

Presidents Letter 2016

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.

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. This remains very much a work in progress.

Financial Results

The accompanying accounts are significantly impacted by the NBISC expansion. MWBA contributed to the expansion financially and bore the costs of doing so in seven ways.

First, we gave NBISC \$350k as an equity contribution. This will be amortized over 10 years. Thus when analyzing our profits there is a non cash \$35k charge every year for the next decade;

Second, we prepaid 3982 hours of court hire at a cost of \$227k, or \$250k including GST. Over the next decade this will be deducted from our regular bills from NBISC. It will remain as a diminishing asset on the balance sheet until completed;

Third, we received \$130k in grants from the State Government for the expansion that were directed to NBISC through us. These show up as both revenue and costs in 2016. We also successfully won a further \$30k in grants that went directly to NBISC;

Fourth, during the expansion we had the opportunity to upgrade the supports, hoops and shot clocks on court one for \$34k, an attractive price due to the concurrent installations on courts 5 and 6. We got a grant to fund our half of the cost. The grant shows up as income while the cost will be capitalized and amortized;

Fifth, this year MWBA received a grant to spend \$7k on safety padding behind the baskets. We have also received grants of \$14k to add score benches to courts 5 and 6 and replace those on courts 1-4. The grants will be treated as income and the asset capitalized. These transactions will show up in the 2017 accounts. All grants have been stripped from the accompanying table;

Sixth, MWBA, as is standard in these of situations, paid for fitout of the new upstairs office space. This is likely to ultimately cost around \$15k including a number of storage facilities. These costs have been capitalized and will be amortized as standard capital items. Most of the costs took place in 2016 but there will be modest costs this year; and,

Seventh, as a fund raising mechanism we sold chairs for \$300 including GST, installation and a plaque commemorating the donor. We spent \$15k on the chairs you see around the new courts.

In total MWBA spent \$818k on the NBISC expansion. Of this \$650k came from our own resources and \$168k from grants. We also have acted as guarantor on \$850k of loans that Bendigo Bank has provided to NBISC. This is a material financial contribution to a \$3.4m project. Brian Chapman and Jenny Saggus, our appointee to the NBISC board, provided project management and financial expertise without which the project would not have happened.

A summary of our financials can be seen below.

MWBA Summary Financials

YE 31/12	2009	2010	2011	2012	2013	2014	2015	2016
Sales	864.7	905.9	993.6	1051.9	1114.2	1220.7	1222.1	1229.3
EBITDA	30.7	18.3	27.3	47.0	40.3	89.0	57.7	118.0
Profit	24.4	15.6	24.9	49.1	40.5	90.5	60.3	80.2
Cash from Operations	33.1	14.9	48.4	59.5	43.7	106.2	69.4	121.7
Capex	0.0	0.0	-7.3	-0.2	0.0	0.0	0.0	-374.2
Cash generated	33.1	14.9	41.1	59.4	43.7	106.2	69.4	-479.8
Cash at year end	241.0	255.2	296.3	355.7	398.8	505.0	574.4	94.6
Equity	297.8	313.4	338.3	381.6	422.2	512.7	573.0	653.2
Capital employed	56.8	58.2	42.0	25.9	23.4	7.7	-1.4	558.6

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

First, our **staff** performs at a very high level and has done so for many years. We have to continue offering them a flexible and interesting working environment.

In 2016 they moved office twice, dealt with a major construction project, court outages with limited notice, the largest storm to hit the northern beaches in 50 years, people falling through ceilings, errant nail guns and air conditioning units being tested at 9c. We had exactly zero lost time injuries to staff or players that were not sporting related.

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. The remuneration of the board remained unchanged at \$0 for the year. At a time when a number of high profile NFP's and charities have taken remuneration decisions that have resulted in Government investigations, interventions and criminal charges we take some pride in the fact that all our transactions involve no payments to directors, director entities or family members.

Third, **NBISC** is approaching capacity. In 2016 team numbers increased by 11% to 674. In the first half of this year they increased by a further 12%. At this rate of growth in another 18 months we will have fully utilized the expansion capacity at NBISC.

