

## FINANCE Q & A's

1. **Note 4. Revenue increase is as result of inclusion of an amount "WAHO income" of \$134,074, otherwise it is a decrease of \$83,675. As WAHO was held after year end in 2019, please provide a description of each item income and why there is no performance obligation for the purposes of AASB 15. If it is donations, please provide details of who the donations are from.**

*WAHO income recorded in FY18 relates to – Donations - \$86,820 from Overseas donors made by organisations with no contractual obligations either written or verbal. Advertising Income (book) - \$47,254. WAHO tours receipts included as prepayments*

2. **Note 5. The increase in cash of \$123,981 is presumably as a result of the "WAHO income". If not, please explain the source of the cash.**

*WAHO donations above and WAHO booking/entry fees.*

3. **Note 6. Trade receivables have increased from nil to \$22,629. What do these relate to?**

*Relates to amounts outstanding at year end for WAHO bookings.*

4. **Note 7. Inventories have increased by \$60,365. What does this relate to?**

*The balance recorded as inventory on hand as at 31 December 2018 included the recently printed History Book and promotional merchandise e.g. Portfolios, badges, hats, pens, magnets, wristbands and jute bags. These items were valued at cost and are available for resale through the AHSA office. A number of these items of inventory have already been provided to WAHO participants as promo items. Some of the merchandise will be used for promotion and for sale.*

5. **Note 8. The interest rate on the cash held is 2.4%. What steps have been undertaken to investigate optimum investment strategies to increase the return and what options are under consideration.**

*The board does not want to jeopardise the member's funds by investing in high interest - high risk investment, so the society funds are held in term deposits with the interest rate being negotiated at each maturity date to gain the best rate for the best term. This interest is significantly higher than has been realised previously when not invested at all.*

6. **Note 9. Prepayments have grown by \$73,153 to \$96,516. What does this represent?**

*Relates to FY19 insurance paid in advance and venue booking for WAHO*

7. **Note 9. What are WAHO prepayments on \$17,974**

*Travel costs for facilitators and printing costs for WAHO event paid prior to yearend.*

8. **Note 10, Computer equipment and software has increased by \$117,412 to \$233,636. What was the breakdown of the expenditure and what procurement process was undertaken for such a significant spend? What ongoing software payments are required, if any?**

*Investment in new computer systems and ongoing upgrades, enhancements. Also, the building and implementation of the new show program, enhancements, fixes etc. No ongoing software contracts, however, there will always be a “wish list” of enhancements and refinements to be actioned. Industry representatives were contacted for recommendations which were assessed prior to awarding the works.*

**9. Note 11. Trade payables have increased \$72,166 to \$74,166. What does this relate to?**

*\$65,833 relates to FY19 insurance. This increase is as a result of the recognition of commitments that have not physically been paid as at the 31 December 2018. This amount is dependent on the information from creditors which is provided to the AHSA prior to the end of the financial year. Account that were received and paid in December 2018 but did not clear the bank until January 2019*

**10. Note 11. Revenue in advance has increased by \$127,763. What does this relate to – some is memberships, and some is likely WAHO. Please split by category.**

*\$105,959 relates to WAHO income in advance. Remainder relates to membership and championships in advance.*

**11. Note 17. I presume the reference to Lease commitments is incorrect and all leases are in fact operating leases. Could you please confirm.**

*Reference to “finance” is incorrect. Lease is operating lease.*

**12. Note 17 Why have the lease commitments increased by \$43,598 to \$104,123.**

*New lease agreement was entered into and the old lease terminated. The lease commitments disclosed in the 2018 financial year are for a full 5-year period, while the 2017 lease agreement was due to be completed in the next 2 years. Helen approached the printer company with regard to increased printing costs and consequently was able to negotiate a better contract and the termination of the old lease at no cost to the Society.*

**13. Detailed Profit and Loss. Why has insurance income decreased by \$67,192 to \$11,526. Insurance expense is \$59,254 indicating a loss on insurance of \$47,728. This is clearly incorrect.**

*The nature of the transactional details provided from the payment portal have resulted in difficulties splitting the insurance and membership payments. The payment portal was introduced in late 2017 and the majority of the membership payments were not made through the payment portal until 2018 membership renewal process took place. The income classified as insurance income in 2018 is the amount paid via cheque, credit card or in cash and not via the payment portal. No loss has been incurred on the insurance transactions.*

**14. Detailed Profit and Loss. What is included in sundry income of \$32,381, an increase of \$25,940 from last year.**

	<b>2018</b>	<b>2017</b>
AHSA Auction income	\$18,400	\$1,214
JEC Income (grant)	\$13,732	\$5,075
Postage	\$158	\$152
Tuition (2 x Judge applications)	\$91	\$0
	<u>\$32,381</u>	<u>\$6,441</u>

**15. Detailed Profit and loss. Why have internet expenses increased by \$7,271 to \$8,213?**

*\$7116.20 of the increased Internet Expenses were incurred for the build of the WAHO website the balance AHSA website changes. From a job costing perspective costs have been allocated to the WAHO job cost in MYOB but have been classified as Internet Expenses for the purposes of the Financial Statements.*

**16. Detailed Profit and Loss. Why have Judges Executive Committee expenses increased by \$10,506 to \$16,802. In 2016 the Judges Executive Committee expenses were \$33.**

*The cost saving to the Society provided by the Judges & Officials Guild was a saving in Board time. A reduced Board time also provides the potential of reduced meeting time and the associated expenses such as accommodation. A \$15,000 start-up grant was provided to the Judges & Officials Guild and the balance was for new judge badges for upgrades and new judges. Hence the increase in expense for 2018. The Guild as at the 31/12/18 still had a bank balance of close to \$15,000.*

