

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

ABN 84 001 363 766

Simplified Disclosures Financial Report - 30 June 2021

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
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Director's report

30 June 2021

Your directors submit their report on Diabetes NSW (the "Company") and its controlled entities (referred to hereafter as the "Diabetes NSW & ACT Group") for the year ended 30 June 2021.

DIRECTORS

Mr LE Tutt AM, Chairperson (resigned 17/11/20)

Mr AG Koumoukelis, Chairperson from 17/11/20 (Vice Chair to 17/11/20)

Mr C Beyers (resigned 29/04/21)

Mr K Boorman

Ms G Daley

Mr BG Hayman (Vice Chair from 17/11/20)

Dr B King

Mr S Eastwood

Ms A Pino

Mr PJ Tuck

Mrs N Wallis (resigned 17/11/20)

Dr M Stanford AM (commenced 29/04/21)

Prof G Johnson (commenced 29/04/21)

Names, qualifications, experience and special responsibilities

Name	Qualifications	Date Appointed	Experience	Special Responsibilities
Mr Leo Tutt AM (Resigned 17/11/20)	BEC, LLB, FCA, FCPA, CTA, MAICD	28/05/2001	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 and Diabetes Australia Ltd.	Board Chairperson Finance, Audit and Risk Management Committee member Chair of Diabetes Qualified Director GILM
Mr Craig Beyers (Resigned 29/04/21)	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	16/05/2005	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 specialising 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, Past Director Australasian Society of Association Executives (AuSAE), Chair LFAC Steering Committee, Director GILM, Director TCTC	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	06/06/2005	Managing Director of Interim Executive Search.	Nomination and Remuneration Committee Member
Mrs Nicole Wallis (Resigned 17/11/20)	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.
Dr Michael Stanford AM	MBBS, MBA, FAICD, FAFPHM, FAIM	29/04/2021	Independent President and Chair of Diabetes Australia, Non-executive director with Virtus Health, and with Nucleus Network, Member of the Order of Australia for significant service to the health care sector and tertiary education.	

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Name	Qualifications	Date Appointed	Experience	Special Responsibilities
Prof Greg Johnson	BPHARM, Grad Dip Hosp.Pharm, Grad Dip HCM, MBA, GAICD	29/04/2021	Chief Executive of Diabetes Australia, Honorary Professor with Deakin University.	

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

OPERATING AND FINANCIAL REVIEW

The Diabetes NSW & ACT 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 surplus of \$3,880,361 (2020: net deficit of \$70,390). The result also includes a "one-off" amount of \$1,938,350 (2020: \$992,000) of federal government subsidies under their COVID-19 financial assistance programs.

Short-term and long-term objectives

On 29 April 2021 Diabetes NSW & ACT members voted overwhelmingly in favour of merging with Diabetes Australia and ceased to be a member organisation and became controlled subsidiaries of Diabetes Australia. The members of Diabetes NSW & ACT are transferring to become general members of Diabetes Australia in their annual review process and this should be completed in 2021-22.

In June 2021, we were very pleased that Diabetes Australia signed a new three-year funding agreement with the Australian Government Department of Health, subsequently Diabetes NSW & ACT entered into a new three-year Agent Agreement with Diabetes Australia. This provides the continued provision of services and support to people in New South Wales and the Australian Capital Territory with diabetes through the National Diabetes Services Scheme. This ensures that over 466,000 people in New South Wales and the Australian Capital Territory living with diabetes and registered with the NDSS will continue to be able to access essential information and self-management support and services through the NDSS.

Due to the impact of COVID-19, the Company has focussed on digital delivery of education programs, however, continued to deliver face to face education where possible. Over 1,000 programs reaching 24,000 people were delivered during the year. Additionally, our health professional team has provided telephone support to over 4,000 people. Further, education and information were provided in 12 different languages in the greater Sydney area with a new social inclusion and physical activity program, funded by the Australian Government.

The Company continues to publish quarterly editions of Circle magazine and 24 online newsletters with a reach of 1.2 million people on behalf of Diabetes Australia and other diabetes organisations. 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.

