

Dear Mr Langthorne

Thank you for your thoughtful and informed questions ahead of Special Olympics Australia's AGM on Saturday 26 July 2020. Thank you also for your ongoing involvement with the organisation and the continuing direction of myself, management and the Board.

This message is an attempt to address your questions in advance of the AGM itself, to provide members with the best possible opportunity to assess the effectiveness of the SOA Board in managing the affairs of SOA on their behalf.

This message restates your questions in full & provides answers along the way. As a number of questions relate to SOA's financials, a short financial report is included with this message. Shaun Fraser will speak to the financial report at the AGM.

Given the number of questions you have asked, please forgive my answers being in shorthand, bullet point format: I would be pleased to expand on these points if you feel they remain unaddressed.

1. *Why were the members not informed of the postponement of the AGM prior to the due date for it to be held i.e. May 31st?*

- The Annual General Meeting was originally scheduled for 23 May 2020
- Covid-19 has impacted the way that many organisations operate. For SOA, this has impacted our athletes, our staff, and our auditors.
- Procedurally, we can't move to an AGM until we have a set of audited accounts to provide our members.
- Many other businesses have been similarly impacted. The due date for AGMs for organisations with 31 December balance dates was extended due to Covid-19 by ASIC and ACNC to 31 July 2020
- Given Covid-19, the SOA Board decided to conduct the AGM as late as possible so as to provide the greatest possible insight into the affects of Covid-19
- The AGM was therefore re-scheduled for 25 July 2020
- The SOA constitution requires 21 days notice to members of the holding of the AGM. The Notice of Annual General Meeting was sent to Members on 1 July 2020
- If there are members, other than Sydney Northern Beaches, that have been disappointed or dismayed or felt disrespected by the date rearrangement, then none have contacted me, nor to my knowledge Corene, her team, nor any other Board member

2. *It is noted that directors have been appointed by the Board that hold an elected position in a club therefore holding a position of both a member and member of the Board. The original Board Charter prevented this as it was a condition of government funding that Directors needed to be independent. What has changed to allow this and why were members not informed of the change prior to the appointments?*

- I cannot say with certainty whether government funding was contingent on SOA directors having no connection to clubs, States or other facets of the organisation when you were on the Board of the organisation.
- I can say with certainty, however, that:
 - There is no such condition of government funding today
 - Sport Australia have expressly supported our decision to include Board members with grassroots experience of the organisation
 - There is no prohibition in the constitution nor any document relating to SOA
- Myself – and the Board – see it as a positive, not a negative, that a selection of National Board members have grassroots experience with the organisation.
- We want the best possible people for the job.

- When the Board decided to take the step of improving representation from the clubs, responsibility was handed to the relevant Board sub-committee with the guidance that recruiting new board members should look at issues such as representation by state, diversity, and better linkage to our clubs as well as the consideration of jumping board numbers from 12 to 20 without taking a graduated approach (current cap is 17)
- Members were advised. The process was advertised on the SOA website and efforts were made to cast a wide net, the outcome of which has led to new directors from Western Australia, Victoria, NSW and from both inside and outside of the organisation

3. *Further to question 2 if there has been a relaxation by the government it would seem more appropriate to have each State Chair (or their nominee) as a member of the Board rather than cherry pick individuals. Is this under consideration if not why not?*

- We want the best possible people for the job.
- We would welcome those with State Committee involvement, although also note a question to come (Q20) around the size of the Board
- You may not be aware that after at least two calls for nominations to fill the vacancies, including advertising on the SOA website, no State Chairs applied to join the national Board.
- We note and appreciate the direct and indirect involvement of Jehad Rasheed (SA), Anna Mezger (Vic) & Tanya Brown (WA) in their respective States
- I restate the point made under Q2 about the Board's relevant sub-committee full & proper process
- I also note more recent efforts to form a board advisory committee comprised of the Chair's of each State

