

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT

ABN 84 001 363 766

General Purpose (RDR) Financial Report - 30 June 2020

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
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Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT

Directors' report

30 June 2020

Your directors submit their report on Diabetes NSW (the "Company") and its controlled entities (referred to hereafter as the 'Group') for the year ended 30 June 2020.

DIRECTORS

Mr LE Tutt AM, Chairperson
Mr AG Koumoukelis, Vice Chair
Mr C Beyers
Mr K Boorman
Ms G Daley
Mr S Eastwood

Mr BG Hayman
Dr B King
Ms A Pino
Mr PJ Tuck
Mrs N Wallis

Names, qualifications, experience and special responsibilities

Name	Qualifications	Date Appointed	Experience	Special Responsibilities
Mr Leo Tutt AM	BEC, LLB, FCA, FCPA, CTA, MAICD	28/5/2001	Partner and group leader of Audit & Assurance at William Buck, Accountants and Advisors. Director and Treasurer of Order of Australia Association Foundation. Formerly Director of Diabetes Australia Ltd, Director of Diabetes QLD and Chair of Glycemic Index Foundation.	Board Chairperson, Finance, Audit and Risk Management ex officio committee member
Mr Arthur Koumoukelis	BCom, LLB, LLM, FTIA, GAICD, Public Notary	31/12/2007	Partner of Thomson Geer Lawyers. Focusing on retirement villages and aged care as well as not-for-profit organisations. Director of The Vasey Housing Association.	Board deputy Chairperson Finance, Audit and Risk Management Committee member Chair of Diabetes Qualified Director GILM
Mr Craig Beyers	BEng(Env), Grad Cert Business (Phil. and Non-profit), MIEAust, RPEQ, MAAS, CAQP.	19/06/2018	President of the Board of Diabetes QLD, Member of the Institute of Engineers Australia, Committee Member of the Australian Acoustical Society Committee (QLD), Director of Diabetes Australia Ltd.	
Mr Ken Boorman	BCom (NSW), CA	16/5/2005	Chief Executive of Junofield Pty Ltd, a management and financial accounting firm.	Finance, Audit and Risk Management Committee Member Director of Diabetes Qualified

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DIRECTORS (continued)

Names, qualifications, experience and special responsibilities (continued)

Name	Qualifications	Date Appointed	Experience	Special Responsibilities
Ms Geraldine Daley	AM, Dip. Law (LPAB), LLM, GAICD	18/11/2014	Colin Daley Quinn Solicitors - Director specializing in Litigation. Alternate director of St George, Sutherland Medical Research Foundation.	Nomination and Remuneration Committee Member
Mr Sturt Eastwood	Bbus, MBA, FIML, AMAICD	Appointed: 23/11/2010 Resigned: 19/11/2013 Re-appointed: 17/10/2017	Director of Glycemic Index Ltd, Director Australasian Society of Association Executives (AuSAE), Chair LFAC Steering Committee, Director GILM	ED and CEO Diabetes NSW & ACT, CEO Diabetes QLD Director of Diabetes Qualified, Invitee of Finance, Audit and Risk Management Committee
Mr Bruce Hayman		Appointed: 21/11/2006 Resigned: 01/05/2009 Re-appointed: 01/09/2009	Chairperson of Chartwell Management. Director of AV Jennings Ltd. Chair of Ella Foundation and Chair of Zipper and Stent Group.	Finance, Audit and Risk Management Committee Member
Dr Bruce King	MBBS, FRACP, PhD	19/11/2013	Professor of Paediatric Diabetes and Endocrinology at the University of Newcastle. Senior Paediatric Endocrinologist, John Hunter Children's Hospital. Member of the Australian Paediatric Endocrine Group, the International Society of Paediatric and Adolescent Diabetes and the American Diabetes Association	
Ms Anna Pino	M Comm, Cert. Small Bus Man., Grad Dip Comp. Sc. (Psych.), BSc, GAICD	20/11/2012	CEO of Lighthouse Business Innovation Centre, Past President of Diabetes ACT	Nomination and Remuneration Committee Member
Mr Phil Tuck	BEc, BA, FCPA, FFin, FGIA, FIML, MAICD, JP	6/6/2005	Managing Director of Interim Executive Search.	Nomination and Remuneration Committee Member
Mrs Nicole Wallis	BA Comms, Master Public Administration, MAICD	18/11/2014	Manager, Policy and Strategic Planning, Corporate Communications, Western Sydney Local Health District.	Director Glycemic Index Foundation.

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Dividends

No dividends have been paid or declared since the end of the previous financial year.

Company Secretaries

Ms Francis Harris (Director of Diabetes Qualified Pty Ltd)
Mr Sturt Eastwood

Principal activities

The principal activity of the Group during the year was that of a charitable organisation serving the needs of people with diabetes. The Group provides diabetes related information, health education, policy advice, advocacy, research funding and distributes products. The Group is also the New South Wales and Australian Capital Territory agent for the National Diabetes Services Scheme (NDSS).

OPERATING AND FINANCIAL REVIEW

The Group's annual result is assessed by reviewing performance against the strategic objectives and a range of financial and non-financial performance measures.

