



R S L N S W

2019 Annual Financial Statements

The Returned and Services League of Australia
(New South Wales Branch)

Treasurer's Report

- Sign off on financial statements – unqualified audit opinion
- Controls & Governance – e.g. Audit & Risk Committee and Board
- Clarifications from Extraordinary General Meeting held December 2018
- CFO Introduction

Clarification of comments made at the Extraordinary Meeting – December 2018

- Change in reporting period
- Change to presentation of financial statements from special purpose to general purpose

CFO Introduction – Nicole Hasrouni

- Appointed April 2019
- Chartered Accountant
- Bachelor of Applied Finance and Bachelor of Commerce - Professional Accounting from Macquarie University
- Member of Chartered Accountants Australia & New Zealand
- Previously held positions include:
 - Not-for-profit sector: Director of Finance – Royal Hospital for Women Foundation; Financial Controller – Redkite
 - Funds Management: Fund Accountant – AXA Real Assets; Senior Finance Manager – AMP Capital Investors

Overview

- **Special purpose financial statements prepared for the year ended 30 June 2019**
- **FY2018/19 Results**
- **Key account movements**
- **Improved systems and controls**
- **Questions from sub-Branches and District Council members**
- **Questions from the floor**

Special purpose financial statements

- RSL NSW is not a reporting entity
- Prepared in accordance with the requirements of the Australian Charities and Not-for-Profits Commission Act 2012
- Prepared in accordance with the Australian Accounting Standards including notes and disclosures
- No fundraising took place during the financial year as declared in President's declaration given under Charitable Fundraising Authority Condition 6(3)
- FY2018 comparatives are for 6 months only as RSL NSW changed its reporting period from a calendar year to a financial year effective January 2018

FY2018/19 Results

	FY2018/19	HY2018	CY2017	CY2016
Revenue	\$13,850,767	\$5,785,747	\$10,654,278	\$12,410,412
Expenses	(\$15,892,593)	(\$6,603,488)	(\$11,607,622)	(\$11,392,643)
Asset impairment		(\$2,436,075)	(\$25,052)	(\$190,079)
Net surplus/(deficit)	(\$2,041,826)	(\$3,253,816)	(\$978,396)	\$827,690
Other Comprehensive income	\$6,413,116	\$14,507,002	\$265,018	\$5,005,153
Total comprehensive surplus/(deficit)	\$4,371,290	\$11,253,186	(\$713,378)	\$5,832,843

**note FY2018 represents 6 months to 30 June 2018*

Key account movements - Revenue

	FY2018/19	HY2018
Gain/Loss on investments	\$750,000 Sale of Lemon Tree Passage property, Tanilba Bay in FY2018/19 for \$1.3m against valuation of \$550K	\$20,000
Other income	\$4,027,166 Services Agreement fee from RSL WBI for DefenceCare delivery - \$2.5m 262 Castlereagh revaluation - \$400K Investment income - \$470K Closed sub-Branches - \$205K Support fund - \$190K	\$584,772 Investment income - \$106K One-off RSL LifeCare funding - \$454K Closed sub-Branches - \$25K
Rental income	\$354,334 Mazarro (HPI rent) - \$153K 262 Castlereagh St restaurant - \$172K Dareton rent - \$29K from March 2019	\$123,562 Mazarro (HPI rent) - \$52K 262 Castlereagh St restaurant - \$66K

**note FY2018 represents 6 months to 30 June 2018*

Key account movements - Expenses

	FY2018/19	HY2018
Administration related expenses	<p>\$1,372,011</p> <p>Insurance - \$292K</p> <p>Minor Equipment - \$70K</p> <p>IT, Telephones, Software & Licencing - \$262K</p> <p>Printing & Postage - \$255K</p> <p>Travel - \$128K</p> <p>Hyde Park Inn admin expenses - \$108K</p>	<p>\$371,796</p> <p>Insurance - \$125K</p> <p>Minor Equipment - \$22K</p> <p>IT, Telephones, Software & Licencing - \$83K</p> <p>Printing & Postage - \$133K</p> <p>Travel - \$19K</p>
Client Support Payments	<p>\$668,960</p> <p>Accommodation, Disaster relief, Utilities, Funeral assistance to Veterans</p>	<p>\$31,591</p>
Employee benefits expense	<p>\$7,760,429</p> <p>Transfer of DefenceCare team - \$1.1m</p> <p>Additional & full cycle positions - \$1.2m</p> <p>Number of employees 58</p>	<p>\$2,672,430</p> <p>Number of employees 26</p>