The regular giving program is now well established with over 1,000 regular givers participating with an average donation of \$17.50.

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The online shop has had strong growth since relaunching in January 2021, welcoming members of Diabetes Victoria as additional customers to this service.

The Company has continued to invest in education and resources for health professionals and health care workers to enable better support for people living with diabetes through Diabetes Qualified. FY21 saw increased course sales, growth in website visits and newsletter subscriptions and provided a financial contribution to the organisation.

Thanks to the continuing support of Future Generation Fund (FGX), we continue to run Diabuddies events online. FGX funding has also enabled the establishment of the Live Your Life Online forum in July of last year. This has proven to be a strong community tool for members.

It is also pleasing to note that as a result of careful financial management, the Company was able to direct \$400,000 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	3	2	3*	3	-	-
Mr AG Koumoukelis	10	10	5	5	-	-
Mr K Boorman	10	9	5	5	-	-
Ms G Daley AM	10	9	-	-	-	-
Mr SR Eastwood	10	10	5**	5	-	-
Mr BG Hayman	10	10	5	5	-	-
Dr B King	10	7	-	-	-	-
Ms A Pino	10	8	-	-	-	-
Mr PJ Tuck	10	9	-	-	-	-
Mrs N Wallis AM	3	3	-	-	-	-
Mr CJ Beyers	9	9	-	-	-	-
Dr MP Stanford AM	1	1	-	-	-	-
Prof GJ Johnson	1	1	-	-	-	-

A = number of meetings eligible to attend

B = number of meetings attended

* = ex officio

** = invitee

For detailed director profiles, please refer to page 2.

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.

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

Director's report

30 June 2021

Total membership at 30 June 2021 was made up of 18,114 residual members with 16,368 transferring their memberships to Diabetes Australia (2020: 40,469). The total maximum liability of members is \$905,700 (2020: \$2,024,800).

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.

Auditor's Independence Declaration

A copy of the auditor's independence declaration, obtained as required by section 60-40 of the Australian Charities and Not-for-profits Commission Act 2012, is set out on page 7.

The report is made in accordance with a resolution of directors.



Mr A Koumoukelis
Chairperson



Mr K Boorman
Director

Sydney, NSW
13 October 2021

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 2021.

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



HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

Sydney, NSW
13 October 2021



K L Luong
Director

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Statement of comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 \$	2020 \$
Revenue			
National Diabetes Services Scheme		10,957,962	11,731,682
Donations, fundraising and sponsorships		1,725,324	1,807,123
Memberships		307,635	1,283,708
Bequests		2,476,510	832,526
Sale of goods		460,511	471,722
Other income	4	8,051,193	4,750,895
Life for a Child program grant income	5	2,721,766	1,684,379
Life for a Child program other income	6	401,891	290,105
Total revenue and other income		<u>27,102,792</u>	<u>22,852,140</u>
Expenses			
Employee benefits	7	(10,391,868)	(10,556,615)
Operational and warehouse		(5,770,951)	(6,717,104)
Depreciation and amortisation		(950,705)	(938,478)
General education resources and expenses		(106,990)	(144,370)
Other operating expenses	8	(2,984,741)	(2,832,793)
Life for a Child program other operating expenses		(2,250,410)	(1,238,505)
Life for a Child program employee benefits		(771,230)	(567,799)
Interest expense	9	(9,693)	(14,942)
Total expenses		<u>(23,236,588)</u>	<u>(23,010,606)</u>
Surplus/(deficit) before income tax expense		3,866,204	(158,466)
Income tax expense		-	-
Surplus/(deficit) after income tax expense for the year		3,866,204	(158,466)
Other comprehensive surplus for the year, net of tax		-	-
Total comprehensive surplus/(deficit) for the year		<u>3,866,204</u>	<u>(158,466)</u>
Surplus/(deficit) for the year is attributable to:			
Non-controlling interest		(14,157)	(88,076)
Members of Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT		<u>3,880,361</u>	<u>(70,390)</u>
		<u>3,866,204</u>	<u>(158,466)</u>
Total comprehensive surplus/(deficit) for the year is attributable to:			
Non-controlling interest		(14,157)	(88,076)
Members of Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT		<u>3,880,361</u>	<u>(70,390)</u>
		<u>3,866,204</u>	<u>(158,466)</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 2021