Diabetes NSW & ACT has continued to make progress against its longer-term strategic priorities of diversifying income sources and more efficient and effective utilisation of resources, including strong rental returns from the refurbished Glebe property asset. In doing so, the organisation recorded another strong financial result with a net deficit of \$70,390 (2019: net surplus of \$575,749).

Short-term and long-term objectives

Diabetes NSW & ACT continues to deliver services and support to the 440,000 people living with diabetes in our jurisdiction that are registered on the National Diabetes Services Scheme (NDSS). Our call centre handles over 115,000 calls per annum, we service 1,760 pharmacy Access Points, deliver in excess of 1,000 service programs and publish quarterly editions of Circle magazine and 24 online newsletters with a reach of 1.371 million people. These online newsletters enjoy open rates (45-50%) three times the market average (15%) underscoring the importance of continued communication with and provision of information to our members and other people living with diabetes.

Through the exceptional generosity of our supporters, 40,000 financial members, donors and corporate partners, our corporate sponsorship, fundraising and membership efforts generated some \$3.5m in revenue for the year.

The organisation has continued to invest in establishing a Regular Giving program to assist revenue stability and diversity with 1,213 Regular Givers now participating in the program. Strong income from major gifts, bequests, appeals and the subletting of the lower ground floor of the Glebe facility to the University of Sydney rounded out a very successful year from a revenue perspective.

Corporate Partnerships reported its highest level of income to date, now contributing over 20% of all non-government income for the organisation through sponsorship and advertising. Circle magazine advertising reached its highest level of annual income since the magazine was established in 2015. In Q3, a Strategic Health Partnerships function was created within the Business Development & Partnerships team to grow income at scale with a focus on the acquisition of government grants and collaborative commissioning projects via the PHNs.

We have continued to invest in education and resources for health professionals so that they can better support people with diabetes through our wholly owned subsidiary, Diabetes Qualified. In FY19/20 it has more than doubled its course sales and newsletter subscriptions and provided a financial contribution to the organisation.

Prior to face-to-face programs being placed on hold due to COVID-19, the Health Services team had delivered 1,017 NDSS programs reaching 24,050 people. Our Health Professional team has provided telephone support to over 3,000 people. The team also delivered 3 Primary Health Network contracts providing education and information in 12 different languages in and around Sydney.

Thanks to the continuing support of FGX, our Diabuddies events grow in popularity year on year and provide enormous support to children and their families, facilitating connections, information sharing and education.

Diabetes NSW & ACT has worked closely with Diabetes QLD to jointly improve operational efficiencies, reduce duplication and ensure every dollar is optimised to serve and support people living with or at risk of diabetes. The project known as

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Better Together has delivered material improvements for both organisations and staff engagement scores have remained high despite the high workload and degree of organisational change.

It is also pleasing to note that as a result of careful financial management, Diabetes NSW & ACT was able to direct \$50,000 to the Diabetes Australia Research Program at the end of the financial year.

In summary, the organisation has remained progressive, maintained revenue streams, reduced cost, continued to invest in future service capability and increased its service delivery activity to support people living with and at risk of diabetes.

Thank you to all of our financial members for your continued support.

Indemnification and insurance of directors and officers

During the financial year directors and officers of the company were insured against liability to the extent permitted by the *Corporations Act 2001*.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

Name	Board Meetings		Finance, Audit and Risk Management		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Mr LE Tutt AM	8	7	5*	5	-	-
Mr AG Koumoukelis	8	7	5	5	-	-
Mr K Boorman	8	8	5	5	-	-
Ms G Daley	8	7	-	-	-	-
Mr SR Eastwood	8	7	5**	5	-	-
Mr BG Hayman	8	8	5	5	-	-
Dr B King	8	5	-	-	-	-
Ms A Pino	8	7	-	-	-	-
Mr PJ Tuck	8	7	-	-	-	-
Mrs N Wallis	8	7	-	-	-	-
Mr CJ Beyers	8	7	-	-	-	-

A = number of meetings eligible to attend

B = number of meetings attended

* = ex officio

** = invitee

For detailed director profiles, please refer to page 2.

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Directors' report

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Members' Guarantee

As a company limited by guarantee in accordance with the Company's Constitution, each Ordinary Member of the Company has a maximum liability of \$50 in the event of the Company being unable to meet its obligations as and when they fall due. Total membership at 30 June 2020 was 40,469 (2019: 45,304). The total maximum liability of members is \$2,024,800 (2019: \$2,265,200).

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, HLB Mann Judd Assurance (NSW) Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from their audit (for an unspecified amount) as a result of any misrepresentation or wilful or wrongful act or omission by the Company. No payment has been made to indemnify HLB Mann Judd Assurance (NSW) Pty Ltd during or since the financial year.



Mr LE Tutt AM
Chairperson



Mr K Boorman
Director

Sydney, NSW
20 October 2020

Auditor's Independence Declaration

We declare that, to the best of our knowledge and belief, there have been no contraventions of any applicable code of professional conduct in relation to the audit of the financial report of Diabetes NSW for the year ended 30 June 2020.

This declaration is in relation to Diabetes NSW and the entities it controlled during the period.



HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants



K L Luong
Director

Sydney, NSW
20 October 2020

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Statement of comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Revenue			
National Diabetes Services Scheme revenue		11,123,980	11,097,322
Donations, fundraising and sponsorships		1,807,123	2,590,604
Memberships		1,283,708	1,306,459
Bequests		832,526	1,192,697
Sale of goods		471,722	392,806
Other income	4	5,358,597	2,943,042
Life for a Child program grant income	5	1,684,379	1,098,143
Life for a Child program other income	6	290,105	295,931
Total revenue and other income		<u>22,852,140</u>	<u>20,917,004</u>
Expenses			
Employee benefits	7	(10,556,615)	(9,062,038)
Operational and warehouse		(6,718,004)	(6,816,064)
Depreciation		(938,478)	(702,653)
General education resources and expenses		(144,370)	(71,233)
Other operating expenses	8	(2,832,793)	(2,254,992)
Life for a Child program other operating expenses		(1,237,605)	(55,183)
Life for a Child program country support		-	(775,546)
Life for a Child program employee benefits		(567,799)	(603,546)
Interest expense	9	(14,942)	-
Total expenses		<u>(23,010,606)</u>	<u>(20,341,255)</u>
(Deficit)/surplus before income tax expense		(158,466)	575,749
Income tax expense	2	-	-
(Deficit)/surplus after income tax expense for the year		(158,466)	575,749
Other comprehensive surplus			
<i>Items that may be reclassified subsequently to surplus or deficit in subsequent periods:</i>			
Revaluation of land and buildings		-	5,059,064
Other comprehensive surplus for the year, net of tax		-	5,059,064
Total comprehensive (deficit)/surplus for the year		<u>(158,466)</u>	<u>5,634,813</u>
(Deficit)/surplus for the year is attributable to:			
Non-controlling interest		(88,076)	-
Members of Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT		(70,390)	575,749
		<u>(158,466)</u>	<u>575,749</u>
Total comprehensive (deficit)/surplus for the year is attributable to:			
Non-controlling interest		(88,076)	-
Members of Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT		(70,390)	5,634,813
		<u>(158,466)</u>	<u>5,634,813</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Statement of financial position
As at 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	10	4,809,610	3,471,689
Trade and other receivables	11	817,561	452,817
Inventories	12	72,740	78,132
Other financial assets	14	130,000	-
Prepayments		339,279	329,704
Total current assets		<u>6,169,190</u>	<u>4,332,342</u>
Non-current assets			
Financial assets at fair value through profit or loss	13	6,434,036	6,514,261
Other financial assets	14	443,233	221,108
Property, plant and equipment	15	16,915,146	17,649,118
Right-of-use assets	16	197,951	-
Intangibles		393,429	190,150
Total non-current assets		<u>24,383,795</u>	<u>24,574,637</u>
Total assets		<u>30,552,985</u>	<u>28,906,979</u>
Liabilities			
Current liabilities			
Trade and other payables	17	4,427,909	3,300,156
Lease liabilities	19	86,265	-
Employee benefits	20	841,913	712,278
Total current liabilities		<u>5,356,087</u>	<u>4,012,434</u>
Non-current liabilities			
Borrowings	18	155,000	-
Lease liabilities	19	117,510	-
Employee benefits	20	226,404	138,095
Total non-current liabilities		<u>498,914</u>	<u>138,095</u>
Total liabilities		<u>5,855,001</u>	<u>4,150,529</u>
Net assets		<u>24,697,984</u>	<u>24,756,450</u>
Equity			
Reserves	21	14,001,171	14,001,171
Retained surpluses		10,684,889	10,755,279
Equity attributable to the members of Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT		24,686,060	24,756,450
Non-controlling interest		11,924	-
Total equity		<u>24,697,984</u>	<u>24,756,450</u>

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

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Statement of changes in equity
For the year ended 30 June 2020

Consolidated	Reserves \$	Retained surpluses \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2018	8,942,107	10,179,530	-	19,121,637
Surplus after income tax expense for the year	-	575,749	-	575,749
Other comprehensive surplus for the year, net of tax	5,059,064	-	-	5,059,064
Total comprehensive surplus for the year	5,059,064	575,749	-	5,634,813
Balance at 30 June 2019	14,001,171	10,755,279	-	24,756,450

Consolidated	Reserves \$	Retained surpluses \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2019	14,001,171	10,755,279	-	24,756,450
Non-controlling interests on acquisition of subsidiary	-	-	100,000	100,000
Balance at 1 July 2019 - restated	14,001,171	10,755,279	100,000	24,856,450
Deficit after income tax expense for the year	-	(70,390)	(88,076)	(158,466)
Other comprehensive surplus for the year, net of tax	-	-	-	-
Total comprehensive deficit for the year	-	(70,390)	(88,076)	(158,466)
Balance at 30 June 2020	14,001,171	10,684,889	11,924	24,697,984