**17. Detailed Profit and Loss. What are Purchases \$3,696. \$27 in 2017.**

	<b>2018</b>	<b>2017</b>
Merchandise	\$0	\$22
Promotions	\$3,787	\$0
ROM	\$182	\$5
	<u>\$3,969</u>	<u>\$27</u>

**18. Detailed Profit and Loss. What is the increase in subscriptions and memberships of \$12, 417 to \$15,996.**

*Renewed membership to Australian Horse Industry Council \$1000. This had lapsed for a couple of years but was felt to be necessary to keep abreast of any biosecurity issues in the future. Company subscrips for the new Judges & Officials Guild and Events Company \$600 each and further subscription increases relate to the computer updates such as Windows, Office, Adobe etc., for the online gateways that have been provided for member convenience, for Cloud storage and for Paypal (necessary for the payment portal)*

**19. Detailed Profit and Loss. What is the increase in WAHO expenses of \$33,411 to \$41,664?**

*Annual fees and foal levies \$4200.00 and balance made up of deposits on venue hire and accommodation for WAHO*

**20. Detailed Profit and Loss. What is included in other expenses of \$14,510.**

*Consumables \$1782, AGM Expenses \$3004, Archives \$100, Xmas Party Staff \$800, Hire Board Venue \$591, Awards \$371, Licence fee & Permits \$4104, Refunds General \$1835 credit, Stud Boards \$3070, Sponsorship \$635, Internet connections and Measuring Stick \$1313, Dishonoured Chq Amount \$55, Dishonoured Chq Fee \$9, Donations \$511*

**Part 2 of Questions**

- Note 2 Please confirm that all revenue is recognised as described in Note 2 to the accounts, that is, revenue from contracts with customers is only recognised at the time the performance obligation is satisfied, revenue from the sale of goods is only recognised when the customer obtains control of the goods and contract from the provision of services is only recognised when the services are provided.**

*The financial statements have been prepared in accordance with the Accounting Standards described in Note 2. All reasonable efforts are made to ensure that revenue relating to contracts with customers is only recognised at the time the service is realised and that sales of goods and services revenue is recognised on the receipt of the good or service by the customer.*

- 2. Please confirm whether any amounts have been accounted for on a receipts basis, and if so, why and describe the application of the accounting standard that results in that outcome.**

*Only two sources of income were recognised on receipt being WAHO donations and WAHO advertising in the history book as outlined in Q3 below..*

- 3. Please separately answer question 1 and 2 in relation to the WAHO income of \$134,110 and any amounts in relation to the 2019 Australian National Championships contained within the Net Profit from Championships of \$78,555 as both events took place in 2019, not 2018.**

*Refer to Q1 from your first list of questions – the WAHO income included a donation from overseas sources made when WAHO was announced and with no solicitation from AHSA, no contract either written or oral exists for these funds. The balance of the income described at WAHO income relates to funds received in relation to advertising in the history book which was officially released at WAHO but was available as inventory for sale at 31 December 2018. The net income for the annual Championships relates to the Australian Championships event held in March 2018, the Youth Championships event held in September 2018 and payment of fees for 2019 Australian Championships*

- 4. Please provide the breakdown of the income and expenses contained within the Net Profit from Championships of \$78,555.**

*Income \$246875 Expenses \$168320 – Profit of \$78,555 is total profit for Championships and Youth Championships - Including \$36,054 for 2019 Championships*

- 5. Net Profit from Championships have varied from year to year as follows: 2015 \$8,203, 2016 \$16,639, 2017 \$39,815, 2018 \$78,555. Please explain the reason for the dramatic increase in profitability of in 2018 and whether this increase is sustainable. If so, what consideration has been given to reducing the high costs to competitors in these tough economic times.**

*The increase in profit for the 2018 Championships was a direct result of the committee of both the National Championships and the National Youth Championships success in obtaining significant amounts for sponsorships and donations for both shows. For the 2019 Championships, the level of donations and sponsorship was significantly less potentially due to economic and drought conditions previous sponsors and donators have been experiencing and funds directed to WAHO. Given this uncertainty in the potential revenue for these sources of funds, it would be irresponsible to include the previous levels of sponsorship and donations in the calculations of entry fees.*

- 6. I note that the profit made by the Company is due to the WAHO income of \$134,110 and the increase in Profit from the Championships of \$38,740. Absent these two items, the result would have been a loss of \$10,905. What was the overall profit or loss on WAHO and the 2019 Championships and what actions are being taken in relation to the financial position in 2019?**

*At the physical completion of each of these events, there remains the finalisation of financial items including the receipt of any outstanding invoices from providers before these profits or losses can be calculated. Both the staff and event directors have had limited time available to work on the preparation of the overall financial results for these events due to commitments during the actual events and the increased work load leading up to the AGM, relating to preparation of the various reports that need to be produced. These calculations will be the focus now the actual Australian Championships event has been completed and once the work for the AGM wraps up. The profit does include WAHO revenue of \$134,110 (being the donations and history book advertising income). Accounting standards require this to be reflected in the 2018 year even though it has resulted from the WAHO 2019 event. There was an increase in the profitability of the Championships for 2018 and it is reflected in the profit. The new accounting standards do not allow you to match income and expenses and you will therefore see fluctuations in profitability.*

*As details of the financials for both these events will be provided in the 2019 Audit it is not appropriate that they be including with this report. The events company prepare budget estimates for each event that represents an understanding of the scope and expense of what needs to be done. Running events has items that are predictable however also provides many variables i.e. number of entries/attendants, amount of sponsorship gained. At this point it appears that the Championships will have a small profit and WAHO a small loss. It should also be remembered that all events are considered in the Events Company profit and loss.*