

## 2019 Annual Congress

### Questions on the Financial Statements 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	The RSL NSW budget does not envisage the sale of any assets as the budget is an operational budget. RSL NSW may consider the sale of certain assets such as the Concord property in the future. Management, and the Board are focused on ensuring financial sustainability and avoiding the depletion of assets. FY2018/19 asset sales – Tanilba Bay or Tiligery land sale was the conclusion of a long-standing sales process. It was not sold as part of strategy to divest assets.
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	As the Treasurer mentioned, the budget was approved at the June 2019 Board meeting. The budget was prepared with a bottom up approach with the information we had at the time. The budget is being closely monitored as it was set to bring the result back to a minor deficit (\$450K)
Q: Is this Financial Statement able to be measured against any forecast budget for RSL NSW	Mosman sub-Branch	The FY2018/19 results were managed against a budget which was implemented at the commencement of the financial year The actuals represent a variation to budget primarily as a result of RSL NSW assuming the obligation for the provision of DefenceCare services from 1 January 2019

#### **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?	Mosman sub-Branch	There is no existing strategic plan. The strategy for the last financial year was to ensure compliance with our regulatory requirements (including ACNC and Fair Trading obligations), build and enhance systems and processes and to further our charitable purpose. The current strategic plan is starting to take shape as
Q: What is the relationship between the existing	Mosman sub-Branch	

strategic plan and this display of financial outcomes?		we have now mostly completed those pieces of work. The current priority is to reduce the losses through revenue generating initiatives and cost savings.
<p>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.</p> <p>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.</p>	Smithfield sub-Branch	

### RSL NSW Losses & Current Position

<p>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?</p>	Rockdale sub-Branch Cumberland sub-Branch	The Directors have managed the expenditure closely and they are aware that they have been forced to access reserves, in the absence of fundraising, to respond to the outcomes of the inquiry and the enforceable undertaking and ensure RSL NSW's governance and systems meet their regulatory requirements. It is our first priority to return the organisation to cost neutrality and a plan, which includes fundraising, alternate revenue sources and cost cutting is being implemented to achieve this.
<p>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.</p>	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	Cash position and financial assets at 30 June 2019 - Cash and Cash equivalents: \$2m and Other Financial Assets: \$5.8m
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### 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	Payments to suppliers and employees for 6 months to Jun-18 was \$6m and for 12 months to Jun-19 was \$16m. The pro-rata increase is (\$16m - \$12m) \$4m. \$2m of this \$4m increase is due to RSL NSW assuming the delivery of DefenceCare. The remainder relates to other operational expenditure, including one-off expenditure required to deliver on meeting governance and statutory requirements.
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### 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?	Northern Beaches District Council	All DefenceCare activities are currently being run by RSL NSW and any contributions should be made to RSL NSW. <a href="#">Financial statements for AFOF</a> for the year ended 31 December 2018 are available from the ACNC website. The trust reports to a calendar year. It will continue to accept donations and provide services to ship departures and arrivals and to provide care packages for service personnel on overseas deployment. It will no longer fund overseas trips to trustees or veterans.
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?	Northern Beaches District Council	The AHT investment strategy approved by the AHT Board of Management has factored in the current rental expense and ensures the preservation of capital within the investment portfolio. The location of ANZAC House will be reviewed in early 2020 and a plan determined for future premises.
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	Northern Beaches District Council	

<p>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?</p>		
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### RSL WBI Fee for Service

<p>Q: Does the budget include the expectation of RSL NSW receiving an approximate \$2.5 m fee for service from RSL WBI?</p>	<p>Rockdale sub-Branch Cumberland sub-Branch</p>	<p>The FY2019/20 budget includes the expectation that RSL NSW will receive approximately \$5m in fee for service revenue from RSL WBI</p>
<p>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?</p>	<p>Brooklyn sub-Branch</p>	<p>The fee for service is a combination of welfare assistance provided to ex-serving veterans, claims &amp; advocacy provided to ex-serving veterans, the delivery of Veteran Sport Australia, Fundraising delivery and other back office support including finance and Trust management. RSL NSW has been delivering these services on behalf of the Trustees under a fee for service agreement. The fee for service is forecast to continue until June 2020. HPI revenue is forecast to remain at or around the same level.</p>
<p>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?</p>	<p>Northern Beaches District Council</p>	

## RSL WBI Relationship

<p>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?</p>	<p>Bundeena sub-Branch</p>	<p>RSL WBI is a Trust providing services to ex-serving veterans under the trading name RSL DefenceCare. The objects of the trust are limited to providing services to ex-serving veterans. In January 2019, RSL NSW took over the provision of services to enable RSL DefenceCare to continue to provide services to both current and ex-serving veterans. RSL NSW continues to deliver these services and RSL WBI pays a fee to RSL NSW for those services provided to ex-serving veterans only. It is not intended that the financial year for RSL WBI will change.</p>
<p>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?</p>	<p>Bundeena sub-Branch</p>	<p>This question has been referred to the RSL WBI Trustees by the CEO.</p>

