

Responses AGM questions for the Board of Special Olympics Australia

Responses from Board Chair re questions from Rex Langthorne, Chair Sydney Northern Beaches Club

- 1. Critical comments have been raised in relation to the size of the Board and it being larger than the Commonwealth Bank, Australia's biggest company. Can it be explained why Special Olympics Australia needs such a large board?***

Per the answer to this question in prior years:

- Tim Shriver himself asked me to increase the size of the Board.
- The focus is on a skilled Board to ensure our athletes have the best possible capabilities acting for them.
- The Constitution provides for 20 Board members. There will be 14 following Ben Haack's departure at the AGM.
- All Board members are unpaid volunteers. It costs the organisation nothing.

- 2. It has been alleged that the reason for the recent resignation of the Manager Fundraising and Partnerships was due to a dispute over funds raised not being applied to support athletes in accordance with the purpose stated. Can the Board provide the membership with an assurance that all funds raised have been spent in accordance with the purpose either raised or applied for and that the organisation does not have any compliance issues in this regard?***

Yes

- 3. Why have the members not informed of the resignation of Director Irena Reiss and the reasons thereof particularly given her vocation and being a parent of an athlete?***

We are informing you that Irena Reiss has resigned today.

Irena was a valued board member whose contribution, work ethic and intelligence will be missed by the Board and myself as Chair.

That being said, there were irreconcilable differences between Irena and a number of other Board members and a number of the SOA management team.

SOA has a large board and we are all replaceable. The board is satisfied with the governance of the organisation and capabilities of the remaining board members. Irena's resignation will not impact our good governance, the performance of the organisation or the implementation of our agreed strategy.

- 4. In view of Irena Reiss' former role as Chair of the SOA Board's Governance Committee can the Board assure the membership that there are no governance or compliance issues that need to be drawn to the attention of the members or that expose the organisation to risk?***

Yes, other than there is an important non-compliance issue at a Club level being a material non-compliance with Working With Children Checks and police record checks.

5. It is understood that a governance review has been undertaken by PWC at significant cost which is of concern considering the previous governance review undertaken by Booz Allen & Co was done pro bono. When are the members going to receive a copy of the review and what consultation occurred with the members in relation to this review?

The ASC funded a governance review undertaken by Directors Australia in July 2016 at no cost to SOA.

The ASC review made a range of suggestions for moving the organisation to a new level and many of those recommendations have been adopted.

Member consultation was undertaken for those suggestions relevant to members eg. the new constitution and state committee structure.

The Booz Allen review was done in 2006. I suspect its findings have less relevance 15 years later. By contrast to 2006 when Booz Allen had a member on the SOA Board and could therefore provide pro bono advice, we do not have a consultant on the Board at present.

PwC has not undertaken a governance review.

6. The annual financial report advises that at Note 2, accounts prepared in accordance with quote "Australian Accounting Standards - Reduce Disclosure Requirements". As Special Olympics Australia operates as unitary model with each club responsible for its own financial management how can the members assess the effectiveness of the central office and the position overall without providing the respective figures?

As with any public company, members are expected to assess the effectiveness of the board based on the audited accounts.

I invite members to assess the effectiveness of the central office and SOA's position overall on the financial information in the audited accounts plus all other information provided throughout the year including the Chair's updates and town hall meetings and this AGM.

The information provided by SOA complies with the Australian Accounting Standards and various other legislative Acts under which we operate.

Our audited accounts were issued within days of them being finalised. We have provided more detailed information to members at this meeting than prior years and continue to endeavour to improve the level of disclosure we provide.

SOA clubs operate within the single legal entity of Special Olympics Australia Limited. The year-to-year financial activities of Clubs do not tend to be material to the financial performance of the organisation i.e either our profits or losses.

7. Also, members are asked to vote on the continuance of board members to govern the organisation but how can their effectiveness be assessed without the provision of the detailed information?

As per my answer to the prior question, as with any public company, members are expected to assess the effectiveness of the board based on the audited accounts. Our audited accounts were issued within days of them being finalised. We have provided more detailed information to members at this meeting than prior years and continue to endeavour to improve the level of disclosure we provide.

I invite members to assess the Board's performance on the financial information in the audited accounts plus all other information provided throughout the year including the Chair's updates and town hall meetings and this AGM.

8. Why is such information not provided with the notice of meeting so that a review can be undertaken before the meeting and not just given limited time at the AGM?

Our audited accounts were issued within days of them being finalised.

The AGM materials were finalised and circulated as soon as practicable thereafter.

The information you receive complies with the Australian Accounting standards and legislative frameworks within which we operate.

I thank my fellow volunteers on the SOA Board's Finance Audit and Risk Committee for the work that is done each year in providing this information, particularly its Chair Shaun Fraser and Ross Smith who spends significant time working with Patricia Sugita throughout the year.

9. In a year of reduced activity, it is noted that donations and sponsorships increase by \$200K on previous year Note 4. Please provide a break down. Also, what events are included in the \$508K events and other fundraising activities figure?

