

Presidents Letter 2013

Our aim continues to be to provide a fun, safe and enjoyable experience to our members while generating sufficient income to sustain and grow the organization.

In 2013 we had more teams in our weekday competitions than ever. We had more participants in our development programs than ever. We had more registered players than ever.

We had strong outcomes from our junior and senior rep programs. We ended the year in a stronger financial position than ever.

While we believe we have met our goal over the past year there remain many avenues for improvement. We continue to have the longer term goal of being the best regarded sporting association on the northern beaches. We have not yet reached that goal but the tangible evidence of improvement is increasing.

Perhaps the greatest measure of improvement is that the above three paragraphs are virtually unchanged on the past two years. We are performing well and we are doing so with consistency.

Financial Results

As can be seen from the accompanying accounts, profits and cash generation in 2013 were consistent with 2011 and 2012, which were record years. We ended the year with a stronger balance sheet than at any time in the history of our association. A summary can be seen below.

MWBA Summary Financials

YE 31/12	2007	2008	2009	2010	2011	2012	2013.0
Sales	819.6	819.1	864.7	905.9	993.6	1051.9	1114.2
Profit	19.7	17.2	24.4	15.6	24.9	49.1	40.5
Cash generated	7.7	67.2	33.1	14.9	41.1	59.4	42.5
Cash at year end	140.6	207.9	241.0	255.2	296.3	355.7	398.8
Capital employed	115.8	65.6	56.8	58.2	42.0	25.9	23.4

I would like to make the following points regarding these results.

First, our **staff** performs, in my view, at a very high level and has done so for many years. Without them the Association would probably cease to exist as we know it.

Over the past three years we have been developing a performance based remuneration system that will enable the association to keep fixed costs low while leaving our staff over worked as opposed to over worked and under paid. This seems to be working well to date.

The private for profit sector will always be capable of paying more for staff than an organization such as ourselves. In order to attract and retain good people we have to be attractive for reasons other than pecuniary. This means we have to offer a level of interest, flexibility and autonomy that is greater than can be found in the private sector.

From my observations of similar associations I believe our staff has an exceptional degree of autonomy which has been earned by their performance. We do, however, have to ensure that we offer support as required.

In 2010 we upgraded the web site. In 2011 we replaced all computing equipment in the organization. In 2012 we added a dedicated referees training person to our staff. For the first time ever we have had to provision for long service leave for staff. \$15k was charged to the P&L during the year.

We will continue to make investments to support staff as required. These are likely to include more technology upgrades and an expansion of fund raising capabilities.

Second, we **have to manage our finances tightly**. It is impossible to convince people to make financial sacrifices in an organization that does not take financial discipline seriously. In regard to this the remuneration of the board remained unchanged at \$0 for the year. One could argue that the board is not always terribly effective, but we believe it impossible to argue that the board is over compensated.

Third, **NBISC** is, for all practical purposes, full. This impacts our capacity to grow the number of teams in our local competitions. In 2010 we reached the point where we were forced to decline nearly 10% of team applications for some competitions. This has continued in 2013 and 2014.

We have attempted to increase access to satellite courts with good success. We have tightened the game schedule to fit an extra game into our 4:30-10:30 competitions which adds roughly 300 game slots annually. We may have to migrate to running time for all games if growth continues.

Over the past five years **our numbers of registered and fee paying participants has increased by a third to more than 2500**. Over the same period the **number of teams in local competitions has increased by 23%** to 574. It is very likely that over the next few years we will have 600 teams in local competitions.

Artistic Outcomes

The financial results are specific and easy to understand. The basketball outcomes are much more subjective. It does, however, appear to me that we continued to have some exceptional outcomes.

In our **local competition** over the years referees have always been a major concern, both in number and quality. Considerable effort and money has been expended in improving the situation. Our spending on referees has more than doubled over seven years. It is, after court hire, our second largest expense.

We believe we have improved qualitatively over the past few years although empirical data is difficult to identify. We believe that nearly 90% of games have two referees compared with less than 60% six or seven years ago.

A year ago we split referee management into two streams. Day to day procurement of refs will remain unchanged. Training and on court support of referees has been separated with Duane Jordan appointed to manage that particular task. This appears to be working well.

In **Junior Reps** we had four players chosen for state teams, the same as the past two years. For the third consecutive year we had a player chosen for the national team. Our U12 women's team was metro and state champions and our U12 men's two team was metro champions. This is an excellent outcome and suggests our junior development program continues to perform well.

In **Senior Reps** our ABA Men's team was state champions. Over the past five years our senior rep program has been on any empirical basis the best performing in the State.

The credit for this belongs to the coaches, players, staff and volunteers. The board has been a delighted bystander.

For a variety of reasons we did not field Women's teams in the Senior Rep competition. This was the greatest personal disappointment for me over the past decade at MWBA. This year we have one women's team and we are committed to rebuilding our strong position in these competitions.

Our **development** efforts are covered separately, but it is worth noting that full courts, successful rep programs and profitable development programs are not an accident. The board has insisted on funding development programs in both good and bad times and the excellent work done by Brad Dalton and the people who work with him in this role can be felt throughout the association.