**note FY2018 represents 6 months to 30 June 2018*

Key account movements - Expenses

	FY2018/19	HY2018
Other employee related expenses	<p>\$660,391</p> <p>Payroll tax - \$154K</p> <p>Recruitment costs - \$229K</p> <p>Temporary Staff - \$104K</p> <p>Training & Development - \$100K</p> <p>Workers Compensation & FBT - \$57K</p>	<p>(\$92,557)</p> <p>One-off adjustment to payroll tax - (\$362K)</p> <p>Recruitment costs - \$113K</p> <p>Temporary Staff - \$77K</p> <p>Training & Development - \$11K</p> <p>Workers Compensation & FBT - \$50K</p>
Professional fees Includes consulting fees, legal fees and audit fees	<p>\$1,103,315</p> <p>To be answered in Questions from sub-Branches</p>	<p>\$559,984</p>

**note FY2018 represents 6 months to 30 June 2018*

Key account movements - Assets

	FY2018/19	FY2018	Explanation
Other Financial Assets	\$68,345	\$5,086,389	Short-term term deposits matured and invested in financial instruments
Asset held for sale	\$5,747,023	-	Recognition of Concord RSL at fair value
Intangible assets	\$294,583	-	Recognition of computer software

Improved Systems & Controls

- Required as a result of the Bergin Inquiry
- Implementation of Microsoft Navision (NAV) – financial reporting commenced 1 July 2018
- Implementation of Microsoft Power BI – data analytics tool
- Implementation of SAP Concur for expense management
- Implementation of Aurion for payroll processing
- Review of key policies and procedures
- Enhanced reporting to the Audit & Risk Committee and Board

Questions from sub-Branches and District Council members

RSL NSW FY2019/20 Budget

Q: Does the RSL NSW Budget for the financial year ending 30 June 2020 envisage the sale of any assets as occurred in 2019, and if so, what are the assets proposed to be sold?

**Bundeena sub-Branch
Rockdale sub-Branch
Cumberland sub-Branch**

Q: Has the Profit and Loss budget for RSL NSW for year end 30/6/2020 been submitted to the Board and been approved by Directors?

**Rockdale sub-Branch
Cumberland sub-Branch**

RSL NSW FY2018/19 Budget

Q: Is this Financial Statement able to be measured against any forecast budget for RSL NSW

Mosman sub-Branch

RSL NSW FY2018/19 Strategic Plan and Financial Objectives

Q: What financial objectives have been achieved during the period and what have not, and by how much in each case?

Q: What is the relationship between the existing strategic plan and this display of financial outcomes?

Mosman sub-Branch

Q: Members expressed surprise and disappointment that losses in excess of \$2M have been incurred by RSL NSW each year since 2016. This is despite the former State Council and the Board of Directors having a full time Treasurer and now a Chief Financial Officer and other officers specialising in finance.

Obviously, this unsatisfactory position cannot be allowed to continue and I would appreciate your advice on what strategies the Board and the Chief Financial Officer have in place to address the deficit in 2020.

Smithfield sub-Branch

RSL NSW Losses & Current Position

Q: Since year end 31/12/2017 and up to year end 30/6/2019 the RSLNSW has incurred an operating loss , each year , which now aggregates to about \$7m in real cash terms . What measures , during the period , have the Directors taken to mitigate these losses?

**Rockdale sub-Branch
Cumberland sub-Branch**

Q: The actual loss for the period was \$2.042m (LY \$846,180). What strategy has been considered or implemented to correct this adverse trend? Expenditure at \$578/member is excessive.

Northern Beaches District Council

Q: What is the current position of RSL NSW with respect to liquid or financial assets excluding property?

**Rockdale sub-Branch
Cumberland sub-Branch**

RSL NSW Cash Flows

Q: Cash flows: Payments to suppliers and employees jumped from \$6m+ in the 6 months FY2018 to \$16M+ in FY2019. What are the circumstances that justify this massive increase in expenditure?

Brooklyn sub-Branch

Related Party Entities

Q: RSL WBI - The last financials were as at 31st December 2018. They reveal Equity at \$4.152m down from \$5.381m in 2017. Is it proposed that WBI will be allowed to run its assets down with all future activities carried out by RSL NSW, or will the network continue to donate to WBI?

Q. Australian Forces Overseas Fund - No financials have been provided for this entity. Could you provide Congress with an update on their current status? What is the entity's Financial Year? Will it be continuing to raise funds? Is there access to Financial Statements and a Strategic Plan for the entity?

Q; ANZAC House Trust - Following the sale of Castlereagh street the trust holds substantial assets. Given that ANZAC House is now in rented premises in 341 George Street, will the income generated by the Trust be sufficient to cover the rental liability. Are there plans to locate and purchase a suitable freehold property as long term headquarters in the future?

RSL WBI Fee for Service

Q: Does the budget include the expectation of RSL NSW receiving an approximate \$2.5 m fee for service from RSL WBI?