The increase in donations and sponsorships are attributed to:

- A new donor, in Bank of America (\$74K)
- Delivering our initial Digital Campaign at the end of 2020 (raised \$53K)
- Goodman Foundation and IGA donated higher amounts than in 2019 (by \$40K and \$50K respectively)
- New partnership agreement with Gallagher in 2020

The events income consists mainly of the following gross income amounts:

- Sydney Inspirational Breakfast (\$34K)
- WA State Committee Lunch (\$280K)
- National Office Raffle programmes (\$69K)
- Club fundraising activities (circa \$120K)

10. Sports program grant - Gov \$1337. What is the break-up between schools' programs and general? Where is the schools program expenditure reflected?

Per the Australian Accounting Standards, grant income is recognised when a benefit is realised or expense is incurred. Grant funds not spent are recorded by entries in an asset account (generally cash) and a corresponding liability account (unearned income). The revenue item you refer to comprises ASC funding to the extent spent during the year \$636k and Federal Government NSW schools funding \$402K. The expenditure is reflected in the Sports and Program Expenditure line of the Comprehensive Income Statement.

11. Other income received in advance \$1365K Note 15. What does this represent? Unearned income totals \$2.3m. Any grant provided where there is a contractual obligation that SOA needs to comply with in utilising that funding is recorded as unearned income until the funds are utilised in accordance with the grant terms. This captures both government funding eg. Schools program funding and ASC funding but also corporate sponsorship like the NAB games funding.

The income received in advance \$1365K consists of the following:

- Cash received from Tasmania Government for National Games 2022 (\$350K)
- Cash received from Athletes to attend Junior National Games (\$148K)
 - * In the process of being refunded to athletes (as of 30 April 2021 is \$78K)
- Cash received from Partners (as per the agreed payment terms) for part of contractual obligations that have not yet performed – including for National Games 2022 (\$552K)
- Cash received from Athletes for 2021 registration fees (\$172K)
- Cash received from Supporters for events that are postponed to future years (\$65K)
- Cash received from Supporters for various state programmes that have not yet delivered (\$78K)

The revenue recognition for any contractual obligations have been properly complied with the AASB 15. The ASC acquittal including the Schools program of \$1.4M and its cash carried forward to the new financial year have been reviewed and accepted by ASC.

12. In recent years SOA has applied members funds for office rent \$109K for National Office (previously free of charge), Audit fee \$25K (previously free of charge), Consultants for governance review by PwC the auditors cost said to be \$70K (previous similar review conducted by Booz Allen Hamilton in 2006 free of charge). Why are we now paying for these services?

Rent free premises is not a stable or realistic option. Our premises have been provided by Goodman Group, an important corporate partner. They subsidise our rent with an annual donation that represents 50% of the rent payable.

We sought out an auditor on a pro-bono basis but were unable to locate any firm willing to act.

PwC has not undertaken a governance review. The last governance review in 2016 was funded from a grant by the ASC.

13. Is this appropriate use of the funds raised to support our purpose of being as it suggests too many soft options being taken without fully exploring opportunities?

The Board has and will continue to act carefully in utilising scarce funding resources.

We assess every key item of expenditure, interrogate management's annual budget before its approval and have in place clear approval limits for management for expenditure.

14. Why do we need a tier 1 Audit Firm?

This is a relatively minor fee for an essential service which was disclosed to members at the last AGM and PwC's re-appointment was approved by members.

We are grateful for PwC's assistance, including at their reduced rate. They have been an excellent team to work with, and have allowed the organisation to focus on athlete growth, provision of services to the athletes, the schools programme, building NDIS pathways, reaching the over 600,000 Australians living with ID ... not focusing on bureaucracy.

15. Do we now pay for legal advice which was also provided por bono?

Legal costs are incurred from time to time. I am not aware of significant paid legal advice.

16. Are there any other consultant costs included in the operational costs?

Yes. These are dubbed 'program support and administration costs' and include the following costs for consultants:

- Company Secretary (\$32K)
- Legal consultant (\$6K)
- HR consultant (\$3K)

17. The constitution requires that the Board include 1 Sports Expert nominated by the Nominations Committee - Clause 31.1(2). With the organisation now again having a National Sports Advisory Group would it not be more appropriate that this group nominate a person to fulfil that role on the board considering that group is made up of sports "experts" and who will have the benefit of input from across the country on sports issues thus providing the board with more up to date and accurate input of sports matters due to their knowledge and experience.

The Board's Nominations Committee will consider that suggestion, I am grateful for the suggestion.

18. The accounts show a pre-payment for the Junior Games of \$77K. As a result of the cancellation of the Games will this amount be refunded?

The prepayments of \$77k were as at the end of FY2019 (last year). Any payment made by Athletes towards the games has or will be refunded. Some supplier costs paid towards the JNG have been negotiated to be rolled and applied to the National Games in FY22. There are some sunk costs which were incurred and the accounts include a total of \$138k of JNG expenses. Obviously, COVID-19 had a major impact on the games and athletes interest in attending.

19. What is the reason for the increase in Key Management salary costs \$24k?

This is driven by a classification of key management, not an aggregate increase in costs. For context, staff costs are ~70% of their level when you were CEO.