	Note	Consolidated 2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	10	8,433,675	5,500,912
Trade and other receivables	11	851,959	817,561
Inventories	12	106,066	72,740
Other financial assets	14	131,448	130,000
Prepayments		342,681	339,279
Total current assets		<u>9,865,829</u>	<u>6,860,492</u>
Non-current assets			
Financial assets at fair value through profit or loss	13	9,455,696	6,185,967
Other financial assets	14	2,927,149	-
Property, plant and equipment	15	16,424,066	16,915,146
Right-of-use assets	16	109,572	197,951
Intangibles		269,510	393,429
Total non-current assets		<u>29,185,993</u>	<u>23,692,493</u>
Total assets		<u>39,051,822</u>	<u>30,552,985</u>
Liabilities			
Current liabilities			
Trade and other payables	17	9,002,397	4,427,909
Borrowings	18	110,000	-
Lease liabilities	19	62,358	86,265
Employee benefits	20	970,763	841,913
Total current liabilities		<u>10,145,518</u>	<u>5,356,087</u>
Non-current liabilities			
Borrowings	18	-	155,000
Lease liabilities	19	53,767	117,510
Employee benefits	20	288,349	226,404
Total non-current liabilities		<u>342,116</u>	<u>498,914</u>
Total liabilities		<u>10,487,634</u>	<u>5,855,001</u>
Net assets		<u>28,564,188</u>	<u>24,697,984</u>
Equity			
Reserves	21	14,001,171	14,001,171
Retained surpluses		14,565,250	10,684,889
Equity attributable to the members of Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT		28,566,421	24,686,060
Non-controlling interest		(2,233)	11,924
Total equity		<u>28,564,188</u>	<u>24,697,984</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 2021

Consolidated	Reserves \$	Retained surpluses \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2019	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	<u>14,001,171</u>	<u>10,684,889</u>	<u>11,924</u>	<u>24,697,984</u>

Consolidated	Reserves \$	Retained surpluses \$	Non- controlling interest \$	Total equity \$
Balance at 1 July 2020	14,001,171	10,684,889	11,924	24,697,984
Surplus/(deficit) after income tax expense for the year	-	3,880,361	(14,157)	3,866,204
Other comprehensive surplus for the year, net of tax	-	-	-	-
Total comprehensive surplus/(deficit) for the year	-	3,880,361	(14,157)	3,866,204
Balance at 30 June 2021	<u>14,001,171</u>	<u>14,565,250</u>	<u>(2,233)</u>	<u>28,564,188</u>

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 2021

	Note	Consolidated 2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers, donors and members		16,272,093	11,363,033
Receipts of funding for NDSS and other programs		11,187,807	12,236,378
Payments to suppliers and donations		(11,060,703)	(10,969,359)
Payments to and on behalf of employees		(8,166,830)	(10,742,777)
Interest paid		(9,693)	(14,942)
Dividends received		152,543	172,202
		<u>8,375,217</u>	<u>2,044,535</u>
Interest received		4,114	16,465
Net cash from operating activities		<u>8,379,331</u>	<u>2,061,000</u>
Cash flows from investing activities			
Proceeds from non-controlling interest issued capital		-	100,000
Purchase of property, plant and equipment	15	(175,510)	(118,252)
Payments for intangibles		(85,364)	(182,272)
(Investment in)/proceeds from managed investment portfolio		<u>(5,098,044)</u>	<u>268,572</u>
Net cash (used in)/from investing activities		<u>(5,358,918)</u>	<u>68,048</u>
Cash flows from financing activities			
Repayment of lease liabilities		<u>(87,650)</u>	<u>(99,825)</u>
Net cash used in financing activities		<u>(87,650)</u>	<u>(99,825)</u>
Net increase in cash and cash equivalents		2,932,763	2,029,223
Cash and cash equivalents at the beginning of the financial year		<u>5,500,912</u>	<u>3,471,689</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>8,433,675</u></u>	<u><u>5,500,912</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 2021

Note 1. Corporate information

The financial report of Diabetes NSW and its controlled entities (the "Diabetes NSW & ACT Group") for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 13 October 2021.