**Rockdale sub-Branch
Cumberland sub-Branch**

Q: Other income - \$2.5m what is the sources of the fee for service? Is it the same \$2.5m that appears in Note 21 as Management fees and Shared expenses (RSL WBI)? We would have thought that following the Bergin inquiry outcomes, full explanations would be essential here. Who provided what for who and how?

Brooklyn sub-Branch

Q: \$7.567m relates to income from the HPI. Other Income \$4.027m of which \$2.537m relates to a payment from WBI as a Fee for Service. Please explain the breakdown of this fee (salaries, welfare assistance etc). Can the revenues be maintained at current levels?

Northern Beaches District Council

RSL WBI Relationship

Q: Please explain in simple terms the relationship between RSL DefenceCare and WBI; what actual "Services" were provided; whether a similar "Fee for Service" is proposed to be charged in this current financial year to WBI; and is it intended to bring WBI's reporting period in line with that of RSL NSW and LifeCare?

Q: Please explain the net deficit of \$1,168,900 shown on the RSL DefenceCare/WBI page of the ACNC website for the most recent Financial Report submitted being for the calendar year ending 31 December, 2018, and, as a member of the Board of RSL NSW what steps the Board has taken to address this issue, bearing in mind that the 2017 deficit was \$2,308,449?

Bundeena sub-Branch

RSL LifeCare

Q: At the RSL NSW EGM of 4th December 2018, it was recorded in the Minutes that the State Treasurer, Philip Chin, would “adopt General Purpose financial reports in future to enable the consolidation of RSL LifeCare into RSL NSW’s accounts”. Perusal of the 2019 accounts in the Financial Statements fail to show such consolidation. Why?

St Marys sub-Branch

Q: The notes state that RSL LifeCare provided RSL NSW with funding to support the delivery of services to current serving members. Given that RSL NSW is a Member of RSL LifeCare Ltd distributions to members may be in breach of the LifeCare Constitution. Please comment.

Northern Beaches District Council

Q: Please explain the current situation with RSL LifeCare in relation to reporting to ACNC, and the lodgement of Financial Reports, and what has happened to date in relation to the "consolidation of RSL LifeCare into RSL NSW's accounts"?

Bundeena sub-Branch

RSL LifeCare (continued)

Q: In Note 21 – Related Party Information, there is an amount of \$211,603 owing by RSL NSW to LifeCare. Please provide details?

Northern Beaches District Council

Q: Page 26 of the Statements show an amount of \$211,603 as a loan or loans from RSL LifeCare to RSL NSW to enable delivery of services to current serving veterans. The questions that arise from this entry are:

- a) Are these ‘current serving veterans’ all members of RSL NSW?
- b) Is the loan(s) secured?
- c) What are the terms and conditions of the loan(s)
- d) Since it is apparent that LifeCare is able to provide \$200K+ in funding for RSL NSW to provide services, then are LifeCare funds also available (through the same/similar arrangements) to fund other RSL NSW activities, such as the provision of financial assistance to sub-Branches in need?

St Marys sub-Branch

ACNC submission – Annual Information Statement (AIS)

Q: The ACNC website records state that for Financial Year ending 30 June, 2019, RSL NSW had “Total Income of \$13,100,767” and “Total Expenses of \$15,892 593”. That’s a loss of \$2,791,826 – can this please be confirmed?

Cumberland sub-Branch

Q: Please explain why there is a \$750,000 difference between "Total Revenue" as shown in the 2019 Financial Report and "Total Income" as shown on the RSL NSW page of the ACNC website, and why the Financial Report uses the term "Total Revenue" whilst the RSL NSW page on the ACNC website uses the term "Total Income"?

Bundeena sub-Branch

Other Income

Q: Sub-Branch Support Fund surplus has been treated as Revenue. In the past any surplus in this fund has been carried over as a current liability. In future are all funds raised specifically for sub-Branch support, to be used in that capacity, or diverted to other areas?

Northern Beaches District Council

Other Comprehensive Income

Q: In the "Statement of profit or loss and other comprehensive income" on Page 3, under "Other Comprehensive Income", (which is Unrealised Gains) there is a line item "Transfer of Title of land and buildings" of \$6,100,000. Please explain what this item refers to?

Bundeena sub-Branch

Q: Does \$6.1m relate to the Concord Property? If so, it is listed as an asset for sale at \$5,747,023. Please explain the variance.

Northern Beaches District Council

Administration expenses

Q: Increase in administration expenses

Brooklyn sub-Branch

Q: Administration expenses increased by \$1m in the year to 30/6/2019. Why?

Rockdale sub-Branch

Cumberland sub-Branch

Q: An explanation is required on the substantial increase in Admin Expenses for the period.

Northern Beaches District Council

Client support payments

Q: What are “Client Support Payments” as described in the accounts? Increasing from \$31K in 2018 to \$670K in 2019.