## RSL LifeCare

<p>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?</p>	<p>St Marys sub-Branch</p>	<p>As per the Treasurer’s clarification - Since RSL NSW is not a reporting entity, it prepared special purpose financial statements for the year ended 30 June 2019. Special purpose financial statements do not require the consolidation of any controlled entities.</p> <p>Funding was provided by RSL LifeCare for the purpose of RSL NSW providing ongoing support and services to current serving veterans and their families in need. Under the formal funding agreement, RSL NSW was obliged to provide periodic acquittals to satisfy RSL LifeCare that all funds were being used for this purpose, consistent with RSL LifeCare’s charitable purpose.</p>
<p>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.</p>	<p>Northern Beaches District Council</p>	<p>The fact that RSL NSW is a member of RSL LifeCare does not prevent RSL LifeCare from applying its income in this manner in furtherance and support of its charitable objects.</p>
<p>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"?</p>	<p>Bundeena sub-Branch</p>	
<p>Q: In Note 21 – Related Party Information, there is an amount of \$211,603 owing by RSL NSW to LifeCare. Please provide details?</p>	<p>Northern Beaches District Council</p>	<p>The amount owed to RSL LifeCare was not a loan, it was the reimbursement of the unspent amount of funding provided to RSL NSW to support current serving veterans through the DefenceCare program. It has since been repaid in September 2019. DefenceCare provides services to all veterans regardless of their membership of RSL NSW. The provision of financial assistance to sub-Branches is unlikely to fall within LifeCare’s objects. In any event, funding</p>
<p>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</p>	<p>St Marys sub-Branch</p>	

<p>serving veterans. The questions that arise from this entry are:</p> <p>a) Are these 'current serving veterans' all members of RSL NSW?</p> <p>b) Is the loan(s) secured?</p> <p>c) What are the terms and conditions of the loan(s)</p> <p>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?</p>		<p>decisions are wholly within the discretion of the LifeCare Board.</p> <p>In regards to the following questions:</p> <p>a) The current serving veterans are not all members of RSL NSW</p> <p>b) The funding was not a loan</p> <p>c) There was a funding agreement in place for the funding which specified the terms</p> <p>d) This was a one-off arrangement and no further funding has been agreed from RSL LifeCare</p>
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#### ACNC submission – Annual Information Statement (AIS)

<p>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?</p>	<p>Cumberland sub-Branch</p>	<p>Total income was \$13,850,767. The AIS separates income from gains therefore it was represented as \$13,100,767 plus \$750,000 from the sale of Lemon Tree Passage, Tanilba Bay</p> <p>The terms 'revenue' &amp; 'income' can be used interchangeably. RSL NSW elects to use the term revenue, consistent with the accounting standards.</p>
<p>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"?</p>	<p>Bundeena sub-Branch</p>	

## Other Income

<p>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?</p>	<p>Northern Beaches District Council</p>	<p>All support fund monies received are used to support sub-Branches irrespective of their treatment in the financial statements. The rules around the conditions required to recognise certain income as liabilities has changed, impacting the entire charity sector.</p>
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## Other Comprehensive Income

<p>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?</p>	<p>Bundeena sub-Branch</p>	<p>The \$6.1m is broken down as follows: \$5.45m – Concord and \$0.65m - Dareton units As a result of the closure of the Concord District RSL sub-Branch, the land which the sub-Branch owned transferred from the Trustees of the sub-Branch to RSL NSW. The recognition of this transfer in RSL NSW's books was recorded as other comprehensive income in the FY2018/19 financial statements at its fair value at the time of \$5.45m. The</p>
<p>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.</p>	<p>Northern Beaches District Council</p>	<p>difference between the \$5.45m and \$5.75m relates to stamp duty and other costs incurred in transferring the property ownership to RSL NSW. In a separate matter, RSL NSW was made aware of two blocks of units in Dareton, Wentworth District which were held in its name. These units had not been recognised in RSL NSW's book until the FY2018/19 year and again were recognised at their fair value through other comprehensive income for \$650K.</p>

### Administration expenses

Q: Increase in administration expenses	Brooklyn sub-Branch	Increases relating to insurances with new properties coming into the portfolio
Q: Administration expenses increased by \$1m in the year to 30/6/2019. Why?	Rockdale sub-Branch Cumberland sub-Branch	Software and licensing due to systems implementations  Increased travel – Veteran Sport Australia program
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	Client Support payments relate to the delivery of the DefenceCare program and relate to assisting Veterans and their families through Accommodation support, Disaster Relief, Education support, Funeral Assistance, Medical, Motor Vehicle assistance, Utilities support.
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## Employee benefits expense

<p>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?</p>	<p>Northern Beaches District Council</p>	<p>We are aware that these costs are unsustainable without an increase in revenue. As previously mentioned, there is a current action plan addressing this and it is Board and management's first priority.</p>
<p>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.</p>	<p>Northern Beaches District Council</p>	
<p>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)"?</p>	<p>Bundeena sub-Branch</p>	

