

## **REPORT OF HONORARY TREASURER TO AOA AGM, OCTOBER 2008**

Whilst the reporting for the financial year 2006/2007 was on a 'comparative basis' to Income and Expenditure of 2005/2006, the reporting for financial year 2007/2008 is now more robust with budgeting of the accounts and reporting against that budgeting on a regular basis to AOA Board.

Consolidation of accounts, 'on-line' dual signatory banking, improved office infrastructure and IT have supported a prudent financial facility with particular thanks to Jeff Clark as AOA Accountant and Ian Burgess, CEO.

Consolidation of accounts now also generates interest income in it's own right, where previously there had been minimal return.

AOA Board continues to look at progressive infrastructure changes that have minimal or no impact on the association's financial 'bottom line'.

The Finance and investment Committee is now established and currently working on an Investment Policy and Investment Management Guidelines for the Association to conservatively support core activities of AOA and specific purposes of AOA (Research Foundation, Humanitarian and 'Cinderella' Specialist groups), but still allow appreciation of the capital base.

### **Current Financial Position**

Total income for the year has increased by \$681,585 resulting in a surplus of around \$452,830 this financial year, compared to a surplus of \$495,712 for the 2006/07 financial year.

Increased income has come from a range of areas including the AOA NJRR, for collecting additional data on joint replacements, other than hip and knee arthroplasty, increased training fees and selection processing fees..

This surplus is despite unrealized capital losses in the managed funds portfolio (see below)

Of note also, is the operating profit before finance revenue, which has seen a significant 'turn around' from \$243,496 deficit, for the 2006/2007 year to \$14,225 surplus 2007/2008.

### **Investment Portfolios**

As expected, unrealized capital losses of \$387,135 exist within AOA Centric Wealth managed funds portfolio for the financial year.( \$2.415M at present) Further losses remain likely in the short term, but it would seem unlikely that these would be significant and the existing portfolio should be maintained with some peripheral 'tweaking' only at this time.

Fortunately, the vast majority of the AOA's investment funds (\$7,728,729) are currently in short term cash deposits, with better returns than most share portfolios at this time. It would be the intention in the short term to continue to roll over these funds into best 30-45 day interest rates available at the time, until improvement trends into the Bourse.

Discussions have been held between the Finance and Investment Committee and various investment companies looking for options to tranche funds into investment portfolios as the market 'bottoms out' and improves in keeping with AOA Investment Management Guidelines

## **ASM and COEs**

ASM surplus- Gold Coast 2007      \$159,431

COE Surpluses (both meetings)      \$28,157

## **Grants**

Of note this financial year are grants to AOA Research Foundation Ltd of \$100,000 and Humanitarian Services of \$92,660. \$17,252 has been allocated to Australian Sarcoma Group, \$9,091 to Medico-legal Society and the Paediatric Society has been assisted with Speaker support to the ASM, in keeping with AOA specific purpose allocation of funding.

## **Presidential Expenses**

The issue of Presidential Expenses continues to be discussed.

AOA Board approved a budget of \$170,000 for 2007/2008, based on a projected and debated itinerary for the Presidential Line in keeping with the agreed ambassadorial role of that position. Expansion of visits into the Asia-Pacific region, in keeping with AOA Strategic Plan, has the potential to significantly increase costs again. Various options have been proposed to reduce costs, whilst maintaining exposure, including delegation to member already intending to attend a meeting, rotation on a 2-3 year cycle in attending Asia-pacific meetings etc.

The profiling of AOA in the international orthopaedic fraternity is different to other specialty groups, making comparison of costs for such expenses across specialties extremely difficult if not impossible.

These costs 2007/2008, represent 21% of members fees and 3% of total AOA revenue. Whilst there has been speculation of previous ratcheting of Presidential Expenses to Membership fees, review of previous Board minutes has failed to reveal same. No other specialist group allocates funds in this fashion for presidential expenses, with allocation of funds based on debated profiling and requirements of the position.

Again it should be noted that this 'pro bono' role, also demands loss of income from the encumbent, away from his/her private practice.

## Membership and Fees

### CATEGORY

Honorary Fellows	2	Life Fellows	23
Senior Fellows	114	Corresponding Fellows	10
Fellows	674	Senior Associates	1
Associates	165	International Affiliates	2
Senior Affiliates	6	Affiliates	7
Registrar Affiliates	202		

### Fees for 2009

The Sydney CPI, a ll groups index, for the year ending 30<sup>th</sup> June 2008 was 4.3%. Whilst it was agreed that the 4% increase should be levied, a 3% reduction for early payment was also agreed to by AOA Board.

Find listed below the Fees for 2009, adjusted to Sydney CPI, rounded to the nearest \$5.

	Recommended 2009 Fee	
	Subscriptions before 31/3/09	Subscriptions after 31/3/09
(Fees inclusive of GST unless otherwise stated)		
Practising Fellows	\$1,030	\$1,060
Fellows aged <b>over 70</b> years	0	0
Fellows who have <b>fully retired</b> but not attained the age of <b>70 years</b>	0	0
Fellows who reside for the full year <b>outside</b> Australia or New Zealand	\$515 (No GST)	\$530 (No GST)
Fellows in full-time <b>research</b> working toward a research degree	\$515	\$530
Fellows on unpaid maternity, paternity or compassionate leave for 12 months	\$280	\$290
Associate Member	\$875	\$900

Associate Member who is not employed or is on unpaid leave for 12 months	\$235	\$240
Associate Member who resides for a full year <b>outside</b> Australia or New Zealand	\$465 (No GST)	\$480 (No GST)
Associate Member in the first 12 months after obtaining Fellowship of the RACS	\$60	\$60
Associate Member in full-time <b>research</b>	\$465	\$480
Affiliate	\$360	\$370
<b>International</b> Affiliate	\$280 (No GST)	\$290 (No GST)
<b>Registrar</b> Affiliate	\$335	\$345

### **AOA State Branch 'Agents' of AOA**

Legal and Auditor advice is that the finances of the Branches should be directed through central office , not altering the treasurer's responsibilities in these groups, but simply altering the way the book-keeping is done. The Branch maintains control and financial independence, as each Branch's current financial assets would be segregated from total AOA accounts. The workload of individual Branches would also be reduced under this arrangement.

Several State Branches have already availed themselves of this service to this time. AOA central office remains keen to engage remaining Branches in this practice during the next financial year.

*Graham Mercer*  
*Honorary Treasurer AOA*