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. On 29 April 2021, Diabetes NSW & ACT members voted overwhelmingly in favour of merging with Diabetes Australia Limited ("Diabetes Australia") and ceased to be a member organisation and became controlled subsidiaries of Diabetes Australia.

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

The nature of the operations and principal activities of the Diabetes NSW & ACT 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 - Simplified Disclosures, 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 Diabetes NSW & ACT Group in the preparation of the financial report. All accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

Adoption of New or Amended Accounting Standards and Interpretations

The Diabetes NSW & ACT 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 except for the following:

AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

The Diabetes NSW & ACT Group has adopted AASB 1060 from 1 July 2020. The standard provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. There has been minimal change in the disclosures within these financial statements as a result of the adoption of this standard.

Statement of compliance

The financial statements of the Diabetes NSW & ACT Group comply with Australian Accounting Standards - Simplified Disclosures as issued by the 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 2021 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Diabetes NSW & ACT Group has control. The Diabetes NSW & ACT Group controls an entity when the Diabetes NSW & ACT 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 Diabetes NSW & ACT Group. They are de-consolidated from the date that control ceases.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 2. Summary of significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the Diabetes NSW & ACT 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 Diabetes NSW & ACT Group.

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

Prior year balances

Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year's presentation.

Working Capital

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activities and realisation of assets and settlements of liabilities in the ordinary course of business. At reporting date, the Diabetes NSW & ACT Group had positive net assets of \$28,564,188 (2020: \$24,697,984), and an excess of current liabilities over current assets of \$279,689 (2020: an excess of current assets over current liabilities of \$1,504,405). This deficiency in working capital arises from grants received in advance of \$4,530,961 (2020: \$1,859,774), which relates to grant monies received which will be recognised as revenue within the next 12 months. In addition, the Diabetes NSW & ACT Group has \$12,382,845 (2020: \$6,185,967) of financial assets classified as non-current which are readily available to convert into cash if needed for cash flow purposes. A cash flow forecast for the next 12 months prepared by management has indicated that the Diabetes NSW & ACT Group will have sufficient cash to be able to meet its debts as and when they fall due, and therefore the financial report has been prepared on a going concern basis.

Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Diabetes NSW & ACT Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Diabetes NSW & ACT 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 Diabetes NSW & ACT 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.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 2. Summary of significant accounting policies (continued)

National Diabetes Service Scheme (NDSS) revenue

NDSS revenue and other grants with specific performance obligations related to funding 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.

Publications income

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

Service agency income

Service agency income is derived from services provided to Diabetes Australia for administering the issue and collection of Diabetes Australia's membership fees and provision of related services. The donation portion of the service fee is recognised on a receipts basis and the membership portion is recognised overtime as the member services are provided.

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 Diabetes NSW & ACT 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 Diabetes NSW & ACT 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:

- 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.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 2. Summary of significant accounting policies (continued)

The Diabetes NSW & ACT 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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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.

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 Diabetes NSW & ACT 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 Diabetes NSW & ACT 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 Diabetes NSW & ACT 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 Diabetes NSW & ACT 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.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 2. Summary of significant accounting policies (continued)

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. Land is not depreciated.

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	3 to 5 years

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

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

Diabetes NSW & ACT Group as a lessor

Leases in which the Diabetes NSW & ACT 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.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 2. Summary of significant accounting policies (continued)

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 Diabetes NSW & ACT 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 Diabetes NSW & ACT 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 Diabetes NSW & ACT Group prior to the end of the financial year that are unpaid and arise when the Diabetes NSW & ACT 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 Diabetes NSW & ACT 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.

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 Diabetes NSW & ACT Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Diabetes NSW & ACT 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 Diabetes NSW & ACT 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.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 2. Summary of significant accounting policies (continued)

Fair value of assets and liabilities

The Diabetes NSW & ACT 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 Diabetes NSW & ACT 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.