4. *Members are being asked to approve auditor remuneration of \$25,000. The members have never approved, nor the company paid an audit fee in the past as it has been conducted on an honorary basis. What has changed and was the service put to tender or approaches made to other firms to continue the service on an honorary basis or at least the fee donated back so the firm receives a possible taxation benefit and no financial impact on SOA?*

- I agree that this unusual.
- It is noteworthy that most tier 1 auditor firms are no longer doing pro bono audits.
- At least 2 tier 2 audit firms have been approached in recent years and neither was able to offer pro-bono audit services.
- We intend to keep the matter under review as we proceed. The relevant Board sub-committee has been charged with reviewing this cost with a view to staying the course with a tier 1 audit group or identifying alternatives for Board consideration.

5. *The Consolidated Balance Sheet only provides minimal information to assess the effectiveness of the financial management of the central office. Why are 'donor restricted' funds received, such as NAB and Government grant for schools not shown separately as restricted in the accounts the same as SOI do to give members a clearer picture of actual funds available for general operational expenses.? Members have been informed that the NAB funds are for a very specific purpose i.e. events and not operating expenses plus it is assumed that the government grant for schools will be subject to the usual acquittal requirements.*

- SOA's accounts are prepared in accordance with the accounting standards published by the Australian Accounting Standards Board and approved by our auditors. Disclosure is not intended to hide nor obfuscate facts. A standard form is followed.
- To assist your interpretation, the SOA statement of financial position records a liability amount titled unearned income (\$1.7 million as at 31 December 2020). This primarily reflects grants and donations received but where the requirements for acquittal have not been sufficiently achieved. The unearned income also includes athlete deposits paid in advance. Funds raised by clubs is not legally restricted or

treated as unearned income but from a general policy perspective we treat that cash as only available for the Clubs. This is consistent with our explanation to you in prior years.

- As a guide for the funds available for general operational expenses, I would suggest there is ~\$1.2 million of currently available funds which is sufficient to allow the business to operate as a going concern, being:
 - Cash of \$3.9 million; less
 - Cash in club accounts ~ \$1 million; less
 - Unearned income of \$1.7 million
- Where State committees raise funds via grants, donations or events, we will agree with the relevant committee terms for those funds being ring fenced for use as directed by the relevant State committee.
- NAB funds are for specific purposes and can not be specifically discussed per a confidential agreement.
- Govt grants for schools are subject to the usual acquittal requirements.

6. *Of the surplus shown in the consolidated balance sheet how much relates to funds held in Club bank accounts?*

- \$1.0 million cash in club bank accounts, which represents roughly ¼ of the total \$3.9 million cash at bank

7. *Further to Questions 5 & 6 what are then actual funds held at Balance date available for Central Office general expenses?*

- Consistent with our answer in Q5, there is \$1.2 million available for use as directed by SOA head office . The additional cash held but with an associated liability for unearned income, is available for head office expenses provided it is used in accordance with donation / grant terms.
- The organisation made a profit of \$493,729 for FY2019, which is better than at any point in the past decade (and possibly previously). See the accompanying financial report.
- A profit means the organisation made more revenue than its costs. The net contribution of fundraising revenue to costs (eg Central Office staff) is at a record \$1.5 million.
- No funds are specifically ringfenced for Central Office general expenses
- The organisation operates a \$5.2 million cost base, including:
 - ~\$2.6 million for sports & program expenses
 - ~\$1.3 million for program support and administration
 - ~\$1.3 million for fundraising expenses

8. *The Directors Report note 10 says that on 31st May 'cash at bank' was \$4.19 million up from \$1.56 million on 31st December. What has caused this significant increase and what proportion is restricted and/or held by clubs?*

- Cash and cash equivalents at 31 December 2019 were \$3.9 million. The positive movement in the unaudited cash balance as at 30 June 2020 to \$4.5 million (an increase of \$600k) is made up of the operating surplus for the 6 months, COVID support received from the Commonwealth Government, grant money received but not acquitted and a small amount received from athletes for the national games in Tasmania.
- The accompanying financial report updates these figures, including the amount from clubs, to 30 June 2020 on an unaudited basis.
- The maintenance of cash during the extreme challenges of the COVID-19 pandemic reflects a very conservative financial management approach taken by the Board and Management.

