

NZSSD Treasurer's Report

AGM, 07 May 2015

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Introduction

This will be my final report as Treasurer of NZSSD. During my 3 years in the post, the Society's finances have undergone a significant shift. Three years ago, we were running at a substantial yearly operating loss, which was in significant part masked by the income the Society was receiving at the time for the Diabetes Nurse Prescribing Project. It was clear, however, that with the completion of that project, the Society had only enough funds in reserve to continue as an ongoing concern, without a restructuring of its finances, for another two and a half years or so.

With the adoption of increased rates of subscription and a decrease in some of our open-ended commitments, however, it has been possible to return the Society to surplus. The task ahead now, in the medium term, is for the Society to consider how its (i.e. the membership's) funds are best used in order to further the aims and objectives of the Society. This will be a task for my successor to help steer.

However, it is also important not to lose sight of possible problems in the future, and to take action to avert them well in advance, in order to avoid a situation similar to that experienced in the last few years. Possible areas of concern are highlighted below.

Finally, I would like to pay tribute to all those who have helped me in the role of Treasurer, and in particular:

- Jan Brosnahan, who acts as the Society's secretariat and who, amongst other things, maintains the membership list and chases up members who are in arrears (which takes considerable time and effort);
- Jinny Willis, who was my predecessor and had already set in place many of the systems that make record keeping in this role much easier, and which I have continued during my time;
- the NZSSD Executive;
- and everyone else who has contributed to the restructuring of the Society's finances.

Audit

The accounts for FY 2012 -2013 and FY 2013-2014 are presented for consideration and approval (Appendices 1a and 1b).

It is proposed that the Society retain the firm of Naylor, Lawrence and Associates (Palmerston North) as its auditors for the FY 2014-2015 accounts¹.

¹ Although I am stepping down from my role as Treasurer, my final act will be to supervise to completion the auditing of the FY 2014-2015 accounts, as this reflects my time in the role and I would be better placed to answer any of the auditors' queries than my successor.

Income and Expenditure

The Society acts as an intermediary for distribution of funds to a number of agencies. In FY 2014-2015, the major project for which the Society acted in this way was the award of the ASM research grants (from Lilly, Sanofi, NZMS and iSENS/Pharmaco).

Excluding these items of income and expenditure (for which there is neither a net gain nor a net loss for the Society), the Society's **main sources of income** are subscriptions, conference surplus and bank interest.

Income from subscriptions 2010-2011: \$18,717
Income from subscriptions 2011-2012: \$19,004
Income from subscriptions 2012-2013: \$25,140
Income from subscriptions 2013-2014: \$29,366²
Income from subscriptions 2014-2015: \$40,165³

Conference surplus 2010-2011: \$24,685
Conference surplus 2011-2012: \$18,139
Conference surplus 2012-2013: \$28,238⁴
Conference surplus 2013-2014: \$16,987⁵
Conference surplus 2014-2015: \$32,583⁶

Interest 2010-2011⁷: \$8,389
Interest 2011-2012: \$6,786
Interest 2012-2013: \$3,755
Interest 2013-2014: \$4,835
Interest 2014-2015: \$5,192

The Society's **largest expenditures** (excluding items for which we act as intermediaries) are the Medical Director's honorarium, Secretariat costs and Grants (Personal Development Awards and Conference Travel Grants).

² True FY 2013-2014 subscriptions only, with early FY 2014-2015 subscriptions to the value of \$17,907 stripped out.

³ Cashbook analysis. \$3,250 of income stripped out (represents early payment of 2015-2016 subscriptions). 2014-2015 was the first membership year under the increased subscription rates.

⁴ Net surplus, minus seed money for 2013-2014 conference.

⁵ Net surplus, minus seed money for 2014-2015 conference.

⁶ Net surplus. No seed money was provided this year – seed money was withheld from last year's surplus.

⁷ Includes Term Deposit interest.

Nurse Prescribing Surplus

At the 2013 AGM, it was projected that there would be a shortfall of approximately \$30,000-40,000 from Phase 2 of the **HWFNZ Diabetes Nurse Prescribing Project** due to errors in budgeting.

Following the implementation of mitigation strategies, a net surplus was returned.

The Prescribing Project has now been completed and the total net surplus returned by both phases was:

Prescribing Project	Surplus
Phase 1	\$104,775
Phase 2	\$23,029

\$46,000 of this was directed towards the development of the **Primary Care eLearning Module in FY 2012-2013**. A substantial amount of the remainder was used to fund the day-to-day running costs of the Society in FY 2011-2012, 2012-2013 and 2013-2014.

However, with the return of the Society to net surplus, it has been possible to rebuild the Diabetes Nurse Prescribing Project surplus to its original position, net the \$46,000 used to fund the Primary Care eLearning Module.

The current surplus specifically ring-fenced and attributed to that project is therefore **\$84,832**.

