

National Trust of Australia (New South Wales)

Treasurer's Report to 2011 AGM

26 November 2011.

The many parts of the Trust

The Finance Team

Overview of Results

Results Year to 31 October

National Trust of Australia (New South Wales)

Treasurer's Report to 2011 AGM

26 November 2011.

The Many Parts of the Trust

The Trust is a large complicated collection of over 70 different entities who demand separate accounting. It includes:

- 16 Branch Committees;
- 15 Friends of Properties and Fund Raising Committees;
- 18 Museums and Galleries;
- 13 Other properties; and
- A Bush Care Business; and
- 8 active Board and Technical Committees.

These operations are supported by a staff of 49 full time equivalents (FTE's) 28 FTE are based here at Observatory Hill and 21 FTE's are located at Properties, Museums and Galleries.

The Finance Team.

The Finance Department is comprised of the Finance Director/Public Officer and approximately four FTE's. They prepare monthly financial statements for each of the many properties, committees and branches plus consolidated financial statements which are presented to the Finance, Audit and Risk Management committee of the Board (FARM) each month before they are then presented to the Board. The system is complex so we have commence a review aimed at changing some of the time consuming processes.

National Trust of Australia (New South Wales)

Treasurer's Report to 2011 AGM

26 November 2011.

The Finance, Audit and Risk Management committee of the Board meets every month (and since June often twice a month) to:

- review the results for the month, consider the annual budget and review the revised forecasts and investment portfolio quarterly (Finance);
- review the annual financial statements and meet with the External Auditor (Audit); and
- consider the risks facing the business such as OH&S and public liability risks including policies and processes to mitigate these risks (Risk Management).

FARM comprises 3 Directors, The CEO and two non Director members who are long standing Trust Members with significant accounting and business expertise who provide an independent perspective. The Finance Director and the Accountant attend each meeting.

National Trust of Australia (New South Wales)

Treasurer's Report to 2011 AGM

26 November 2011.

The audited Financial Statements show a loss for the year of \$133,642. This however disguises the "real" net loss of \$1.6 million and an operating loss (before Investment income and bequests) of \$2.9 million. The reason for this difference is Jobs Grant Income (Stimulus Grants) of \$1.46 million that had to be recorded as income to comply with accounting standards. The corresponding expenditure on property improvements was capitalised. A small amount (\$146K) will be expensed as depreciation over future years. The cash however, has been spent in 2011.

Now Let us look at ongoing operations

Overview of Results for 2011.

	2011 000's	2010 000's	% Increase/ (decrease)
Membership	775	764	1.4
Museum visits and Merchandise	1,140	1123	1.4
Fundraising	785	887	(11.5)
Enterprises	554	765	(287.6)
Donations	394	438	(10.0)
Sponsorship	323	404	(20.0)
Grants	312	229	36.2
Investment Income	799	677	18.0
Bush	1,604	1,710	(6.2)
Ongoing Revenue	6,686	6,998	(4.5)

National Trust of Australia (New South Wales)

Treasurer's Report to 2011 AGM

26 November 2011.

Bequests	492	1,948	
Sale of Property	0	3,194	
Jobs Fund Grants	2,900	1,756	
Total Revenue	10,078	13,896	
Bush Salaries	1,001	1,149	(12.9)
Other Salaries	4,690	5,310	(11.7)
Cost of goods sold	324	332	(2.4)
Other Costs	2,757	3,084	(10.6)
Ongoing Costs	8,782	9,875	(11.2)
Job Grants Spent	1,440	1,756	
Total Expense	10,212	11,631	
Net(loss)/ Profit	(134)	2,265	

As you can see from the continuing income figures The Trust has limited funding that can be used to provide the centralised services that support the Branches, Museums, Galleries, Other Properties and the fundamental purposes of the Trust, "Conservation, Advocacy and Education". The cost of performing these activities significantly exceeds the continuing income streams and provides no avenue for new activities and programs that the Trust would wish to initiate.

The Trust is asset rich but cash poor and some of that cash has restrictions on how it can be used.

The philosophy that the Trust would like to follow is to make an adequate operating profit so that the investment income and bequests are invested to build the capital base. This fits with the desire not to have to sell assets to provide cash.

National Trust of Australia (New South Wales)

Treasurer's Report to 2011 AGM

26 November 2011.

Unfortunately this has not been possible because the income streams do not support the Trust's cost of operation.

Last year we expressed concern at the underlying loss being made by the Trust and advised that the Trust was working to halve the loss in 2011 and halve it again in 2012 and be at breakeven by 2013. The aim of being at breakeven by 2013 has not changed. The method of getting there has however changed. As we progressed through 2011 we found that whilst expenses were being kept in line with budget income was falling short of budget. The new revenue sources, e-Commerce and sponsorship were not anywhere near original projections. At the same time traditional sources of income were barely keeping up with the prior year. This in part reflects the reduction in retail spending by consumers and the reluctance of government and business to provide sponsorship funding to not for profit entities. In addition any funding that was available was increasingly accompanied by either a need to provide matching amounts from our own resources or a restriction that required it to be spent in a particular way.

Some progress has been made to reduce the operating loss from \$3.6 million in 2010 to \$2.9 in 2011. This reduction coming from the reduction in staff in late 2010 and keeping expenditure in line with budget, the strategy to increase income from new income sources has not worked. This has meant the Trust has had to take further

National Trust of Australia (New South Wales)

Treasurer's Report to 2011 AGM

26 November 2011.

steps to reduce its cost base and to try to find a viable business model.

That is the overall picture if we know look at the result by operation we find:

Operating Loss by Activity.	Contribution (Loss)/Profit
Fund Raising	352,177
Branches	23,330
Properties, Museums and Galleries	(698,198)
Bush Management	110,427
Support Services	(2,649,218)
Operating Loss	(2,884,812)

Support services includes, Finance and Administration, Advocacy, Archives, Collection Management, Conservation, Communication and Community Engagement, Grants Management, Magazine, Membership Services, Property Administration, Public Relations and a number of other activities.

Not all expenses related to Fund Raising, Properties, Museums, Branches etc are allocated, notable ones being Insurance and property management so the real loss from these operations is higher than shown above.

National Trust of Australia (New South Wales)

Treasurer's Report to 2011 AGM

26 November 2011.

As a result there was a further reduction in head count in August this year pending a detailed review by the Board.

Results year to 31 October 2011.

Given the financial position at the end of June, the Board has taken a view that it is appropriate to report to the membership at this AGM the current financial position as at the end of October 2011.

The operating loss year to date is \$1.230 m compared with a budget loss of \$997k and a loss last year of \$814k. The current year loss includes redundancy cost of \$157k . Income is down on budget and last year and expenses are less than budget and less than last year.

Whilst membership income is in line with budget and last year, visit income is down 11.6 % but visitors are not spending as retail sales and merchandise income are way down on budget and last year (31.8 % on last year) reflecting in part the general economy. Rent is also down because we lost a tenant at Juniper Hall. Donations are down but appeals have stayed about the same. Sponsorship is down significantly while fundraising is holding up and Venue hire is well up but is still only small.

National Trust of Australia (New South Wales)

Treasurer's Report to 2011 AGM

26 November 2011.

It is very clear that the Trust cannot continue on this trajectory. Ian will now explain the steps the Board has taken to stem the losses.