## Employee benefits expense (continued)

<p>Q: Employee benefits: \$7.7m appears excessive. What is the details behind this?</p>	<p>Brooklyn sub-Branch</p>	<p>Currently ANZAC House employs 60 staff members of which 52 are full-time and 8 are part-time. There are no casuals or consultants, although there are employees on fixed term contracts.</p>
<p>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?</p>	<p>Rockdale sub-Branch Cumberland sub-Branch</p>	<p>The total remuneration, which excludes Hyde Park Inn amounts to approximately \$6m. Breakdown of Payroll for FY2018/19 RSL NSW Staff Payroll: \$4.16m HPI Staff Payroll: \$1.94m Key Personnel Payroll: \$1.54m Accruals: : \$0.12m Total: : \$7.76m <i>The org chart was requested by Mosman, Rockdale and Cumberland sub-Branches which was presented today in the CEO's presentation</i></p>

## Key management personnel

<p>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.</p>	<p>Brooklyn sub-Branch</p>	<p>Consistent with other charities, individual employment details are confidential and remuneration is presented in aggregate as required by the Accounting Standards (AASB 124 – Related Party Disclosures)</p>
<p>Q: Do each of the nine key personnel have employment contracts which include terms for termination of employment? What are these terms?</p>	<p>Rockdale sub-Branch Cumberland sub-Branch</p>	<p>The termination notice periods for key management personnel range between 2 and 6 months.</p>

## Other expenses

<p>Q: Other expenses: What is the \$168K?</p>	<p>Brooklyn sub-Branch</p>	<p>\$117K relates to Hyde Park Inn merchant fees            \$18K relates to the bad debt written off for the non-recoverability of rent from the Dareton properties            The residual relates to bank charges and other sundry expenses</p>
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## Professional fees

<p>Q: Professional fees: \$1.1m spent on? To whom?</p>	<p>Brooklyn sub-Branch</p>	<p>The majority of the professional fees expenditure were one off items which are not anticipated to be repeated.</p>
<p>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 ?</p>	<p>Rockdale sub-Branch            Cumberland sub-Branch</p>	<p>The list of suppliers is extensive however, the top firms engaged by RSL NSW include BDO, Baker McKenzie, Building Certificates Australia, Deloitte Financial Advisory, Frankham Consulting, Social Ventures Australia, Touchstone Partners, Workplace Law (determined as above \$35K – 3% materiality)            The General Counsel managed legal fees within budget for the financial year. Legal fees were budgeted at \$111K for the year however savings of \$27K were made.</p>
<p>Q: What is the breakdown of professional fees for FY2019            Q: The total fee expenditure in FY2018 changed by \$24,932. Please explain</p>	<p>Mosman sub-Branch</p>	
<p>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?</p>	<p>Northern Beaches District Council</p>	

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

<p>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?</p>	<p>Northern Beaches District Council</p>	<p>The rent for ANZAC House is \$1.3m annually and is subsidised by ANZAC House Trust. This is a sublease which terminates in September 2021. The additional \$207K can be broken down as follows: Rent for Campbelltown Warehouse: \$43K Rates &amp; Taxes: \$73K Cleaning: \$40K Lift Maintenance: \$10K Electricity &amp; Gas: \$12K Security Maintenance: \$4K Repairs &amp; Maintenance: \$27K</p>
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## Trade Debtors

<p>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?</p>	<p>Brooklyn sub-Branch</p>	<p>The increase in Trade debtors relates to the receivable for RSL WBI related to the Fee For Service invoices (\$1.2m outstanding as at 30 June 2019, subsequently collected by the end of September 2019) Sundry Debtors balance includes Franking credits receivable of \$102k and HPI revenue receivable of \$66k in FY2019. The FY2018 balance included amounts owed from RSL WBI to pay for the ex-serving portion of DefenceCare in a similar arrangement to the current Fee for Service agreement.</p>
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## Notes to the Financial Statements

<p>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?</p>	<p>Brooklyn sub-Branch</p>	<p>These numbers are similar only by coincidence.  Under Note 21, the \$992k is a combination of amounts receivable and payable from RSL NSW related parties:</p> <table data-bbox="963 421 1500 555"> <tr> <td>Receivable from AHT:</td> <td>\$1,870</td> </tr> <tr> <td>Receivable from WBI:</td> <td>\$1,202,343</td> </tr> <tr> <td>Payable to RSL LifeCare:</td> <td>(\$211,603)</td> </tr> <tr> <td>Net Amount receivable:</td> <td>\$992,610</td> </tr> </table> <p>Financial Assistance is driven by individual demand and circumstances, and we manage our support in line with an annual budget. The \$90K sent to support homelessness is reflected in the Financial Statements under Client Support Payments.</p>	Receivable from AHT:	\$1,870	Receivable from WBI:	\$1,202,343	Payable to RSL LifeCare:	(\$211,603)	Net Amount receivable:	\$992,610
Receivable from AHT:	\$1,870									
Receivable from WBI:	\$1,202,343									
Payable to RSL LifeCare:	(\$211,603)									
Net Amount receivable:	\$992,610									