

Introduction

Firstly, let me thank the members, our staff, and main body committee for their patience in having the AGM deferred from our normally regular reporting month of September, to tonight. The delay has been caused in the production of audited financial accounts to 30 June 2017, resulting from the transition of IFS operating the centre to 30 December 2016, and for the GDTA taking over the club from 31 December 2016, due to current Central Coast Council revised leasing requirements.

This transition has been difficult with the GDTA now having to operate the club as fully operating trading business, and to negotiate with Council in reducing the \$40,000 annual rent that is proposed under the new lease, yet to be signed. We have had to hire staff, utilise members funds for ongoing working capital requirements, rather than funding improvements, establish processes and procedures, and from a finance perspective ensure reporting was accurate and sufficient to detail where members funds were being spent. A finance committee was established with Murray Vaughan, and Peter Campbell, to work with the previous GM Rob Eldridge to ensure proper reporting and standards were carried through. I would like to thank Peter and Murray for their commitment and role in assisting Rob and I, given they were only volunteers.

Current Position

Unfortunately, the club is in a dire financial position. As of last night, we are very close to trading insolvent. The current position is:

Total Payable*	\$72,063.01
Total Receivables**	\$25,525.43
Total Cash on hand	\$55,121.75
Surplus	\$8548.17

Let me make some points in this regard:

- We will be in a better position prior to the next committee meeting to provide a more accurate picture of the position as we keep finding new payables and receivables not recorded.
- This includes a \$32,500 PAYG 2016/17 payment if it were paid in full as at 31/3/18. We have entered into a repayment arrangement over 6 months, on the basis we can meet our future and existing tax obligations.
- This includes a payout to Rob Eldridge as per his employment contract, and one that has been validated by our solicitors.
- Receivables does not include a sponsorship deal the former GM arranged with Brian Hilton to sponsor the current JDS tournaments. We are working with Brian Hilton to seek sponsorship funds.
- Receivables include customer accounts owed to the club totalling \$1200 which in some cases may be non-recoverable.

I will be the first club treasurer to report a significant loss of \$77,673 for the 12 months to 30 June 2017 after depreciation of \$15893. To put this in perspective given the new trading operations, for the first 6 months – 1/7/16 to 30/12/16 when IFS provided a monthly licence commitment to the GDTA, the club had made a profit of \$1575 after spending \$37,071 on improvements.

The main causes for this loss were:

- **Salaries and Superannuation** - \$200,026, which included the General Managers position commencing in October 2016 to cover transition costs and contractors.
- **Lower than forecast revenues** of \$245,557 with March 2017 having a significant impact through wet weather, a loss of over \$25,000 was incurred.
- **The changes from the original tender document business plan** where membership was replaced with walk-in pay as you play for the majority of products we offer.
- **The time taken to build up coaching levels and revenues.** I estimate a loss of \$8,508.23 including motor vehicle, equipment, workers comp, insurances and other incidentals.
- **The cost in hiring our head coach**, Nathan Healey which included a salary, fully maintained vehicle and telephone.
- **The set-up of accounting systems** software, employing a book keeper, and additional time spent with accountants.
- **One – off costs** such as legal, and the purchasing café and pro-shop stock for set up.

Clearly from this result the business was not sustainable, and the committee had contemplated that we would hand back the keys to council, unless we could turn the business around quickly. As such, from 1 July 2017 we undertook the following:

- **Murray and Peter undertaking a forensic review** of where we could reduce costs and improve revenue
- **Immediately reducing wages**, and I want to acknowledge Rob for reducing his salary at the time, and the work he did to assist in this regard.
- **Reviewing margins** across all products
- **Reduce operating hours** at the centre that staff were required. Sunday was an example of this.
- **Extending our current lease** with Council to avoid paying the \$40,000 annual rent under the new licence agreement.
- **Reviewing processes and procedures**
- **Selling the motor vehicle, and Nathan's decision to move to Wyong.**

As at the 31 December 2017, unaudited P&L's highlight a loss of \$17,759, a significant improvement, however one that re-affirms the unviability of this business, and one for the upcoming committee to decide again whether they should consider handing the keys to council at the end of this extended current lease. The insolvency issue I raised earlier in this report, will be the trigger point for this action to occur.

Where to from now?

Now that we have had 18 months to understand how the business works, and for myself to go into the role as Acting GM in a volunteer capacity, it is incumbent of the new committee to work through several area's I would be recommending for implementation:

1. To press the reset button on how we operate. Our numbers confirm that as a business we cannot afford to have a full-time General Manager until we improve our bottom line at the current cost of \$54750 including super, and as such unfortunately we had to stand down Rob Eldridge for this reason, and I have replaced Rob as mentioned in a volunteer capacity.
2. Jackie De Vivo commenced approx. 4 weeks ago undertaking the role of admin and book keeping, at a much lower cost than third party providers and reporting directly to the committee. Other roles will be based on casual or permanent part-time positions.
3. Review all operating costs and cut where we can. From Term 2 there will be no accounts on credit, only on a debit basis – such as an Opal Card where you will need to top up once your balance hits a low value.
4. Under our lease conditions, we are required to employ coaches who work on premises. I am currently undertaking a review of all programs to determine if they are profitable and seeing where we can work with coaches to reduce wage, super, admin support, workers comp, and marketing costs.
5. Review of product costs and margins across all segments – café, pro-shop, coaching, competitions, court-hire, and holiday camps.
6. Introduce new competitions at a profit and being supported by sponsorship. An example of this is local non-sanctioned tournaments and the revitalisation of the club championships.
7. Target a figure of \$50,000 for sponsorship
8. Introduce an annual membership fee for 1 July 2018 to 30 June 2019, which I am recommending tonight in a separate motion.
9. Recommend for other TA accredited coaches not employed by us to use our courts for private and squad coaching.
10. Introduce with membership a tax-deductible donation program to assist with member improvements and court upgrades. A target figure of \$20,000 comes to mind.
11. Introduce a one-off annual fee for social players to cover insurance costs charged at the affiliation level. This is also recommended under a motion tonight.
12. Increase involvement by volunteers for working bee's, BBQ and tuckshop duties, and tournament support to reduce salary costs. I would like to acknowledge Mick Courtney tonight for the work he has done over the past week in updating repairs and maintenance. I hope you have seen some of these changes.
13. To negotiate with Council in reducing their \$40,000 annual rental fee.
14. Have Jackie manage future grants applications and follow through with Council.

I would welcome other suggestions to help generate cash flow or reduce our costs from those here tonight and our current player registration base.

We need to change urgently and if we don't, this club will either exist in the hands of another provider, or under Council management. We owe it to our staff and the

members to make this work and it is my job, to make this work. I am only doing this because I love playing tennis and it has an emotional family and historical connection, however my objective is to make my own position as Acting GM redundant.

I table this report tonight for sign-off, and as a recommendation I will not be tabling honorariums to assist in our current cash flow position.

Thank you again to our members, and I hope we have the ability to turn this around quickly and trade solvently over the next 12 months. I would expect that at our next AGM in September 2018, I will be reporting a better outcome.

Tony Haworth
Treasurer - GDTA

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