These funds are currently held in a cheque account, which is arguably not their best use, but are held there as a hedge against possible losses incurred as a result of holding the ASM in Wellington.

However, assuming that the Wellington ASM at least breaks even, the Society will need to consider how these funds will be used. Options include:

1. investing the funds in Term Deposits and allowing the principal to accrue over time, until such time as a suitable large project requires funding, at which point money can be directed towards that project;
2. investing the funds in Term Deposits and using the interest⁸ as a regular source of income to fund a project or grant;
3. something else.

Because the surplus was generated from a project that pertained to nurse prescribing, and would not have been possible without careful shepherding of funds for that project by Helen Snell, it seems appropriate that the funds be used in support of nurse prescribing, for example in funding a yearly meeting for nurse

⁸ Approximately \$3,000 per annum, at current rates.

prescribers. However, the Society will need to consider whether it wants the use of these funds to be restricted in this way.

Current Financial Position

The Society's financial position as at 31 March 2015 was:

Account	Balance
Term Deposits	\$124,546
Main Cheque Account	\$38,638
DNS Project Account	\$130,832 ⁹
Total	\$294,016

For FY 2014-2015, income¹⁰ was:

Credits by category	FY 2012-2013	FY 2013-2014	FY 2014-2015
Conference	\$41,511	\$39,687	\$32,583
Donation	\$11,963		\$130
DNS Project Phase 1	\$34,500		
DNS Project Phase 2	\$31,464	\$62,929	
Grants	\$69,000	\$92,000	\$103,500 ¹¹
Interest ¹²	\$296	\$273	\$375
IRD	\$29,998	\$4,558	
Project		\$56,967 ¹³	
Subscription	\$27,414	\$47,273	\$25,508
Sundry	\$230		\$3,062
Grand Total	\$246,376	\$303,687	\$165,158

⁹ This includes \$46,000 of grant money which has either not been claimed yet, or was paid into the Society's accounts in advance.

¹⁰ Cashbook analysis only: may differ from audited accounts as includes payments made in advance for met FY, and does not include payments brought forward from previous FY.

¹¹ Including \$23,000 paid in advance for a 2015 grant (AstraZeneca).

¹² Excluding Term Deposit interest.

¹³ Includes payment of \$46,000 from PHARMAC for completion of the PHARMAC modules of the eLearning project. The remainder is money paid by Refract in recognition of NZSSD's role in the development of the eLearning module for PHARMAC,

For FY 2014-2015, expenditure¹⁴ was:

Debits by category			
	FY 2012-2013	FY 2013-2014	FY 2014-2015
Accounting	-\$8,312	-\$5,242	-\$5,809
Banking	-\$35	-\$6	-\$40
Conference	-\$13,273	-\$22,700	
DNS Project Phase 1	-\$29,125		
DNS Project Phase 2	-\$55,597	-\$45,582	
Grants	-\$104,550 ¹⁵	-\$76,324 ¹⁶	-\$90,935 ¹⁷
Honoraria		-\$4,775	-\$9,900
IRD	-\$31,074	-\$20,467	-\$1,008
Legal	-\$938	-\$330	-\$2,256
Project	-\$46,000	-\$46,000	
Salaries ¹⁸	-\$41,346	-\$20,385	-\$17,690
Sundry	-\$8,233 ¹⁹	-\$2,182 ²⁰	-\$6,376 ²¹
Teleconference	-\$1,400	-\$2,425	-\$1,935
Grand Total	-\$339,883	-\$246,418	-\$137,049

The Society therefore ends the FY with a net surplus of \$29,208.

Hidden within these figures are some deductions and additions that should be made to the total in order to appreciate the underlying, structural surplus²².

The Society's underlying surplus for FY 2014-2015 is therefore \$20,867²³.

¹⁴ Cashbook analysis only: may differ from audited accounts as includes payments made in advance for met FY, and does not include payments brought forward from previous FY.

¹⁵ Includes \$6,800 for Professional development Awards and \$5,750 for Summer Studentship.

¹⁶ Includes \$1,600 for Professional Development Awards and \$7,150 for Conference Travel Grants.

¹⁷ Includes \$2,385 of Professional Development Awards and \$8,050 of Conference Grants

¹⁸ Includes MD salary to June 2013 and secretariat salary.

¹⁹ Includes \$2,335 support for the Podiatry SIG.

²⁰ Includes \$1,708 support for the Podiatry SIG.

²¹ Includes \$2,276 support for the Podiatry SIG.

²² \$23,000 of income relates to the NZMS grant awarded in 2014, but not yet claimed. \$23,000 of expenditure relates to the Pharmaco grant awarded in 2013, but not claimed until this financial year. \$23,000 of income relates to the AstraZeneca award, to be made at the ASM in 2015. \$17,909 of income from subscriptions for this FY was accounted for in the last FY, and needs to be added in. \$3,250 of income for this year is actually subscriptions for the next FY, and needs to be deducted.