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 Diabetes NSW & ACT Group's Glebe and Wollongong land and buildings was determined with reference to independent valuations performed as at 30 June 2021 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 Diabetes NSW & ACT 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 Diabetes NSW & ACT 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 Diabetes NSW & ACT Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 4. Other income

	Consolidated	
	2021	2020
	\$	\$
Government subsidies	1,972,806	1,040,009
Federal grant income	517,736	198,264
State grant income	451,223	470,413
Other income	1,357,738	854,196
Rental income	681,633	684,196
Education income	381,598	323,373
Dividends	152,543	172,202
Interest	4,114	10,422
Increase/(decrease) in fair value of managed portfolio	1,100,282	(166,159)
Service agency income	136,282	-
Service fee income	1,295,238	1,163,979
	<u>8,051,193</u>	<u>4,750,895</u>

Note 5. Life for a Child program grant income

	Consolidated	
	2021	2020
	\$	\$
Grant income - JDRF	854,955	903,139
Grant income - International Diabetes Federation - Helmsley	1,101,406	781,240
Grant income - Direct Relief	325,195	-
Grant income - Eli Lilly	440,210	-
	<u>2,721,766</u>	<u>1,684,379</u>

Note 6. Life for a Child program other income

	Consolidated	
	2021	2020
	\$	\$
Donations	73,307	27,815
Foreign exchange gain	-	68,142
Other income	328,584	194,148
	<u>401,891</u>	<u>290,105</u>

Note 7. Employee benefits

	Consolidated	
	2021	2020
	\$	\$
Wages and salaries	9,452,701	9,604,307
Defined contribution superannuation expense	796,518	768,157
Other employee benefits expense	142,649	184,151
	<u>10,391,868</u>	<u>10,556,615</u>

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 8. Other operating expenses

	Consolidated	
	2021	2020
	\$	\$
Cost of sales	264,164	251,222
Fundraising and sponsorship	242,055	398,308
Computer software and support	236,621	176,479
Marketing expenses	450,056	753,409
Minimum lease payments - operating lease	58,475	133,023
Administration and other expenses	1,333,370	1,070,352
Diabetes Australia Research Program	400,000	50,000
	<u>2,984,741</u>	<u>2,832,793</u>

Note 9. Interest expense

	Consolidated	
	2021	2020
	\$	\$
Interest expense on lease liabilities	<u>9,693</u>	<u>14,942</u>

Note 10. Cash and cash equivalents

	Consolidated	
	2021	2020
	\$	\$
<i>Current assets</i>		
Cash at bank and at call deposits	<u>8,433,675</u>	<u>5,500,912</u>

\$1,041,430 (2020: \$568,051) 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	
	2021	2020
	\$	\$
<i>Current assets</i>		
Trade receivables	754,062	500,816
Other debtor	31,062	316,745
	<u>785,124</u>	<u>817,561</u>
GST receivable	<u>66,835</u>	<u>-</u>
	<u>851,959</u>	<u>817,561</u>

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 12. Inventories

	Consolidated	
	2021	2020
	\$	\$
<i>Current assets</i>		
Trading stock	106,066	72,740

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

	Consolidated	
	2021	2020
	\$	\$
<i>Non-current assets</i>		
Managed investment portfolio	9,455,696	6,185,967

Note 14. Other financial assets

	Consolidated	
	2021	2020
	\$	\$
<i>Current assets</i>		
Term deposit	131,448	130,000
<i>Non-current assets</i>		
Life for a Child program term deposit	2,927,149	-
	3,058,597	130,000

Note 15. Property, plant and equipment

	Consolidated	
	2021	2020
	\$	\$
<i>Non-current assets</i>		
Land and buildings	16,115,197	15,984,170
Less: Accumulated depreciation	(703,934)	(351,820)
	15,411,263	15,632,350
Fixtures and fittings - at cost	1,839,181	1,839,181
Less: Accumulated depreciation	(1,007,236)	(853,479)
	831,945	985,702
Computer equipment - at cost	1,700,407	1,629,297
Less: Accumulated depreciation	(1,523,786)	(1,370,272)
	176,621	259,025
Office equipment - at cost	125,910	125,910
Less: Accumulated depreciation	(121,673)	(114,468)
	4,237	11,442
Capital work in progress	-	26,627
	16,424,066	16,915,146

