Electronic Frontiers Australia, Inc – Treasurer's Report for 2017 AGM

It has a very busy couple of months since I joined the EFA Board and took over as Treasurer in late July. Our Executive Officer Jon Lawrence and I have undertaken a comprehensive review of our accounts, back to the start of July 2015. We identified a number of in accuracies and configuration issues which we have spent the last few weeks rectifying. These issues included:

- inconsistencies in allocating items within Xero affecting a wide range of internal accounts
- account misconfigurations, particularly:
    - the 'ATO - ICA Payment' account (which records PAYG payments to the ATO) being originally configured as a Liability, rather than as an Expense, account
    - the incorrect configuration of a 'PayPal' account resulting in deposits into the bank account from PayPal being treated as internal account transfers, and therefore double-counted as both revenue and as liability, rather than simply as revenue
- a range of issues within the payroll module, primarily the fact that the configuration was only partially complete. Other issues included pay runs not being properly completed for FY1516, instances where hourly rates and hours worked had been inadvertently switched, as well as superannuation and leave accruals not being correctly configured.

I am now confident that our accounts are fully accurate across that period and that we now have processes in place to ensure they will remain accurate in future. We have therefore published Balance Sheet, Cash Summary and Income & Expenditure reports for the last financial year (FY1617) as well as updated reports for the previous financial year (FY1516) and for the period from 1st July 2017.

These issues notwithstanding, I would like to express my appreciation to our previous Treasurer, Daemon Singer for his considerable efforts in moving the organisation on to Xero in the first place. Daemon stepped down in June as he had sold his business and moved to the country to enjoy his retirement.

Revenue

I am pleased to report that revenue again grew by 22% or $13,784.74 in FY1617. This followed an increase of 38% or $17,163.69 in FY1516. This latest increase was primarily driven by an increase in donations, while membership revenue remained stable. Although not reflected in the figures for FY1617, we have seen recently a significant increase in our membership renewal rate, due at least in part to the efforts of our Executive Officer in improving the content and process of our renewal notifications.

Expenditure

More than offsetting this increase in revenue, however, was a significant increase in expenditure, up by 31% or $20,707.35 in FY1617. This increase was primarily due to increasing staff costs and a significant unanticipated increase in transaction charges that resulted from fraudulent third-party transactions processed through our payment gateway.

We have implemented changes to our payment pages to prevent such fraudulent activity and may be in a position to recoup some of these transaction charges once we complete integration with the updated API from our payment gateway (Eway). We have this week received integration code for testing so hope to have that integration completed within the next month. This new API also fully implements Eway's recurring payments functionality, which will allow seamless management (including self-management) for recurring donations. Once fully implemented, we plan a campaign to sign up new recurring donors.

This functionality will also allow us to begin offering memberships by instalment – ie with quarterly or possibly even monthly payments. We believe this will be an attractive option for many current and prospective members.

Taxation and Superannuation liabilities

We have recently been advised by the ATO that they have written-off our historical PAYG tax liability and are therefore not currently seeking payment nor charging us interest. That advice notwithstanding, it is our intention to clear this liability and we are now in a position to make a substantial payment that exceeds our liability as reported for the FY1617 financial year. We are in active discussions with the ATO with a view to agreeing on a formal payment plan that will see us clear the historical liability by the end of the current financial year (FY1718) and may include waiving of interest and other penalties previously incurred.

We are also planning to tackle our outstanding Superannuation liability to ensure this is also cleared by the end of this financial year.

New Revenue Opportunities

Should the membership approve our proposed new constitution, this will open up a number of new revenue opportunities which will allow us to continue building our annual revenue base to provide greater income stability and financial sustainability.

These new revenue sources include:

- Organisational members – under the new constitution, organisational members will be treated the same as individual members, with one vote per membership, thereby ensuring that organisational members are not given undue influence over the organisation. We are already in discussions with a number of organisations that are interested in becoming members. If members know of organisations that might also be interested, please do let us know.
- Corporate Giving Schemes – should we attain Deductible Gift Recipient (DGR) status, we will become eligible to join these schemes. Many large corporations offer such schemes as part of their payroll system so that employees can make regular donations to organisations of their choice, usually with that donation matched by the employer. We are aware of a number of members that are employed in such organisations and are keen for us to join their schemes.
- Philanthropic Grants – with DGR status we will also become eligible to apply for grants from a wide range of philanthropic trusts. We are in the process of identifying appropriate trusts that could potentially help fund our research and educational activities

Other New Opportunities

We also plan to register with the Australian Charities and Not-for-Profits Commission and to seek income tax and other concessions from the ATO. Although these tax concessions will not have a material effect in themselves, as it is unlikely that we will incur any significant income tax (ie Company tax) liability in the foreseeable future, they are the eligibility requirement for the grant programmes operated by a number of large online platforms, including Google, Twitter and Facebook.

The primary benefit of these grant programmes is that they include substantial free advertising on these platforms, which will be of great assistance in growing our already substantial social media presence and in generating traffic to our website. In turn, this should lead to increases in membership and donations.

Conclusion

Although we have run our reserves down, I am optimistic that the current financial year will be a very strong one for the organisation, with the potential for a significant increase in our short-term and ongoing revenue base. With careful management of costs, a task that will be significantly simpler now that we have rectified the historical issues with our accounts, I am confident that we will be in a position to post a surplus for the current financial year, and thereby to begin rebuilding our reserves.

Shaun Haddrill
EFA Treasurer
October 2017