²³ I have set aside \$10,000 from this for the Dietitians' Knowledge and Skills Framework, and also \$8,000 for a donation to DNZ once a framework MOU can be set up.

Projections and budget for FY 2015-2016

Conservative projections for income in the next financial year for our main revenue streams are:

Source	Amount
Subscriptions	\$40,000
Conference surplus	\$5,000
Interest	\$4,500
Total	\$49,500

Estimates for expenditure are:

Destination	Amount
MD Honorarium	\$10,000
Secretariat costs	\$20,000
Professional Development Awards	\$6,000
Conference Travel Grants	\$6,000
Podiatry SIG support	\$3,000
Sundry	\$3,000
Total	\$48,000

As noted above, money has also been set aside from the FY 2014-2015 surplus to support DNZ and the Dietitians' Knowledge and Skills Framework (see footnote 23)

Future plans

The Society is in a better financial state than in previous years. In the medium term, therefore, there should be a conversation within the Society regarding the best allocation of its funds.

Factors to consider include the use of those funds to:

1. promote research
2. maximise benefit for the majority of members (i.e. non-SMOs)
3. promote and develop resources to educate practitioners and standardise practice across the country
4. develop tools to facilitate the practice of diabetes both at generalist and specialist levels
5. promote the continuation of specialist practice within the field of diabetes medicine.

There are, however, areas of ongoing concern:

1. **The need to ensure that the Society's finances keep pace with inflation.** Inflationary pressure on some of the Society's outgoings (for example, secretariat costs, reimbursement for Podiatry SIG travel costs, teleconference costs etc.) means a substantial part of the Society's outgoings cost more each year than in the previous year. Although income currently more than adequately covers these outgoings, any rise in, for example, subscription rates or the costs of attending the ASM will need to be planned well in advance.
2. **Revision of the Society's legacy open-ended commitments.** Over the past three years, some of the Society's open-ended commitments have been revised and set on a more sustainable footing²⁴ or suspended²⁵. However, a number of legacy open-ended commitments remain, and in the medium term, it seems sensible to want to review what form these financial commitments should take in the future. Examples include support with travel costs for Podiatry SIG Executive meetings. Currently, the costs of parking, flights, cab fare and, in some cases, car hire are met without any formal framework in place to ensure that the costs are predictable and defensible to the auditors and to the wider Society²⁶.
3. **Avoiding further open-ended commitments.** Although the Society's finances are in a more comfortable position than they have been for some time, they are not sufficiently strong yet to allow the Society to take on further commitments without a clear idea of an exit strategy. Arguably, open-ended commitments should be avoided. Future financial commitments by the Society should be governed by frameworks that set out clear criteria for completion of a project and a timeframe for this to occur. It has been suggested to me by some members that honoraria be made available for official roles within the Society, along the lines of what is currently offered for the role of Medical Director. The Medical Directorship attracts an honorarium for legacy reasons dating back to when it was first set up (when the decision was taken to fund it on an FTE basis). Other roles, such as the President, Secretary, Treasurer and Editor of NewSweet, have remained honorary (i.e. unpaid) positions. My sense would be that setting an open-ended precedent for the funding of honoraria for those posts in addition would not be a sensible course of action for the Society. As has also been pointed out, this does create a tension between posts that currently do attract an honorarium, and those that do not. The Membership as a whole may wish to review its position on honoraria at some point in order to bring consistency to its dealings.

Management of these risks will fall to my successor.

²⁴ For example, the introduction of a cap on Professional Development Awards and Conference Travel Grants.

²⁵ for example, the Summer Studentship and the DNZ capitation fee, the latter pending redrafting of a MOU that sets out the relationship between the two organisations.

²⁶ See footnotes 19-21 above.

Donations

The Society has also now been registered to receive donations in a way that means that individual donors can apply for a tax credit for their donation.

Members are invited to consider making a donation to help with the work of the Society. In the short term, any donations received will be set aside until a more substantial amount has been amassed. The interest from this will then be used to fund projects, while maintaining the principal.

Members are also invited to consider leaving the Society a sum in their will. The Society should be referenced in a will as **The New Zealand Society for the Study of Diabetes Incorporated.**

Items to be put forward on the agenda for discussion

1. The use of the Diabetes Nurse Prescribing surplus (assuming that the Wellington ASM at least breaks even).

Proposals put forward for a vote

1. That the accounts for FY2012-2013 and FY 2013-2014 (Appendices 1a and 1b) be accepted.
2. That expenditure for FY 2015-2016 be structured as above.
3. That Naylor Lawrence and Associates (Palmerston North) be retained as the auditors of the Society's accounts for FY 2014-2015.

Recommendations

That this report be received.