

## **FREEMAN ASSOCIATES LIMITED**

### **RESULTS OF HIGH LEVEL, INDEPENDENT REVIEW OF NZ TAG FOOTBALL**

The need for a review was initiated following the Junior Oceania Cup held at Bruce Pulman Park, Papakura from 19-21<sup>st</sup> March 2021.

At that event there were some organisational difficulties which resulted in negative feedback and claims from some participants that finances were not being properly managed, and tournaments were being run at a huge profit (at the expense of participants).

This high-level independent review focussed on the following:

1. An analysis of the Statement of Financial Performance and Statement of Financial Position over the last five years to see if there are any anomalies in accounting transactions or variables that need further enquiry.
2. If there are anomalies or variables to seek explanations for those and provide commentary on the reasonableness and integrity of the responses.
3. To look specifically at the cost structure and revenue generated at the 2021 Junior Oceania Cup and more generally at cost structures for other national events organised and delivered by NZ Tag Football.
4. To provide independent commentary on whether the event costs at the Junior Oceania Cup in 2021 are reasonable and consistent across other events hosted by NZ Tag Football.
5. To raise any other issue or matter that arises while undertaking the review.

#### **Review Outcomes**

1. It took an excessively long time to secure the financial information required to undertake the review. The starting point was 12<sup>th</sup> May when the review terms of reference were submitted until 6<sup>th</sup> August when the 2019 Financial Report was received, which was essential to complete the review.
2. The lengthy timeframe for production of financial information was queried with NZTF who advised they have appointed new accountants to enable them to provide timely and accurate financial information.
3. An analysis of the Statements of Financial Performance and Statement of Financial Position during the period from 2016 to 2021 did not provide any evidence of anomalies in accounting transactions or variables that needed further enquiry (see copy attached).
4. There was factual evidence that NZTF has turned around significant losses on trading activities (events including the Junior Oceania Cup) to a position where significant profits are being generated (a net \$113,418 loss was incurred in 2018 and a \$115,000 profit in 2021).

5. Income generated from grants is significant, with \$236,412 generated in 2016, to settle at \$195,000 in 2021, consistent with \$194,331 generated in 2020. The annual grant applications are primarily completed through the goodwill of a volunteer.
6. A Net profit of \$100,000+ has been achieved in the last three years (2021, 2020, 2019), enabling NZTF to build up net current assets of \$357,552 in 2021 as shown in their balance sheet.
7. Budget and actual information for events was also difficult to obtain but after a lengthy delay was received for 2021 Junior Oceania Cup, Senior Tag Nationals and Junior Tag Nationals.
8. The delays were queried with NZTF who advised this was caused by having insufficient staff resource to enter the actual income and expenditure into a spreadsheet to provide accessible information. They understand the need to provide timely and accurate information and will address this.
9. It was also not possible to determine whether the budgets for events were created post-event or as part of pre-event planning. Assurances were given by NZTF that budgets were created as part of the pre-planning. Variances between budget and actual were explained as estimates made but the final cost or revenue not known until quotes were received and outcomes of grant applications were known.
10. The projected 2021 Junior Oceania Cup budget shows anticipated income of \$325,900 against actual income of \$357,129. Projected expenses were \$259,115 against actual expenses of \$278,741, with an actual profit of \$78,388.
11. The projected 2021 Senior Tag Nationals shows projected income of \$191,400 against an actual income of \$146,818. Projected expenses were \$120,010 against actual expenses of \$108,278, with an actual profit of \$38,541.
12. The projected 2021 Junior Tag Nationals shows projected income of \$146,000 against an actual income of \$231,568. Projected expenses were \$146,060 against actual expenses of \$155,470, with an actual profit of \$76,098.
13. The finding is that the event costs at the Junior Oceania Cup in 2021 are reasonable and consistent across other events hosted by NZ Tag Football.
14. The question arises as to whether the profits generated from these events are excessive given the \$100,000+ profit generated by Tag NZ over the last three years.
15. NZTF has advised they are building reserves as a buffer against the uncertainty around grant funding, with a need to be self-sustainable. Grant funding for events is directly linked to expenditure (money in, money out) so all the profit on events comes from entry fees.

16. NZTF agree that some people might view producing \$100,000 profit per annum over three years, as being excessive. If grant funding of \$150,000 per annum continues over many years, then this will hold true. If grant funding reduces then the funds held will provide a buffer against future losses.
17. The question arises as to whether it is reasonable to expect attendees at events to enable NZTF to generate profits of \$100,000+ per annum, and what would happen if grant funding failed to meet targets in future years (in which case budget items funded by grants would need to be funded through entry fees).
18. Discussion took place with NZTF about the need to have a clearly defined and clearly communicated Reserves policy. For example, it is not unreasonable that NZTF build a reserve of 50% of their annual operating costs (currently around \$100,000). This is money that sits in the balance sheet and kept for use in the event of a crisis (e.g. a pandemic) when no activity can take place but staff can continue to be employed and normal day to day operating costs can be met.
19. Regardless NZTF has decided to reduce non-competition grade fees for the Junior Oceania Cup and offset this reduction by increasing the fee for competition grades. This decision has been communicated to the membership and I am advised this decision is supported by the membership. Competition and non-competition grades will be played at separate times, increasing the number of playing days from 3 to 5. This will result in increased costs for equipment hire, staff costs, venue hire and other material costs (and presumably produce a lower profit).
20. Tag NZ has expressed concern about poverty of staffing resources to properly manage NZTF, with heavy reliance on the goodwill of volunteers. NZTF has not moved to employ additional head office staff from its profits, believing that they cannot commit to permanent employment because of the uncertainty around profitability.
21. The advice I have given to NZTF is to employ a person on a fixed term contract, with continuation of employment subject to NZTF being in a financial position to continue the employment (a contract for service is an option). The person they want to employ is on placement with NZTF and has specialist IT skills and able to set up systems and processes that will streamline their operations.
22. Discussions took place with NZTF about their relationship with College Sport. The advice given is that College Sport and NZTF has always partnered in delivering the tag programme in Auckland. College Sport invoice NZTF for 50% of the cost of the programme, around \$2,500 per annum.

23. Discussions also took place with NZTF about their involvement with the AIMS Games. NZTF advised there is no alternative but for them to organise and deliver a Tag programme at the AIMS games (other than to have no TAG football offered at this event). The cost is around \$15,000 per annum.

**Conclusions:**

- a. NZTF is doing their best, with limited resources, to fulfil their objects. The organisation is young and evolving. The current approach of building reserves to enable them to be sustainable if grant funding reduces is wise.
- b. Large profits from events are being generated but if grant funding were to reduce in future, then the situation could rapidly change. Fees for events should be reviewed after five years of building profits (if this in fact occurs) to see if changes to entry fees need to be made.
- c. Communication with their membership e.g. to reduce the fee for non-competition teams and increase the fee for competition teams at the Junior Oceania Cup, will likely reduce dissatisfaction that has been expressed about tournaments being run at a huge profit.
- d. Effective communication on an ongoing basis, changing the accountant, and a transparent Reserves Policy will also help alleviate concerns expressed by members around proper management of finances.

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13<sup>th</sup> August 2021