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

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers, donors and members		12,647,633	10,902,697
Receipts of funding for NDSS and other programs		11,123,980	11,097,322
Payments to suppliers and donations		(10,969,359)	(11,646,903)
Payments to and on behalf of employees		(10,742,777)	(8,677,653)
Interest paid		(14,942)	-
		<u>2,044,535</u>	<u>1,675,463</u>
Interest received		16,465	514,818
Net cash from operating activities		<u>2,061,000</u>	<u>2,190,281</u>
Cash flows from investing activities			
Proceeds from non-controlling interest issued capital		100,000	-
Purchase of property, plant and equipment	15	(118,252)	(240,077)
Payments for intangibles		(182,272)	(148,459)
Investment in managed investment portfolio		(422,730)	(826,968)
Net cash used in investing activities		<u>(623,254)</u>	<u>(1,215,504)</u>
Cash flows from financing activities			
Repayment of lease liabilities		(99,825)	-
Net cash used in financing activities		<u>(99,825)</u>	<u>-</u>
Net increase in cash and cash equivalents		1,337,921	974,777
Cash and cash equivalents at the beginning of the financial year		<u>3,471,689</u>	<u>2,496,912</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>4,809,610</u></u>	<u><u>3,471,689</u></u>

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

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2020

Note 1. Corporate information

The financial report of Diabetes NSW and its controlled entities (the "Group") for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 20 October 2020.

Diabetes NSW, trading as Diabetes NSW & ACT, is a public company limited by guarantee, a not-for-profit organisation, and incorporated and domiciled in Australia.

The registered office and principal place of business of the Group is 26 Arundel St, Glebe, 2037.

The nature of the operations and principal activities of the Group are described in the directors' report.

Note 2. Summary of significant accounting policies

Basis of preparation

These general purpose financial statements have been prepared in accordance with the requirements of the Australian Accounting Standards - Reduced Disclosure Requirements, the *Australian Charities and Not-for-Profits Commission Act 2012*, other authoritative pronouncements of the Australian Accounting Standards Board and the *Charitable Fundraising Act 1991*. These financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets at fair value through profit or loss, which have been measured at fair value and investment property recorded at fair value through other comprehensive income.

The financial report is presented in Australian dollars (\$).

The following is a summary of significant accounting policies adopted by the Group in the preparation of the financial report. All accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group 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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

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

AASB 15 Revenue from Contracts with Customers ("AASB 15")

The Group 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. Based on the Group's assessment of the requirements of AASB 15 there is no material change to the way transactions and balances are recognised in the financial statements and no material impact on the disclosures in these financial statements. Comparative results are not restated.

AASB 16 Leases ("AASB 16")

The Group 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 and an interest expense on the recognised lease liabilities. 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 the financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate of at 1 July 2019. The weighted-average rate applied is 6%.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
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Note 2. Summary of significant accounting policies (continued)

1 July 2019

Reconciliation of lease liabilities:

Non-cancellable operating lease commitments as at 30 June 2019	461,009
Discount using the lessee's incremental borrowing rate of at the date of initial application of 6%	(155,801)
Right-of-use assets and lease liabilities recognised on 1 July 2019	<u>305,208</u>
Lease liabilities - current (AASB 16)	96,274
Lease liabilities - non-current (AASB 16)	<u>208,934</u>
	<u>305,208</u>

When adopting AASB 16 from 1 July 2019, the Group has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets; and
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

AASB 1058 Income of Not-for-Profit Entities ("AASB 1058")

The Group 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. 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 *Financial Instruments*, or provisions in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The liability is brought to account as income over the period in which the entity satisfies its performance obligation. Based on the Group's assessment of the requirements of AASB 1058 there is no material change to the way transactions and balances are recognised in the financial statements and no material impact on the disclosures in these financial statements. Comparative results are not restated.

Statement of compliance

The financial statements of the Group comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT ('directors (including meetings of committees of directors)' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investment in the subsidiary is accounted for at cost less any impairment in the individual financial statements of Diabetes NSW.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2020

Note 2. Summary of significant accounting policies (continued)

Revenue recognition

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

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Education income

Education income primarily comprises of contributions received from participants and sponsors in attending and supporting the vast and varying number of education activities and programs delivered by the Group throughout the year.

Donations, fundraising and bequests

Donations, fundraising and bequests are recognised on a receipt basis.

Membership

Membership fees are recognised on a receipt basis.

Interest income

Interest income is recognised in the statement of surplus or deficit and other comprehensive income on an accruals basis.

Sponsorships

Sponsorships are recognised when the contract outcome can be reliably measured, control of the right to be compensated for the service has been attained and the stage of completion can be reliably measured.

National Diabetes Service Scheme (NDSS) revenue

NDSS revenue is recognised on a receipt basis. Revenue relating to grants and other specific performance related funding is recognised when the contract outcome can be reliably measured, control of the right to be compensated for the service has been attained and the stage of completion can be reliably measured.

Publications income

National Publications are activities carried out as a separate and distinct activity to the Group's activities, which services all state and territory diabetes organisations across Australia.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of surplus or deficit and other comprehensive income.

Government grants

Government grants are received to fund projects either for contracted periods of time or for specific projects irrespective of the period of time required to complete those projects.

Government grants are recognised at fair value when there is a reasonable assurance that the grant will be received and all grant conditions will be met. Where the Group is contractually obliged to provide the services in a subsequent financial period as to when the grant is received, such are treated as unexpended grants in the statement of financial position.

Income tax

The Group is not liable to income tax by virtue of Section 50-B of the *Income Tax Assessment Act 1997*.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2020

Note 2. Summary of significant accounting policies (continued)

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable.
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and 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 part of operating cash flows.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit losses.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Inventories

Stock on hand, being finished goods, has been valued at the lower of cost or net realisable value. Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the stock and bringing it to its existing location.

