



2018 Annual General Meeting

Treasurer's Report

Financial Summary

Attached are the audited 2017 Balance Sheet and Profit and Loss report.

The financial position of the Association is sound due to our sizeable reserve. However, 2017 saw a continued decline in membership income and increasing fixed costs. This is a troubling financial position that will need to be resolved in the coming years to ensure financial sustainability.

The deficit was \$17,949. This reflects the active choice that the Committee made to support seed funding for the inaugural conference of ~\$20,000. In the absence of this funding allocation the annual position would have posted a modest surplus in line with previous year's financials. The Conference was an opportunity to establish a national event with strategic value. The investment returned a set of templates that can be used for all future events and thus returned tangible products as well as value to the AFAA brand.

The Association has net assets of roughly \$90,000 as at 31 December 2017.

Financial Outlook

Factors influencing the financial position of AFAA include:

- Declining income from membership fees (historically greater than 15,000 but in recent years less than \$7,000).
- A stable pattern of overhead costs but substantially higher than for 2012 and earlier
- A shift away from funding chapter activities to funding activities at a National level but at a similar total financial amount (~\$2,000 annual commitment).

- A desire to return to our ‘roots’ of the Walker fund and commit a portion of all membership dues received on an annual basis to this fund. Depending on the percentage that the membership commits, this would decrease our total membership income by 25-50%.

In broad terms, the financial demands that AFAA has are as follows:

Fixed costs (\$5,350)

- \$1,500 website hosting and membership platform
- \$1,600 Insurance
- \$250 Other

AGM costs (\$1,000)

Allocations to States (\$1,000)

Projected membership income over the next 3 years is expected to range from \$5,000 at the low end if we continue to have membership attrition of 20% a year or up to \$7,500 a year at the high end with full membership retention. This means that our income is expected to just meet our fixed costs of operating. This does not allow for any travel by the board or other strategic investments. All of these activities will have to draw from our reserves.

Walker fund annual donation – After several years of active conversations within the National Committee and with the broader membership base, we have come to the conclusion that there is a desire to maintain AFAA’s proud history of establishing and funding the WG Walker Scholarship. While our financial support of this fund will have to be modest, the Committee has proposed that we donate a fixed percentage of membership dues received each year. At 25% of membership dues this would be ~\$1,500 per annum. At 50% this would be ~\$3,000 per annum.

RECOMMENDATION: Vote to implement a new policy of donating 25% of membership dues received on an annual basis to the Walker Fund. This would be calculated at year end (December 31) based on actual membership fees received and donated in January of the following year.

Overall position based on these recommendations: If we dedicate 25% of membership dues to the Walker Fund this leaves a gap of approximately \$1,500 for covering our fixed costs. We can bridge this gap in funds by moving our reserves into an interest bearing account or term deposit. Interest bearing accounts are offering a market rate of 2.0% annually. If we kept \$80,000 of our reserve in this type of account we would expect to earn \$2,000 a year in interest.

RECOMMENDATION – St George (our current bank) does not offer this type of account. However, Bank Australia offers no fee two to sign community bank accounts (same banking arrangement as we currently hold) with an interest rate of 1.75% on the main transaction account. This would generate the needed income to bridge the income shortfall.

While this is a lower return on our equity than if we chose to actively invest the funds, it provides a low risk mechanism for generating passive income from interest on our balance.

I would recommend that the members vote to:

- 1) Open a new Community Access account with two to sign permission at Bank Australia.
- 2) Signatories will remain the same: President (Iain Butterworth) and Treasurer (Vanessa Adams)

- 3) Once the account is opened transfer the full balance at St George (~90,000) to the Bank Australia account and close the St George account.
- 4) Discuss investing a portion of reserve into term deposits to achieve higher return.

National initiatives – The National Committee has undertaken a range of strategic planning activities over the last 2 years to identify strategic initiatives to invest in. The Inaugural Conference is on such example. In order to continue to fund these events (~\$5,000 a year), this will require an increase in income sources or drawing upon our reserves.

We currently hold assets of ~\$90,000. However, we must keep in mind that if AFAA were to closer that these assets would have to first be distributed to outstanding liabilities in the form of membership dues for current and future years. In 2015 we were provided a quote of this cost of \$68,000. This covers the remaining years on five year memberships and lifetime memberships that would need to be refunded to members. This leaves only \$22,000 in reserve funds available for spending on an annual basis.

RECOMMENDATION: Limit all spending from the reserve to only modest seed funding of events (maximum \$2,000) so that this funding can be maximized across multiple events.

Further, in after moving our assets to Bank Australia where the base interest rate will at least help us to cover our base costs, I recommend that AFAA explore returning \$80,000 of their assets to an investment fund. When the Association's funds were invested in Perpetual growth funds we saw 2-4% returns. A return of 4% would provide the additional \$2,000 a year needed to have seed funding available on call for events. It would be useful to have a discussion at the AGM on strategies to address the declining membership fee income.

Vanessa Adams
Treasurer