9. As the figures are now almost 7 months old can a more up to date position be provided to members given the Finance Committee is said to review the position monthly?

- On an unaudited basis:
 - Cash balance of \$4.5 million at 30 June 2020, including \$1.1 million at club level, up from \$3.9 million at 31 Dec 2019
 - Total equity of \$2.4 million at 30 June 2020, up from \$2.2 million at 31 Dec 2019
 - Currently forecasting a CY2020 profit of \$348,287 although note that this is a CY2020 loss of \$118,963 excluding Commonwealth Government stimulus package (and the Board does not want to take risk on the prevalence of this package)

10. The report shows that the number of members (i.e. accredited clubs) is 47 down from 48 in 2016, 59 in 2015 and 61 in 2013. Over the same period the athlete numbers have essentially remained stagnate. Given that the strategy is about growth what actual actions are planned by the Board to arrest this decline?

- Special Olympics Australia provides a great amount of service for those that we reach, although our reach has been poor
- There are over 600,000 Australians living with intellectual disability. Over 100,000 of these Australians are in schools
- The #1 strategy that the Board has to increase SOA's reach and relevance is to grow our numbers of athletes, volunteers, supporters and other stakeholders via school-age Australians with lived experience of ID ... and then to plug these people into the existing SOA club network, or to build new clubs to facilitate this growth if needs be. Pierre Comis will speak to this strategy during the AGM

11. Further to question 10 athlete fees have reduced by \$93K due to the reduction to \$75 per athlete per annum. What actions are proposed to replace this income?

- The team is maintaining a range of fundraising initiatives, targeting government, big business, small business, grants and charitable giving, bequeaths and small ticket giving
- Our fundraising efforts have been stronger and stronger contributors to the organisation in recent years. See slide 12 of the fundraising pack, for eg.
- This strong progress is contextualised against the challenges that have been and are faced:
 - Covid, bushfires & *charity fatigue*. Society wide, there is currently less money in circulation and many mouths to feed.
 - Gift voucher. People will remember we made the decision to end the gift voucher programme several years ago. This was a non-trivial decision, where the gift voucher programme was contributing over \$600k of revenue
 - Events. Unfortunately, the decision has been made during Covid to reduce our reliance on events. Fran Eustace and Mabel Park have been key contributors to SOA's revenue, but acknowledge that it is difficult to drive revenue through events in the current climate. They leave as friends

12. Note 8 refers to employee benefit expenses \$1,558,000. Where is this figure included in the consolidated statement as there is no reference to Note 8 and what is the reason for the reduction from previous year?

- The employee benefit expense is included across the expense lines in the consolidated statement of comprehensive income.
- In October 2018 a significant restructuring of the employee base was undertaken, which has resulted in savings in expenses in 2019.

13. Donations & Sponsorship increased \$250K. What is included in this increase?

- Numerous items including tax appeal and numerous corporate sponsorships such as NAB and MCG.
- We are thankful for the continued efforts of Corene and her team in this regard.

14. Note 5 shows World Games income \$693K but there is no expense figure disclosed for this event. What was the cost and net outcome ex staff cost?

- The net outcome was \$70k, including indirect costs (ie SOA staff time and effort)

15. Note 7, what was the reason for the \$100K increase in Fundraising expenses - employment costs?

- Yes, increase in staff to help diversify SOA's revenue streams going forward.

16. Note 8, Employee Benefit Expenses. What caused the reduction in wages & salaries plus the increase of \$93K in other employee expenses?

- The aforementioned staff redundancies as part of the restructure in Oct 2018

17. Who other than the CEO is included in the KMP and why the variance?

- The Board has agreed not to detail the individuals within the KMP.
- The variance is due to restructuring in Oct 2018.