Stock held for distribution

Stock held for distribution are assets:

- held for distribution at no or nominal consideration in the ordinary course of operations;
- in the process of production for distribution at no or nominal consideration in the ordinary course of operations; or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services at no or nominal consideration.

Stock held for distribution are measured at the lower of cost and current replacement cost. Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date. When distributed, the carrying amount of inventories held for distribution is recognised as an expense. The amount of any write-down of inventories to current replacement cost and all losses of inventory are recognised as an expense in the period the write-down or loss occurs.

Inventory expensed immediately

A number of educational items are provided free of charge at various education seminars and events throughout the year. These are requisitioned from stock and expensed immediately.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
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Note 2. Summary of significant accounting policies (continued)

Investments and other financial assets

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

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

Financial assets 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.

Investments

Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the Group has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The Group 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 Group'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.

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment. All other repair and maintenance costs are recognised in surplus or deficit and other comprehensive income as incurred.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in surplus or deficit, the increase is recognised in surplus or deficit and other comprehensive income. A revaluation deficit is recognised in the statement of surplus or deficit and other comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	30 to 50 years
Furniture and fittings	3 to 10 years
Office equipment	2 to 5 years
Computer equipment	2 to 5 years

Capital work in progress is capitalised until the asset is held for use and subsequently transferred to property, plant and equipment.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
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Note 2. Summary of significant accounting policies (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of surplus or deficit and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets

Cost incurred in developing website are capitalised as intangible assets on the basis that they will contribute to future periods financial benefits, and are subsequently amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years. Costs capitalised include internal salary costs and consulting services. The carrying amount represents the cost less accumulated amortisation and any impairment losses. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is less than the carrying value.

Leases

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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 Group 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 Group 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.

Impairment losses of continuing operations, are recognised in the statement of surplus or deficit and other comprehensive income as an expense.

Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Lease liabilities

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 Group'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.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
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Note 2. Summary of significant accounting policies (continued)

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.

Employee benefit liabilities

Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave and annual leave

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

Expenditure

All expenditure is accounted for on an accruals basis and has been classified under the headings that aggregate all costs related to that category. Where costs cannot be directly attributed to a particular category they have been allocated to activities on a basis consistent with use of their resources.

The Group donates monies to either research or educational institutions which is in line with their objectives. Where monies are specifically committed for a fixed amount, these are recognised as an expense at the time the legal obligation is entered into and a corresponding liability is recorded on the statement of financial position.

Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

"Fair value" is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, market information is extracted from the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (if any) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
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Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. The following area involves significant estimate or judgement:

Estimation of fair values of land and buildings

The fair value of the Group's Glebe and Wollongong land and buildings was determined with reference to independent valuations performed as at 30 June 2019 by Preston, Rowe and Paterson and Herron Todd White respectively. The valuations were by members of the Australian Property Institute and have been determined based on the market capitalisation and direct sales comparison approach. Refer to Note 15.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Note 4. Other income

	Consolidated	
	2020	2019
	\$	\$
Federal grant income	727,966	323,385
State grant income	470,413	110,481
Other income	3,136,184	1,004,656
Rental income	684,196	703,938
Education income	323,373	285,764
Dividends	172,202	200,569
Interest	10,422	25,710
(Decrease)/increase in fair value of managed portfolio	(166,159)	288,539
	<u>5,358,597</u>	<u>2,943,042</u>

Note 5. Life for a Child program grant income

	Consolidated	
	2020	2019
	\$	\$
Grant income - JDRF	903,139	523,861
Grant income - International Diabetes Federation - Helmsley	781,240	91,422
Grant income - Helmsley	-	482,860
	<u>1,684,379</u>	<u>1,098,143</u>

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2020

Note 6. Life for a Child program other income

	Consolidated	
	2020	2019
	\$	\$
Donations	27,815	166,098
Foreign exchange gain	68,142	20,783
Other income	194,148	109,050
	<u>290,105</u>	<u>295,931</u>

Note 7. Employee benefits

	Consolidated	
	2020	2019
	\$	\$
Wages and salaries	9,604,307	8,297,334
Defined contribution superannuation expense	768,157	646,616
Other employee benefits expense	184,151	118,088
	<u>10,556,615</u>	<u>9,062,038</u>

Note 8. Other operating expenses

	Consolidated	
	2020	2019
	\$	\$
Cost of sales	251,222	228,348
Fundraising and sponsorship	398,308	567,193
Computer software and support	176,479	164,792
Marketing expenses	753,409	389,558
Minimum lease payments - operating lease	133,023	158,959
Administration and other expenses	1,070,352	490,754
Bad debt expense	-	5,388
Diabetes Australia Research Program	50,000	250,000
	<u>2,832,793</u>	<u>2,254,992</u>

Note 9. Interest expense

	Consolidated	
	2020	2019
	\$	\$
Interest expense on lease liabilities	<u>14,942</u>	<u>-</u>

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
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Note 10. Cash and cash equivalents

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Cash at bank and at call deposits	<u>4,809,610</u>	<u>3,471,689</u>

\$568,051 (2019: \$506,889) of this balance is attributable to Life for a Child program and are restricted assets for the purposes of fulfilling the Life for a Child program.

