123,300)	-	-	(123,300)
Disposals/capitalisation	-	-	-	-
Balance at 30 June 2020	(464,089)	-	-	(464,089)
Net Book Value				
As at 30 June 2019	158,994	6,500	-	165,494
As at 30 June 2020	135,254	-	-	135,254

9. Right of use asset

	Leased assets
Gross Carrying Amount	$
Initial adoption of AASB 16	43,063
Additions	-
Balance at 30 June 2020	43,063
Accumulated Amortisation	
Amortisation Expense	(22,906)
Balance at 30 June 2020	(22,906)
Net Book Value	
As at 30 June 2019	-
As at 30 June 2020	20,157

The notes to the Financial Statements are continued.

10. Trade and Other Payables

	2020 $	2019 $
Trade Payables	279,096	318,234
Other Payables	1,284	2,189
Accrued Liabilities	147,720	32,459
	428,100	352,881

The average credit period on purchases of goods is 30 days.
No interest is charged on payables from the date of the invoice.

11. Revenues received in advance or repayable

NDSS Surplus	235,127	107,024
Unexpired Membership Fees – Current	377,189	381,977
	612,316	489,001
Unexpired Membership Fees – Non Current	90,082	88,954

12. Provisions

The aggregate employee benefits provision recognised and included in the financial statements is as follows:

Current	Provision for annual leave	186,252	145,499
	Provision for long service leave	138,404	143,677
		324,656	289,176
Non-Current	Provision for long service leave	70,864	57,414

13. Reserves

Research Reserve	(i)	817,038	1,001,254
Endowment Reserve	(iv)	4,668,783	4,487,838
Closing Balance		5,485,821	5,489,092

(i) Research Reserve

Opening balance	1,001,254	-
Movement in Reserve	(184,216)	1,001,254
Closing balance	817,038	1,001,254

The research reserve is a reserve to be used to fund new or continuing research that is directed towards prevention, detection, management of diabetes and the identification, delivery and performance of services for people with diabetes.

(ii) Endowment Reserve

Opening balance	4,487,838	-
Movement in Reserve	180,944	4,487,838
Closing balance	4,668,783	4,487,838

The endowment reserve is a reserve to be used at the Boards discretion to direct funds on an annual basis to areas of need within the Association such as the development of new programs or initiatives.

The notes to the Financial Statements are continued.

14. Retained Earnings

	2020 $	2019 $
Balance at beginning of financial year	4,953,579	10,136,296
Profit for year	(1,089,665)	(262,550)
Transfer on initial adoption of AASB 9	-	168,925
Transfers to Reserves	3,272	(5,089,092)
Balance at end of financial year	3,867,185	4,953,579

15. Economic Dependency

The Diabetic Association of South Australia Inc. has an Agency Agreement with Diabetes Australia to manage the National Diabetes Services Scheme (NDSS) in South Australia until 30 June 2021.

16. Related Party Transactions

During the financial year to which the accounts relate, no officer or firm in which the officer is a member or a body corporate in which the officer has a substantial financial interest has received directly or indirectly from the association any payment or other benefit of a pecuniary value..

Key Management Personnel Compensation

The aggregate compensation made to Board Members and other members of key management personnel of the Association is set out below:

Compensation to Board Members and other members of key management personnel of the Association	809,172	763,863
	809,172	763,863

Board Members of the Association hold voluntary positions and accordingly, no remuneration has been paid to Board Members in the amount disclosed above.

During the year key management and personnel have purchased goods from the Association which were domestic or trivial in nature on the same terms and conditions available to customers.

17. Notes to the Statement of Cash Flows

Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

Cash	2,154	6,947
Bank balances	624,111	462,025
	626,265	468,972

18. Other Financial Assets

Held-to-maturity investments carried at amortised cost

Term deposits	Current	-	1,010,084

In 2019 and 2020 the Association held various short term deposits managed by Macquarie bank as part of the investment portfolio. The weighted average interest rate on term deposits held during the 2020 year was 2.58% p.a. (2019 – 2.58% p.a.) The fixed deposits had maturity dates of either 3 or 6 months from last reporting date.

Financial Assets at fair value

Listed securities	Non-Current	5,053,304	4,658,319
Managed funds	Non-Current	3,695,700	4,039,825
		8,749,004	8,698,145

The notes to the Financial Statements are continued.

19. Obligations under operating leases

Non-cancellable operating lease commitments

	2020	2019
	$	$
Not later than 1 year	-	19,854
Later than 1 year and not later than 5 years	-	2,682
Later than 5 years	-	-
	-	22,536

20. Fundraising

2020	Gross Income	Direct Expenditure	Overheads	Net Surplus
	$	$	$	$
Memorials	10,423	6,824	9,015	(5,415)
Appeals	81,476	107,057	70,466	(96,047)
Bequests	42,026	2,071	36,347	3,608
Research	85,793	57,608	74,199	(46,014)
Other (Non-Project)	26,564	9,463	22,975	(5,873)
Total	246,283	183,023	213,001	(149,741)

2019	Gross Income	Direct Expenditure	Overheads	Net Surplus
	$	$	$	$
Memorials	19,586	1,748	9,892	7,946
Appeals	96,699	28,627	48,837	19,235
Bequests	202,159	155	102,099	99,905
Research	85,382	101,776	43,122	(59,516)
Lotteries	70,671	32,141	35,692	2,838
Other (Non-Project)	37,276	5,740	18,826	12,710
Total	511,773	170,188	258,467	83,118

21. Contingent Liability

There are no contingent liabilities as at 30 June 2020 (2019: nil).

22. Subsequent Events

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Board of Management, to affect significantly the operations of the Association, the results of these operations or the state of affairs of the Association in subsequent financial years.

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DECLARATION OF INDEPENDENCE

BY G K EDWARDS

TO THE BOARD OF MANAGEMENT OF THE DIABETIC ASSOCIATION OF SA INCORPORATED

As lead auditor of the Diabetic Association of SA Incorporated for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

G K Edwards
Director

BDO Audit (SA) Pty Ltd

Adelaide, 8 October 2020

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE DIABETIC ASSOCIATION OF SA INCORPORATED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of The Diabetic Association of SA Incorporated (the registered entity), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the statement by the board of management.

In our opinion the accompanying financial report of The Diabetic Association of SA Incorporated, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including, including:

(i) Giving a true and fair view of the registered entity's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; 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 registered entity in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC Act) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the registered entity's annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The responsible entities of the registered entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Act, and for such internal control as the responsible entities determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, responsible entities are responsible for assessing the registered entity'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 responsible entities either intends to liquidate the registered entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the registered entity's financial reporting process.

Auditor's responsibilities 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 Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO

BDO Audit (SA) Pty Ltd

G K Edwards
Director

Adelaide, 8 October 2020

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