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 15. Property, plant and equipment (continued)

Revaluation of freehold land and buildings

As at 30 June 2021, the fair value of the Diabetes NSW & ACT Group's Glebe and Wollongong land and buildings is based on independent valuations performed as at 30 June 2021 of \$15,250,000 and \$450,000 respectively. At 30 June 2021 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 5% (2020: 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:

Consolidated	Land and buildings \$	Fixtures and fittings \$	Computer equipment \$	Office equipment \$	Capital work in progress \$	Total \$
Balance at 1 July 2020	15,632,350	985,702	259,025	11,442	26,627	16,915,146
Additions	104,400	-	71,110	-	-	175,510
Transfers	26,627	-	-	-	(26,627)	-
Depreciation expense	(352,114)	(153,757)	(153,514)	(7,205)	-	(666,590)
Balance at 30 June 2021	<u>15,411,263</u>	<u>831,945</u>	<u>176,621</u>	<u>4,237</u>	<u>-</u>	<u>16,424,066</u>

Note 16. Right-of-use assets

	Consolidated	
	2021	2020
	\$	\$
<i>Non-current assets</i>		
Motor vehicles - right-of-use	100,257	100,257
Less: Accumulated depreciation	<u>(81,799)</u>	<u>(48,342)</u>
	<u>18,458</u>	<u>51,915</u>
Office equipment - right-of-use	204,951	204,951
Less: Accumulated depreciation	<u>(113,837)</u>	<u>(58,915)</u>
	<u>91,114</u>	<u>146,036</u>
	<u><u>109,572</u></u>	<u><u>197,951</u></u>

The Diabetes NSW & ACT Group leases plant and equipment and motor vehicles under agreements of between three to five years.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 17. Trade and other payables

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Trade payables	728,964	1,311,114
Other payables and accruals	3,742,472	1,242,789
Grants received in advance - DNSW	978,699	1,147,296
Grants received in advance - LFAC	3,552,262	712,478
GST payable	-	14,232
	<u>9,002,397</u>	<u>4,427,909</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	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Loan from Glycemic Index Foundation	110,000	-
<i>Non-current liabilities</i>		
Loan from Glycemic Index Foundation	-	155,000
	<u>110,000</u>	<u>155,000</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 (2020: 6.9%).

Note 19. Lease liabilities

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Lease liability	62,358	86,265
<i>Non-current liabilities</i>		
Lease liability	53,767	117,510
	<u>116,125</u>	<u>203,775</u>
<i>Future lease payments</i>		
Future lease payments are due as follows:		
Within one year	77,835	97,388
One to five years	55,973	133,808
	<u>133,808</u>	<u>231,196</u>

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 20. Employee benefits

	Consolidated	
	2021	2020
	\$	\$
<i>Current liabilities</i>		
Annual leave	748,989	701,831
Long service leave	221,774	140,082
	<u>970,763</u>	<u>841,913</u>
<i>Non-current liabilities</i>		
Long service leave	288,349	226,404
	<u>1,259,112</u>	<u>1,068,317</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 2021, the Diabetes NSW & ACT Group had no contingent liabilities (2020: Nil).

Note 23. Commitments

Leasing commitments

Operating lease commitments – Diabetes NSW & ACT Group as lessor

The Diabetes NSW & ACT 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	
	2021	2020
	\$	\$
Within one year	612,682	760,623
One to five years	-	600,519
	<u>612,682</u>	<u>1,361,142</u>

Note 24. Related party disclosures

Subsidiaries

Interests in subsidiaries are set out in note 26.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 24. Related party disclosures (continued)

Directors

The directors of the Company, or their director-related entities, may transact with the Diabetes NSW & ACT 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 Diabetes NSW & ACT 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 Diabetes NSW & ACT Group depends upon the quality of its directors and executives. To achieve the best outcome for those with Diabetes, the Diabetes NSW & ACT Group must attract, motivate and retain highly skilled directors and executives.