In the past we have said that we will support innovative programs at the expense of near term earnings because the track record of these endeavors has been excellent. In 2012 we split holiday camps by age group and experience levels, as participant numbers had doubled over five years.

This increased costs with limited immediate incremental revenue. As participant numbers continued to grow through 2013 we began to see the benefits of this decision. We expect to see material benefits beginning this year.

Our Saturday learn to play program, run by Jerome Lee and John Peet, attracted over 2000 children last year, an increase of 50% over the past three years. We expect further growth this year as the value proposition of this service is excellent.

The growth in our women's program has lagged for the past few years. We started a Pink Ball development program in 2013 as a consequence. The first cohort had 48 players, which was well beyond our expectations. Under Jess Snell the program was extremely successful and we actually had to cap numbers due to court availability.

Our Potter League competition, which is run by Brad Dalton, has doubled team numbers over the past five years and continues to be an important feeder for local competition.

Volunteers

Volunteers are a major part of the association, particularly in the rep programs. We have a long standing policy that rep programs must be self funding. This requires considerable fund raising and volunteer effort across a broad variety of tasks. Typically the 80/20 rule applies in volunteering and we continue to try to create an atmosphere conducive to more volunteers, particularly for regularly scheduled events. This appears to be working reasonably well but is an area where further progress is required.

Midnight Basketball

As you may be aware, the Sisters of Charity (St Vinnies) with funding from Pittwater Council began a Friday night basketball program at NBISC three years ago aimed at children determined to be at risk. This is managed by Steve Shortland, our Youth League Div 2 men's coach.

While not directly involved we are providing opportunities for children in the program who wish to play in a local competition but do not have that opportunity through their schools. With assistance from St Vinnies and a State Government grant we hope to have 25 children from the program in our local competition this year at no cost to them.

If we are successful with this program we will attempt to execute a similar program for a separate group with unique challenges in 2015.

Bev Boyd Fund

Bev Boyd was a life member of the Association, and the Boyd family has been long time members and benefactors. Tim Boyd, in whose honor court 1 is named, was an MWBA junior who played in the NBL in the early 1980's. Bev Boyd was a major contributor to fund raising efforts prior to the construction of NBISC.

Bev Boyd left a bequest of \$25,000 to the Association in her will in 2005. The Association has from time to time added modestly to the fund. The money is to be used to help defray incremental expenses incurred by MWBA rep players while participating at a higher level (eg, State or National teams).

Mrs Boyd left no specific instructions as to how the fund was to be administered. What the board has done is use the income from the fund to defray expenses for those who make state or national teams.

With the success of our junior reps and the halving of deposit rates expenditures in the fund are up and revenues are down hence expenditure from the fund has exceeded income for the past two years.

Due to prudent management there remains as much money in the fund as Mrs Boyd bequeathed us nearly 10 years ago. We expect that the fund will have a life of more than 25 years.

NBISC Expansion

We have been working on this process for more than five years. Details of recent progress, which has been disappointing, are covered separately.

Growth

Over the past five years the NSW economy has generally performed sluggishly. Our little corner of it has been exceptionally strong, as the following indicate:

- Over the past five years the **number of registered players has increased by 34%** to 2532;
- Our **team numbers have increased by 23% over five years**;
- Our **revenue has increased by 36%** over five years. This is a function of a deliberate attempt to try to hold (and in some cases reduce) prices. Revenue has been growing at the same pace as player numbers. In real terms revenue per player has fallen over five years;
- Our **margins**, as befits a not for profit with a high level of fixed costs, have **increased by 29%** but remain below 6%. We aim to make about 50c per game; and,
- Our profits have more than doubled and our cash on hand has increased by 90%.

To cope with this growth we have regularly added new positions or new staff and tried to give staff better procedural and technological tools with which to operate. This will continue to be an ongoing effort.

Board

The role of the board has evolved progressively over the past decade. In 2004 the Association lost \$1200 per week and ended the year with \$17k in cash. At the beginning of 2005 we had sufficient cash to cover losses for 14 weeks and limited financial information available. This was clearly not a tenable situation.

The board was radically changed and new management installed. Of particular importance was separating the functions of managing basketball games and programs and managing the financials in a manner that gave the board up to date information.

As the new management team demonstrated its capabilities the board has progressively withdrawn from day to day functions. The board presently functions as an oversight and strategy group and leaves day to day decisions to staff. This is as it should be.

The board consists of one person with 20 years service, three with 10 years service and two with more than five years service. We have only one member with less than 5 years service. This creates two major risks: the board collectively gets stale or there is a period of excessive turnover as long serving members retire.

There is, we believe, a requirement for new members who would bring a fresh and possibly different approach to the Association. We would hope to add one or two members this calendar year.

Conclusion

2013 was another excellent year for the association. We presently expect that 2014 will also be a strong year financially. In the longer term the continued success of the association depends upon the strength of our staff and volunteer efforts. The board must, however, make every effort to access long term increases in court capacity or the association will eventually atrophy.