20. Why do we continue to promote that people with Autism and not having an intellectual disability can participate in Special Olympics activities when this has not been approved by SOI?

We are an inclusive organisation. I understand that SOI has or will shortly be formalising autism's inclusion.

21. A recent communication following the departure of the CEO referred to the growth of the organisation over the past few years. It would be interested to know how this statement is supported when the facts say otherwise i.e., Club Leadership Handbook distributed in 2017 shows 3697 registered athletes and 61 accredited clubs. 2017 Annual Report 3391 registered athletes and 48 accredited clubs, May 2021 Town Hall meeting 2900 registered athletes and 46 accredited clubs. What is the basis of such claim?

Our claim has mixed merit, but we can do better ... particularly in attracting more athletes:

- Athlete numbers have not grown in recent years.
- Revenue is showing a trend of moderate revenue growth.
- Net profit is strengthening, particularly over the past couple of years. This profit strengthens the organisation for the future and allows us to invest more for the benefit of the athletes now and in the future.

22. What is the reason for increase in Fundraising employment cost given the lack of events etc?

Please review note 18(b) which notes net surplus achieved from fundraising activities of \$949k. This function continues to generate funds to financially strengthen the organisation. As part of our strategic commitment to continue a focus on sustainable growth.

We have the benefit of a full year of 2 additional resources targeting community fundraising and grants.

Even though the events team was made redundant as a result of COVID-19 and other fundraising staff worked on reduced hours, the full year impact was higher than 2019.

23. State committees have been elected without TOR in place. Why has it taken so long for the board to approve suitable terms given there are plenty of resources/examples available plus history of effective state committees?

I admit to my own frustrations as to the time this has taken. I believe the current Board members are now better placed to streamline our processes.

24. The published role specification for the replacement of the CEO prepared by Egon Zehnder does not make any reference to experience in or knowledge of the disability sector. The lack of such experience affected the performance of the last two CEOs. With the Board pushing the NDIS barrow it would seem essential that the CEO have exposure to the sector. Ability to relate to and work with volunteers would also seem an essential part of the requirements.

The JD includes reference to experience in the disability sector.

Responses on behalf of Auditors re questions from Patrick Neary, Chair Sydney Upper North Shore Club

1. On note 7 and 8 around employment, how many employees did we have during the year (start, end of period and turnover)? Can we get a breakdown of office staff and fundraising staff?

As of 1 Jan 2020, we have 22 employees including one (1) part-time employee from Upper North Shore club and one (1) casual employee from Sydney Hills club.

As of 31 Dec 2020, we have 25 employees including one (1) part-time employee from Upper North Shore Club and one (1) casual employee from Sydney Hills Club

Hired staff in 2020:

- Two (2) NSW Schools employee that are fully funded by the grant (new roles)
- One (1) Grants Manager hired in Feb 2020 (new role)
- One (1) Executive Assistant to the Chief Executive Officer hired in Mar 2020
- One (1) National Sports Administrator hired in Mar 2020
- One (1) Community Development Coordinator in TAS hired in Nov 2020 (role had previously been under contract from July 2019)

Terminated staff in 2020:

- Two (2) events employees in July and Aug 2020 respectively
- One (1) casual Communications Assistant

2. *What drove the increase in fundraising staff expenses in note 7 and 8? The report noted that the Group has implemented cost reduction activities.*

Please review note 18(b) which notes net surplus achieved from fundraising activities of \$949k. This function continues to generate funds to financially strengthen the organisation. As part of our strategic commitment to continue a focus on sustainable growth.

We have the benefit of a full year of 2 additional resources targeting community fundraising and grants.

Even though the events team was made redundant as a result of COVID-19 and other fundraising staff worked on reduced hours, the full year impact was higher than 2019.

3. *How much support did we receive from JobKeeper after you took out the cash flow boost program? Did JobKeeper support both office and fundraising staff? What was the breakdown of these two?*

We received \$498K from JobKeeper to support employees eligible under COVID-19 rules including one (1) part-time employee from Upper North Shore club and one (1) casual employee from Sydney Hills club.

Response from Board Chair re question from Patrick Neary, Chair Sydney Upper North Shore Club

4. *Further I would like to hear from the board about the \$150,000 (as per earlier distributed budget information) investment to be made in NDIS resourcing. What outcomes are you expecting from investing \$150K of member funds in an NDIS resource, particularly considering the purpose of the NDIS and the level of expertise and knowledge already within the organisation?*

Special Olympics receives all or most of its funding from governmental pathways in some other countries.

Past Boards and management teams have elected to source funding predominantly through the Dept of Sport. This has a relatively small budget relative to other departments.

The NDIS's budget is growing from AUD 22 billion pa.

We hope to explore outcomes where all or most of our athlete's costs and the overheads of the broader organisation can be covered by NDIS.

This will be a tricky exercise, and we expect to incur costs as we figure it out. But we feel the investment will be worth it given the potential outcomes.

I encourage those with knowledge within the organisation to come forward with suggestions about how we can proceed.