Note 11. Trade and other receivables

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Trade receivables	500,816	429,341
Other debtor	316,745	23,292
Less: Allowance for expected credit losses	<u>-</u>	<u>184</u>
	<u>817,561</u>	<u>452,817</u>

Note 12. Inventories

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Trading stock	<u>72,740</u>	<u>78,132</u>

Note 13. Financial assets at fair value through profit or loss

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Managed investment portfolio	<u>6,434,036</u>	<u>6,514,261</u>

Note 14. Other financial assets

	Consolidated	
	2020	2019
	\$	\$
<i>Current assets</i>		
Term deposit	<u>130,000</u>	<u>-</u>
<i>Non-current assets</i>		
Life for a Child program term deposit	<u>443,233</u>	<u>221,108</u>
	<u>573,233</u>	<u>221,108</u>

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
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Note 15. Property, plant and equipment

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Land and buildings	15,984,170	15,984,170
Less: Accumulated depreciation	<u>(351,820)</u>	<u>(2,480)</u>
	<u>15,632,350</u>	<u>15,981,690</u>
Fixtures and fittings - at cost	1,839,181	1,788,751
Less: Accumulated depreciation	<u>(853,479)</u>	<u>(694,115)</u>
	<u>985,702</u>	<u>1,094,636</u>
Computer equipment - at cost	1,629,297	1,588,102
Less: Accumulated depreciation	<u>(1,370,272)</u>	<u>(1,215,463)</u>
	<u>259,025</u>	<u>372,639</u>
Office equipment - at cost	125,910	125,910
Less: Accumulated depreciation	<u>(114,468)</u>	<u>(102,044)</u>
	<u>11,442</u>	<u>23,866</u>
Capital work in progress	<u>26,627</u>	<u>176,287</u>
	<u><u>16,915,146</u></u>	<u><u>17,649,118</u></u>

Revaluation of freehold land and buildings

As at 30 June 2020, the fair value of the Group's Glebe and Wollongong land and buildings is based on independent valuations performed as at 30 June 2019 of \$15,500,000 and \$425,000. At 30 June 2020 the directors have reviewed the key assumptions used by the valuers and consider the key assumptions used to be appropriate, being the capitalisation rate for the Glebe and Wollongong properties of 6% and 5.5% (2019: 6.0% and 5.5%) respectively.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Land and buildings \$	Fixture and fittings \$	Computer equipment \$	Office equipment \$	Capital work in progress \$	Total \$
Consolidated						
Balance at 1 July 2019	15,981,690	1,094,636	372,639	23,866	176,287	17,649,118
Additions	-	50,430	41,195	-	26,627	118,252
Transfers	-	-	-	-	(176,287)	(176,287)
Depreciation expense	<u>(349,340)</u>	<u>(159,364)</u>	<u>(154,809)</u>	<u>(12,424)</u>	<u>-</u>	<u>(675,937)</u>
Balance at 30 June 2020	<u><u>15,632,350</u></u>	<u><u>985,702</u></u>	<u><u>259,025</u></u>	<u><u>11,442</u></u>	<u><u>26,627</u></u>	<u><u>16,915,146</u></u>

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
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Note 16. Right-of-use assets

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current assets</i>		
Motor vehicles - right-of-use	100,257	-
Less: Accumulated depreciation	<u>(48,342)</u>	<u>-</u>
	51,915	-
Office equipment - right-of-use	204,951	-
Less: Accumulated depreciation	<u>(58,915)</u>	<u>-</u>
	146,036	-
	<u>197,951</u>	<u>-</u>
	Motor Vehicles	Office Equipment
	\$	\$
Consolidated		Total
		\$
Balance at 1 July 2019	-	-
Additions on adoption of AASB 16	100,257	204,951
Depreciation expense	<u>(48,342)</u>	<u>(107,257)</u>
Balance at 30 June 2020	<u>51,915</u>	<u>197,951</u>

Note 17. Trade and other payables

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Trade payables	1,311,114	527,135
Other payables and accruals	1,242,789	2,027,866
Grants received in advance - DNSW	1,147,296	101,280
Grants received in advance - LFAC	712,478	629,238
GST payable	<u>14,232</u>	<u>14,637</u>
	<u>4,427,909</u>	<u>3,300,156</u>

Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Note 18. Borrowings

	Consolidated	
	2020	2019
	\$	\$
<i>Non-current liabilities</i>		
Loan from Glycemic Index Foundation	<u>155,000</u>	<u>-</u>

The borrowings are unsecured pursuant to the Loan Agreement executed between Gilicious Management Pty Ltd and Glycemic Index Foundation. The loan has a maturity date of 1st April 2022 and accrues interest at 6.9% p.a.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
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Note 19. Lease liabilities

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Lease liability	86,265	-
<i>Non-current liabilities</i>		
Lease liability	117,510	-
	<u>203,775</u>	<u>-</u>

Note 20. Employee benefits

	Consolidated	
	2020	2019
	\$	\$
<i>Current liabilities</i>		
Annual leave	701,831	586,187
Long service leave	140,082	126,091
	841,913	712,278
<i>Non-current liabilities</i>		
Long service leave	226,404	138,095
	<u>1,068,317</u>	<u>850,373</u>

Note 21. Reserves

The reserve records the cumulative amount of gains or losses recognised in remeasuring property, plant and equipment. Refer to Note 15.

