

AAA TREASURERS REPORT TO REGIONS

Purpose of this paper is to inform regional committees about the current and future financial situation to enable prudent regional budgeting for the 20/21 financial year

BACKGROUND

2019-2020 Financially has been the most challenging year in the AAA history with an estimated Loss of \$195,000 (note that this result is still subject to the results of the Final Audit)

Many members have suffered & continue to suffer from years of never-ending drought, then frightening fires. Add to this, in some locations our members have been affected by floods. The effects of the extended drought in particular have seen significant reduction in income from registration and transfers.

2 Items of significance equate to 89% of estimated final shortfall:

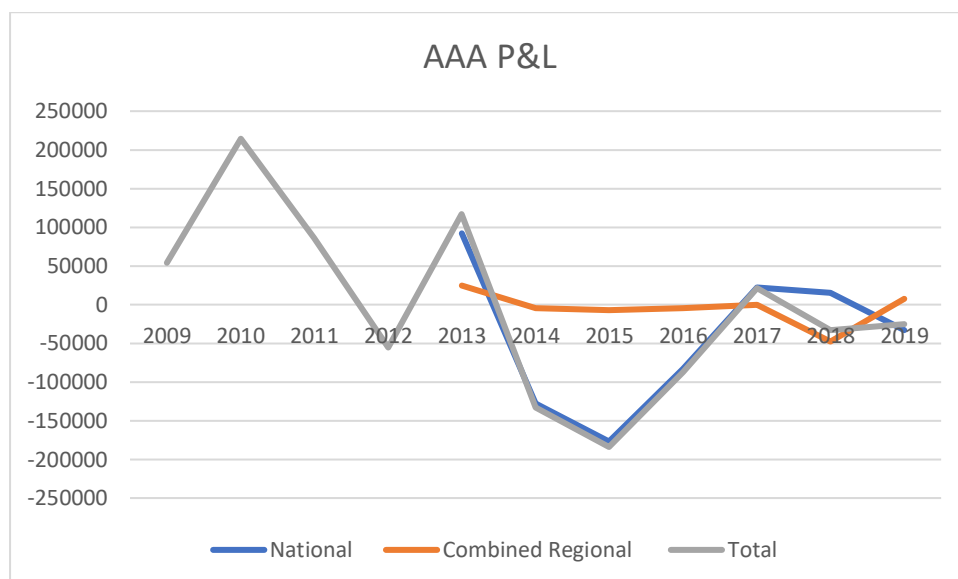
- National Show 2019 – loss \$73,500 – budgeted to make a \$25,000 profit so the actual shortfall was \$98,500
- Registrations and transfers – shortfall over budget estimate of \$99,000

The unprecedented predicted downturn required the AAA to call back \$150,000 in investment funds out on term deposit to secure the viability of the company going forward. This call back occurred in early 2020. The call back was able to underpin the operations of the AAA for the remainder of the financial year.

The flow on effect of the projected Profit and Loss was for the Board to make the following decisions:

- Limitations on Regional Capitation payments
- The cessation in late 2019 of several transfer payments into reserve funds for Market Access, Commercialisation, R & D and Youth.

To put this into historical context, please see the graph below.



THE PRESENT

2020 has presented the world with COVID 19. The virus itself saw staff working from home for some weeks, all face to face Board and Committee meetings changed to videoconferencing. Whilst challenging, this has helped the budget balance with travel and accommodation expenses significantly reduced.

All contracts that the AAA is involved in have been scrutinised and a number have been renegotiated or ceased with compelling financial savings. This includes:

- The scope of the administrative support from Animal Health Australia was reduced
- The contract with “World of Alpacas” was not renewed
- New teleconferencing and office phone services
- Cancellation of HR services
- Cancellation of office cleaning

On the flipside, the resultant downturn in activities i.e. shows and events allowed the AAA to qualify for the Job Keeper payments for all 3 staff members as well as the ATO Stimulus payments.

THE FUTURE 2020-2021 – Going forward.

As the current Treasurer, I presented to the Board in early July 2020, a balanced, fiscally prudent budget for the upcoming financial year - that budget has subsequently been ratified and approved as an operational base.

This budget does however have serious impacts for a number of the AAA activities:

- Regional capitation for the current year has been paused
- Continued but limited regional judges travel support
- No judges training funding, noting that there was significant expenditure in the judge intake for new apprentice judges in the 19/20 FY
- A new strategy for member education to focus mainly on webinars and online training rather than face to face
- Allocations have been made from the AYE reserve fund to support youth activities in 20/21 financial year
- Market access activities limited to working collaboratively with international associations and advocacy through government and ministerial processes as well as applying for grants to support market access programs.

The recent Government announcement of the extension to the Job Keeper payments scheme will secure staffing at current levels for 2020-2021.

Currently Memberships are tracking in line with Budget Estimates, however as expected registrations and transfers are continuing to feel the impact of COVID 19 and the drought with a further estimated 20% downturn factored on to the 2019-2020 results. It is still early in the financial year, but we are hopeful of improvement.

All Regions have adequate balances in their regional accounts and most have further funds in their Regional Investment Reserve accounts. These investment funds are available for capital purchases by regions.

The AAA has a sound financial basis with:

- A valuable physical asset (property in Mitcham) that is locked into a long-term rental contract and reaping regular income (though reduced by the Covid effect)
- Adequate levels of cash at bank both centrally and at the regional levels for current operations. This is continually monitored.
- Strong levels of membership renewals to this point of time, in line with previous year levels
- At a general industry level, alpaca sales appear to be picking up, which hopefully will translate into transfer fees for the AAA.
- It has rained in many places – not all, but this should underpin matings and future cria registrations.

All of these projections are based on the relaxing of COVID 19 restrictions in the future and shows and events starting again in early 2021.

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