To this end, the Diabetes NSW & ACT 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 Diabetes NSW & ACT Group.

The directors are remunerated pursuant to an arrangement approved by the NSW Government. The total fees paid to directors in 2021 was \$55,750 (2020: \$67,500). 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 Diabetes NSW & ACT Group, directly or indirectly.

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

	Consolidated	
	2021	2020
	\$	\$
Key management personnel compensation	<u>1,060,246</u>	<u>1,088,621</u>

Executives are employed under contracts of employment with the company.

In respect of the above key management personnel total of \$1,060,246 (2020: \$1,088,621), an amount of \$564,941 (2020: \$504,643) has been recharged to Diabetes QLD ("DQLD") for services rendered by the Diabetes NSW & ACT Group to DQLD.

In addition, DQLD has provided key management personnel services to the Diabetes NSW & ACT Group totalling \$163,044 (2020: \$153,373)

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 24. Related party disclosures (continued)

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 \$29,302 (2020: \$27,255) for the financial year and \$20,784 (2020: \$27,255) remained receivable at year end.

Other transactions

During the year, Thomson Geer, the firm in which Arthur Koumoukelis is employed by, provided legal services to the Diabetes NSW & ACT Group amounting to \$15,284 (2020: \$10,758).

Mr Craig Beyers, director of the Diabetes NSW & ACT Group, was also a director of DQLD during the year. The Diabetes NSW & ACT Group provides services to DQLD that include management, administration and operational activities. During the year, the value of these services was \$1,975,014 (2020: \$1,583,712) and amounts receivable by the Diabetes NSW & ACT Group from DQLD at balance date total \$284,976 (2020: \$190,587).

DQLD provides management, administration and operational services to the Diabetes NSW & ACT Group. During the year the value of these services was \$1,682,160 (2020: \$1,969,626) and amounts payable by the Diabetes NSW & ACT Group to DQLD at balance date total \$9,075 (2020: \$164,744).

Mr Craig Beyers, Mr Michael Stanford, Mr Greg Johnson, and Mr Arthur Koumoukelis were also directors of Diabetes Australia during the year. Diabetes Australia is the national body representing the interest of people with or at risk of diabetes, and as of 29 April 2021, the Diabetes NSW & ACT Group unified with Diabetes Australia.

The Diabetes NSW & ACT Group acts as an agent of Diabetes Australia under the NDSS contract and derives revenue from that service. The Diabetes NSW & ACT Group also provided other services to Diabetes Australia in the year to the value of \$142,468 (2020: \$138,576). At balance date, Diabetes Australia owes the Diabetes NSW & ACT Group \$50,644 (2020: \$51,770) and the Diabetes NSW & ACT Group owes Diabetes Australia \$3,206 (2020: \$463,545).

Following the changes to the Constitutions of both Diabetes NSW & ACT and Diabetes Australia on 29 April 2021, Diabetes Australia appointed Diabetes NSW & ACT as its Service Agent to act as a non-exclusive agent for administering the issue and collection of Diabetes Australia's membership fees and provision of related member services. The service fee payable equals the membership fees and any associated donations collected on behalf of Diabetes Australia. During the year, the Service Agent fee recognised was \$136,282 with \$574,338 of service agency fees deferred to the financial year ending 30 June 2022.

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 Diabetes NSW & ACT 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 2024.

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

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	
		2021 %	2020 %
Diabetes Qualified Pty Ltd	Australia	100%	100%
Gilicious Management Pty Ltd	Australia	75%	75%

Note 27. 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 2021 was made up of 18,114 residual members with 16,368 transferring their memberships to Diabetes Australia (2020: 40,496). The total maximum liability of members is \$905,700 (2020: \$2,024,800).