Rockdale sub-Branch

Cumberland sub-Branch

Employee benefits expense

Q: This expense area appears to be out of control. Historically Employee costs have been below 40% of Total Expenses and Total Income. This current reporting period it represents 53.0% of Total Expenses and 60.8% of Total Income. What action is being taken to control this cost to a more manageable level? What are the current staffing levels that contribute to the Expense?

Q: For a registered Charity this component of the operating costs is increasing and requires monitoring closely. Failure to do so could expose the RSL to criticism from the community and have an adverse effect on donations. As part of that process the Board and Management need to undertake a thorough review of the structure at ANZAC House.

Northern Beaches District Council

Q: Given that 'employee expenses' of \$8,420,820 now cost 60.8% or 64% of 'total income', (depending on whether the RSL NSW figures or the figures on the ACNC website are utilised), and that total "Net Deficits" since the year ended 2016 are in the vicinity of \$7 million, (below or above that figure depending on which figures are used). For how much longer is RSL NSW able to sustain such costs and deficits, and as a member of the Board, what steps has the Board implemented to stem the ever increasing outflow of cash from RSL NSW (State Branch)?"

Bundeena sub-Branch

Employee benefits expense (continued)

Q: Employee benefits: \$7.7m appears excessive. What is the details behind this?

Brooklyn sub-Branch

Q: Could RSL NSW provide the total number of employees / staff by Full time, Casual , and Consulting and what cost for the F/Y 30/6/2020 .

Q: What is the total payroll, excluding the accruals (LSL etc) for all employees, excluding key personnel?

Rockdale sub-Branch

Cumberland sub-Branch

Key management personnel

Q: Note 23: what is the details behind \$1.5m in compensation to key management personnel? If these details are considered confidential, it should be stated as such, however given that this is a volunteer based, charitable purpose organisation, the expectation of our members is that the details of these matters are transparent.

Brooklyn sub-Branch

Q: Do each of the nine key personnel have employment contracts which include terms for termination of employment? What are these terms?

Rockdale sub-Branch

Cumberland sub-Branch

Other expenses

Q: Other expenses: What is the \$168K?

Brooklyn sub-Branch

Professional fees

Q: Professional fees: \$1.1m spent on? To whom?

Brooklyn sub-Branch

Q: Since 2017 RSLNSW has engaged a full time General Counsel. Nevertheless the “legal consulting fees“ for the period could be \$750K (the legal consulting for yr-end 2019 is not yet available). How has this come about?

Q: Consulting fees in the period from 2017 to 2019 have also totaled \$750K approx. To whom have these been paid and in what amounts ?

Rockdale sub-Branch

Cumberland sub-Branch

Q: What is the breakdown of professional fees for FY2019

Q: The total fee expenditure in FY2018 changed by \$24,932. Please explain

Mosman sub-Branch

Q: Included in the 2017 result was \$134k attributed to Strategic Planning. Could you please explain the current position with the formulation of a Strategic Plan, together with details of the substantial increase in the 2019 result?

Northern Beaches District Council

Category of expenditure	Amount	One-off expense
Legal Matters	\$84K	
Sub-Branch management	\$15K	
Sub-Branch support	\$47K	
Property related services	\$104K	
Concord transfer	\$73K	\$73K
LifeCare repayment	\$211K	\$211K
Regulatory & Governance	\$103K	\$103K
Workplace & Employee matters	\$140K	\$100K
Whistleblower & Investigations	\$40K	
Strategy	\$221K	\$221K
Marketing & Communications	\$109K	
Constitution matters	\$21K	\$21K
Systems & Processes	\$12K	

Property expenses

Q: \$258,036 relates to rent for ANZAC House, 341 George Street and paid to the ANZAC House Trust. What is the rent for ANZAC House, and which entity subsidises the balance? What comprises the \$207k balance of the above expense?

Northern Beaches District Council

Trade Debtors

Q: Note 6: Trade Debtors has jumped from \$300K to \$1.4m. What are the details and the reasons for this significant increase and what are the details for Sundry Debtors and the drop from \$1.3m to \$193K?

Brooklyn sub-Branch

Notes to the Financial Statements

Q: Note 21: The bottom line figure of \$992K appears to be reflected in the annual report as "How DefenceCare helped in 2018-19" and under \$992K Financial Assistance. Is this the case? If so, what is the detail? We would have thought that this is germane to the core business of RSL NSW and the detail should be trumpeted as a significant achievement by our organisation. But was there a target and was it met? The Annual Report also refer to a figure of \$90K spent by RSL DefenceCare to 'assist veterans and their families facing homelessness or a housing crisis'. Where is this reflected in the financial statements? Was/is there a budget expectation for RSL expenditure of veterans' welfare, including for accommodation assistance?

Brooklyn sub-Branch

Questions from the floor