Note 22. Contingencies

As at 30 June 2020, the Group had no contingent liabilities (2019: Nil).

Note 23. Commitments

Leasing commitments

Operating lease commitments - Group as lessee

The Group has entered into various non-cancellable operating leases for office equipment as well as sale-and-leaseback agreements for a fleet of motor vehicles. The Group adopted AASB 16 on 1 July 2019, refer to Note 2 for details.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
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Note 23. Commitments (continued)

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2020 are as follows:

	Consolidated	
	2020	2019
	\$	\$
Within one year	-	114,525
One to five years	-	346,484
	<hr/>	<hr/>
Total minimum lease payments	-	461,009
	<hr/> <hr/>	<hr/> <hr/>

Operating lease commitments – Group as lessor

The Group has entered into operating leases on certain properties. These leases have terms of between 1 to 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases are:

	Consolidated	
	2020	2019
	\$	\$
Within one year	760,623	720,623
One to five years	600,519	1,321,141
	<hr/>	<hr/>
Total minimum lease payments	1,361,142	2,041,764
	<hr/> <hr/>	<hr/> <hr/>

Note 24. Related party disclosures

Subsidiaries

Interests in subsidiaries are set out in note 26.

Directors

The directors of the Company, or their director-related entities, may transact with the Group within a normal member, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the Group would have adopted if dealing with an entity at arm's length. These transactions include the following:

As customers:

- Payment of membership subscriptions
- Purchase of goods and services
- Payment of donations, contributions and fund raising events
- The amounts involved in the above transactions average less than \$40 per transaction.

Compensation of key management personnel

The performance of the Group depends upon the quality of its directors and executives. To achieve the best outcome for those with Diabetes, the Group must attract, motivate and retain highly skilled directors and executives.

To this end, the Group provides competitive rewards to attract high calibre executives and ensures that total compensation is competitive by market standards. Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans, in order to take advantage of the fringe benefit tax concessions available to the Group.

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Note 24. Related party disclosures (continued)

The directors are remunerated pursuant to an arrangement approved by the NSW Government. The total fees paid to directors in 2020 was \$67,500 (2019: \$76,500). Under the terms of Leo Tutt AM's and Arthur Koumoukelis' contractual arrangements with their respective employers, William Buck NSW and Thomson Geer, any remuneration received by them as a director is to the ultimate benefit of their respective employer.

Key management personnel

Key management personnel is any person who has authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

The total remuneration paid to key management personnel during the year is as follows:

	Consolidated	
	2020	2019
	\$	\$
Key management personnel compensation	<u>1,088,621</u>	<u>1,211,729</u>

Other transactions with related parties

Provision of Trustee services

The Company is the trustee of the Diabetes Overseas Aid Fund (the "Trust"). The only beneficiary is the CLAN Health and Development Relief Fund.

The Company provided services in the nature of accounting and administration to the Trust. The Company received a fee of \$27,255 (2019: \$49,999) for the financial year and \$27,255 (2019: \$49,999) remained receivable at year end.

Other transactions

Mr Craig Beyers and Mr Leo Tutt AM (resigned 15 April 2020), directors of the Group were also directors of Diabetes Queensland ("DQLD") during the year. The Group provides services to DQLD that include management, administration and operational activities. During the year, the value of these services was \$1,583,712 (2019: \$1,022,708) and amounts receivable by the Group from DQLD at balance date total \$190,587 (2019: \$67,536).

DQLD provides management, administration and operational services to the Group. During the year the value of these services was \$1,969,626 (2019: \$434,264) and amounts payable by the Group to DQLD at balance date total \$164,744 (2019: \$25,025).

Mr Craig Beyers, Mr Leo Tutt AM (resigned 15 April 2020), and Mr Arthur Koumoukelis (appointed 15 April 2020) were also directors of Diabetes Australia Ltd ("DAL") during the year. DAL is the national body representing the interest of people with or at risk of diabetes.

The Group acts as an agent of DAL under the NDSS contract and derives revenue from that service. The Group also provided other services to DAL in the year to the value of \$138,576 (2019: \$234,033). At balance date, DAL owes the Group \$51,770 (2019: \$43,896) and the Group owes DAL \$463,545 (2019: \$28,699).

There were no other related party transactions during the year other than those disclosed above.

Terms and conditions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Note 25. Economic dependency

The Group is dependent upon the ongoing receipt of funds from the Federal Department of Health NDSS contract for a significant portion of its income. The contract has been renewed until 30 June 2021.

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30 June 2020

Note 26. Subsidiary

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with accounting policy described in Note 2. The financial year end of the controlled entity is the same as that of the parent.

Name	Country of incorporation	Ownership interest	
		2020 %	2019 %
Diabetes Qualified Pty Ltd	Australia	100%	100%
Gilicious Management Pty Ltd	Australia	75%	-

Note 27. Events after the reporting period

The Group met the eligibility requirements for the JobKeeper program in March 2020 and have received Jobkeeper payments from May 2020 until September 2020. Eligibility for the JobKeeper extension programs will be tested in October 2020 and January 2021. If eligible, payments will run from October 2020 to December 2020, and January 2021 to March 2021 respectively.