18. Note 19, what deficit was funded on sports programs from fundraising given athletes meet such costs including for World and National Games?

- SOA provided \$2.4 million to fund sports programs where fundraising contributed net \$1.5 million.

19. Can a breakdown of the expenditure on sporting programs be provided showing the % spent on state/national and world games and schools' programs? The concern is the \$ spent on the schools' program does not flow onto increased athlete participation with local clubs. Is not the schools program replacing what the Dept of Education and other Independent schools should be funding themselves?

- Pierre Comis will speak to the Schools programme at the AGM. In advance:
 - \$1.4 million has been provided by NSW and Federal Govt for the development of a Schools programme in NSW
 - We intend to reach over 9,000 athletes through to 2022 via this programme
 - We then intend to rollout comparable programmes through other States once we show that we can execute it
- The strategy is to increase awareness and participation in schools as well as supporting clubs so that one can help the other to grow and in turn help more people with an intellectual disability turn into athletes to benefit from what Special Olympics has to offer.
- The schools programme, if done well, will bring more athletes, volunteers and supporters.
- In many instances our existing club infrastructure will be sufficient to work in lockstep with the schools programme.
- In some instances it may be that new clubs will rise, benefiting from this enlarged volunteer base.
- Where we have an aging – and largely static – volunteer base, this is an opportunity for redevelopment and growth.
- With new volunteers we may find that there are new ideas on how Special Olympics can flourish, which is also exciting.

- No, the schools programme is not replacing what the schools and education depts should be funding themselves.

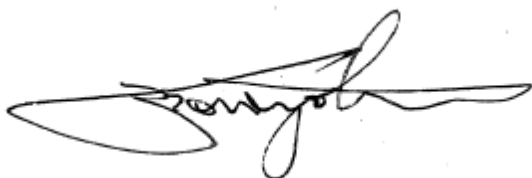
20. It is difficult to accept that an organisation the size of Special Olympics Australia needs a Board of the size proposed. Can an explanation be provided justifying that 20 Board members are needed in Australia?

- The SOA Board has 17 members, subject to the votes of members at the AGM.
- **AGM decision.** The decision to enlarge the Board to 20 members was made at last years' AGM. It is the case that it was accepted by a majority of members voting in person or by proxy. It may be that Sydney Northern Beaches voted against this motion and that Sydney Northern Beaches continues to disagree with it.
- **Cost.** Except for the occasional travel cost to attend a face to face Board meeting, The Board costs the organisation nothing. Like our club volunteers, the Board members all give their time voluntarily. 20 Board members or 1 Board member ... from a cost perspective it is all the same to SOA
- **Effectiveness.** There is a risk that Board meetings may become clunky and inefficient if there are 'too many cooks in the kitchen'. In practice since the 6 new directors have joined, our Board meetings do not take longer, they are more pointed in their debate and interaction, and the organisation is performing better than it was ... and this is in the context of Covid, video conferencing and social distancing
- **New directors.** My hope is that the other directors do not take offence, but the Class of 2020 directors are a step up in the quality of the Board. Their direct insights into the grassroots, their various states, the ways of inclusion, the ways to operate large organisations and work with governments, the ways to raise money ... all of these points are improvements on the Board of 2019
- **Constitutional mechanism.** Directors are appointed for three year terms. We don't have a mechanism in our constitution to fire directors. If we wish to improve the quality of the Board in the short-term, the easiest mechanism is to add directors.
- **Tim Shriver's advice.** I spent a number of days with Tim when he was in Australia in 2018. His direct guidance of me was to add to the Board. By way of guidance, the Special Olympics International Board has 37 on it (including our Ben Haack).

21. It would be good to hear from the new Board members up for appointment why they accepted the invitation to be considered for such appointment and what value they believe they can add to the organisation.

- Thank you, yes we will do that early in the AGM

Kind regards



Cameron Brownjohn
Special Olympics Australia Chair