Note 28. Information and declaration of the furnished under the Charitable Fundraising Act 1991

Details of aggregate gross income and total expenses of fundraising appeals

	Consolidated	
	2021 \$	2020 \$
Gross proceeds from fundraising appeals		
Appeals	257,991	295,535
Bequests	2,476,510	832,526
Other general donations	674,246	702,566
Live Your Life events	36,350	69,229
	<u>3,445,097</u>	<u>1,899,856</u>
	Consolidated	
	2021 \$	2020 \$
Less total direct cost of fundraising appeal		
Appeal	119,709	133,356
Bequests	78,981	40,868
Other general donations	42,909	404,488
Live Your Life events	14,288	15,624
	<u>255,887</u>	<u>594,336</u>

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 28. Information and declaration of the furnished under the Charitable Fundraising Act 1991 (continued)

Statement showing how funds received were applied to charitable purposes

	Consolidated	
	2021	2020
	\$	\$
Net surplus from fundraising appeals	<u>3,189,210</u>	<u>1,305,520</u>

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

Fundraising appeals conducted throughout the financial period

Throughout the financial period the Diabetes NSW & ACT 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

	2021	2021	2020	2020
	\$	%	\$	%
Total cost of fundraising	255,887	-	594,336	-
Gross income from fundraising	3,445,097	7%	1,899,856	31%
Net surplus from fundraising	3,189,210	-	1,305,520	-
Gross income from fundraising	3,445,097	93%	1,899,856	69%
Total cost of services	13,304,959	-	12,125,731	-
Total expenditure	23,236,588	57%	23,010,606	53%
Total cost of services	13,304,959	-	12,125,731	-
Total income received	27,102,792	49%	22,852,140	53%

Note 29. Financial risk management

The Diabetes NSW & ACT 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	
	2021	2020
	\$	\$
Financial assets		
Cash and cash equivalents	8,433,675	5,500,912
Trade and other receivables	851,959	817,561
Financial assets at fair value through profit or loss	9,455,696	6,185,967
Other financial assets	<u>3,058,597</u>	<u>130,000</u>
	<u>21,799,927</u>	<u>12,634,440</u>

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Notes to the financial statements
30 June 2021

Note 29. Financial risk management (continued)

	Consolidated	
	2021	2020
	\$	\$
Financial liabilities		
Trade and other payables	9,002,397	4,427,909
Lease liabilities	116,125	203,775
Borrowings	110,000	155,000
	<u>9,228,522</u>	<u>4,786,684</u>

Note 30. Events after the reporting period

The following events occurred after the reporting period:

- With the unification between Diabetes NSW & ACT and Diabetes Australia on 29 April 2021, the company will work towards building a more influential national organisation supporting all people living with or at risk of diabetes. Currently the Diabetes NSW & ACT Group expects to maintain the present status and level of operations and hence there are no significant developments in the operations of the company expected for the upcoming financial year.
- In late June 2021, NSW went into lockdown due to the spread of COVID-19 and is not expected to come out of lockdown until October 2021 at the earliest. All staff have been working from home during this time and face to face programs were impacted with many events postponed or cancelled. The Diabetes NSW & ACT Group met the eligibility requirements for the COVID Business Grant and also the JobSaver program and is expected to receive eligible payments backdated to July 2021 until the end of the lockdown period.

There has been no other significant events occurring after the reporting period which may affect either the Diabetes NSW & ACT Group's operations or results of those operations or the Diabetes NSW & ACT Group's state of affairs in future financial years.

Note 31. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the auditor, HLB Mann Judd Assurance (NSW) Pty Limited, and its related practices:

	Consolidated	
	2021	2020
	\$	\$
Audit and assurance services	96,500	65,200
Taxation services	16,000	1,100
Other services	-	5,000
	<u>112,500</u>	<u>71,300</u>

Diabetes NSW and its controlled entities trading as Diabetes NSW & ACT
Directors' declaration
30 June 2021

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 – Simplified Disclosures 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 2021 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 A Koumoukelis
Chairperson



Mr K Boorman
Director

13 October 2021
Sydney, NSW

Independent Auditor's Report to the Members of Diabetes NSW

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Diabetes NSW ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, 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 has been prepared 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 2021 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards – Simplified Disclosures 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 2021 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 those 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 financial report for the year ended 30 June 2021, 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 are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards – Simplified Disclosures 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, directors are 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 the directors 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 the directors.

- Conclude on the appropriateness of the directors' 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 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
19 October 2021



K L Luong
Director