Artistic Outcomes

It appears to me that we continued to have some exceptional outcomes. The **performance of our Rep teams and players** is covered separately. I would summarize by noting that we continue to bat above our weight in both individual and team success.

I should make mention that five years ago, when our womens program was struggling, Paula Martin and Dave Greenberg began coaching the U12W and U1W4 rep teams. These teams have performed remarkably, winning metro and State competitions and last year winning a national U14 competition. We are seeing this cohort coming through the U16 and U18 teams where we have also had remarkable success at State level.

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.

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

Our Pink Ball development program began in 2013. The first cohort had 48 players, which was well beyond our expectations and the program very quickly became space constrained. We expect further growth now that we have some court capacity.

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

Our camps, which could not be run during construction, have performed extremely well. We are progressively offering a broader scope of services at the camps and expect to see strong growth over the next few years.

Bev Boyd Fund

Bev Boyd was a life member of the Association, and the Boyd family has been long time members and benefactors. Bev Boyd was a major contributor to fund raising efforts prior to the construction of NBISC. Court 1 is named after her son Tim, an MWBA rep player who reached the NBL.

Mrs Boyd left a bequest of \$25,000 to the Association in her will in 2005. 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 collapse in deposit rates expenditures in the fund are up and revenues are down hence expenditure from the fund has occasionally exceeded income over the past five years.

The fund has paid out nearly \$25,000 over a decade. Due to prudent management there is more than \$25,000 remaining in the fund. **We expect that the fund will have a future life of more than 25 years and ultimately assist more than 250 members.**

With a donation from Mary Greenberg we have started a similar fund aimed at helping junior coaches. This award goes to two coaches every year to help offset some of their costs. We have worked quite hard to provide opportunities for coaches at MWBA and we hope to expand our capabilities in funding and training coaches. The Les and Mary Greenberg coaches award is a cornerstone part of this capacity.

Life Members

Over the past decade a number of our life members have deceased and some have left Sydney. In the past we have probably not been terribly effective at keeping them up to date with the happenings at the Association. We have started to rectify this issue and hope to see more of them in future.

We have started to try to give back to these people as we are able and they require. This year we held a fundraiser for David White to help with treatment for early onset Alzheimers. More than 200 people came to NBISC for what was a wonderful evening, raising more than \$25k for an excellent cause.

Bill Goodman OAM was made a life member of BNSW last year. Bill passed away recently having refereed into his nineties.

It should also be noted that Eileen Thompson, one of the original life members at MWBA, turned 80 this year. Eileen still works untold hours in the office and court controlling.

Board

The role of the board has evolved progressively over the past decade. In 2004 the Association lost \$1200 per week on revenues of \$624k 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.

For the past few years the board has primarily focused on the NBISC expansion, in order to enable staff to focus on running the association. In this we have had an extremely active role in funding the project and managing the builders. Jenny Saggus, our appointee to the NBISC board, and Brian Chapman performed yeoman work driving the project.

The board consists of one person with 20 years' service, three with 10 years' service and two with more than five years service. We added two new directors over the past three years and expect to add a new director this year in an effort to upgrade and refresh the board. At present the balance is about where it should be.

NBISC Expansion

Due in no small part to the efforts of Brian Chapman and Jenny Saggus the expansion came in slightly below budget at \$3.34m. This was well below initial expectations due to some fortuitous timing and hard work on design specifications.

As noted we are rapidly approaching capacity at NBISC. We are beginning to work with Northern Beaches Council, the Department of Education and some private groups regarding an expansion.

Outlook

We expected to end 2016 with modest or minimal cash to hand. We did slightly better than we had planned.

We have to progressively fill 50% more court space at NBISC. The cost of NBISC is up to 50% higher than that of the satellite courts, hence both our fixed and variable costs are likely to increase.

As a consequence our margin for error as a business is shrinking at a time when our balance sheet is less capable of handling errors. While we believe we are well prepared to handle these challenges we must be more cautious than in past years. We expect to end the year in a strong financial position.