There have been no other significant events occurring after the reporting period which may affect either the Group's operations or results of those operations or the Group's state of affairs.

Note 28. Members' guarantee

As a company limited by guarantee in accordance with the Company's Constitution, each Ordinary Member of the Company has a maximum liability of \$50 in the event of the Company being unable to meet its obligations as and when they fall due. Total membership at 30 June 2020 was 40,496 (2019: 44,515). The total maximum liability of members is \$2,024,800 (2019: \$2,225,750).

Note 29. Information and declaration of the furnished under the Charitable Fundraising Act 1991

Details of aggregate gross income and total expenses of fundraising appeals

	Consolidated	
	2020	2019
	\$	\$
Gross proceeds from fundraising appeals		
Appeals	295,535	355,772
Bequests	832,526	1,192,697
Other general donations	702,566	823,683
Live Your Life events	69,229	253,485
	<u>1,899,856</u>	<u>2,625,637</u>
	Consolidated	
	2020	2019
	\$	\$
Less total direct cost of fundraising appeal		
Appeal	133,356	194,831
Bequests	40,868	64,520
Other general donations	404,488	460,656
Live Your Life events	15,624	136,551
	<u>594,336</u>	<u>856,558</u>

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2020

Note 29. Information and declaration of the furnished under the Charitable Fundraising Act 1991 (continued)

Statement showing how funds received were applied to charitable purposes

	Consolidated	
	2020	2019
	\$	\$
Net surplus from fundraising appeals	<u>1,305,520</u>	<u>1,769,079</u>

This surplus is used for awareness, research, education and advocacy programs.

Fundraising appeals conducted throughout the financial period

Throughout the financial period the Group conducted fundraising activities including Tax Appeal, Raffles, Christmas Appeal, Renewal Appeals and Live Your Life Events. Bequests vary each year and have a significant impact on the proceeds of the fundraising.

Comparison by monetary figures and percentages

	2020	2020	2019	2019
	\$	%	\$	%
Total cost of fundraising	594,336	-	856,558	-
Gross income from fundraising	1,899,856	31%	2,625,637	33%
Net surplus from fundraising	1,305,520	-	1,769,079	-
Gross income from fundraising	1,899,856	69%	2,625,637	67%
Total cost of services	12,125,731	-	8,048,763	-
Total expenditure	23,010,606	53%	18,906,980	43%
Total cost of services	12,125,731	-	8,048,763	-
Total income received	22,852,140	53%	19,522,930	41%

Investment in a Regular Giving program resulted in an increase in the percentage of fundraising cost but is expected to be cashflow positive in 3 years and provide financial sustainability for the future.

Note 30. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, amounts held in managed funds, trade and other receivables and payables and lease liabilities. The carrying amounts for each category of financial instruments, measured in accordance with Australian Accounting Standards are as follows:

	Consolidated	
	2020	2019
	\$	\$
Financial assets		
Cash and cash equivalents	4,809,610	3,471,689
Trade and other receivables	817,561	452,817
Financial assets at fair value through profit or loss	6,434,036	6,514,261
Other financial assets	<u>573,233</u>	<u>221,108</u>
	<u>12,634,440</u>	<u>10,659,875</u>

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2020

Note 30. Financial risk management (continued)

	Consolidated	
	2020	2019
	\$	\$
Financial liabilities		
Trade and other payables	4,427,909	3,300,156
Lease liabilities	155,000	-
	<u>4,582,909</u>	<u>3,300,156</u>

Note 31. Impacts of COVID-19

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

COVID-19 has had a major impact on the delivery of face to face programs. The delivery of these programs and educational sessions have been cancelled or partially delivered online. The Group also runs many community fundraising events which have also been impacted by COVID-19. Philanthropic and membership revenues saw a decline in the year and continue to be challenging. Staff are working remotely and have adapted quickly to the changing circumstances and are continuing to deliver against the organisation's mission.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Directors' declaration
30 June 2020

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 29 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:
 - (i) complying with Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Mr L E Tutt AM
Chairperson



Mr K Boorman
Director

20 October 2020
Sydney, NSW

Independent Auditor's Report to the Members of Diabetes NSW

Opinion

We have audited the financial report of Diabetes NSW ("the Company") and its controlled entity ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance and cash flows for the year then ended; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

In accordance with the provisions of the *Charitable Fundraising Act 1991* and the regulations thereto, any money received as a result of fundraising appeals conducted during the financial year has been properly accounted for and applied with the following provisions:

- (a) the financial report shows a true and fair view of the financial result of fundraising appeals for the year to which they relate;
- (b) any money received as a result of fundraising appeals conducted during the year ended 30 June 2020 has been properly accounted for and applied in accordance with the *Charitable Fundraising Act 1991* and the Regulations thereto;
- (c) the financial report and associated records have been properly kept during the financial year in accordance with the provisions of the *Charitable Fundraising Act 1991* and the Regulations thereto; and
- (d) at the date of this statement there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

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

We confirm that the independence declaration required by Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to the directors', would be in the same terms if given as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, 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, 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 Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Group'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 management either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group'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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we

conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

Sydney, NSW
23 October 2020



K L Luong
Director