# FINANCIAL MANAGEMENT

# OVERVIEW

One of the most important aspects of club sustainability is financial management. In short, the board or committee’s role is to keep members well informed of the results of its activities and *account for all monies*. Whilst responsible financial management and record-keeping are integral to club governance, many clubs find this challenging. This could be for several reasons; poor record-keeping, previous management, gaps in spend, poor financial policies or financial procedures, deviation from budgets, and/or lack of skill capability from the club’s board or committee in safeguarding the club's finances.

To manage finances efficiently, clubs need to:

* Determine resources
* Cost needs
* Set a budget and allocate funds to programs and initiatives to support the club's mission
* Administer the organisation's finances
* Monitor and report progress against the club’s budget

In sporting clubs or social groups, the treasurer usually has little professional support and tends to fulfil most of the jobs listed above. The treasurer should have a good working knowledge of managing finances and realise that the position may require a lot of time and dedication. If duties are not shared, it is encouraged that clubs seek external help either through a bookkeeper or accountant. It is important to ensure that the treasurer is not overburdened, as burn-out can occur and lead to disenchantment.

In particular, the club’s treasurer is responsible for the day-to-day management of the organisation's financial resources and establishing procedures. It is the treasurer's duty to administer funds. The treasurer's responsibilities include:

* Maintaining financial records
* Organising bank accounts
* Accounting for all money received
* Accounting for all money spent
* Adhering to the organisation's terms and conditions of business (payment of bills, contractual arrangements)
* Banking money
* Signing off on outgoing expenses
* Preparing monthly/annual financial statements
* Preparing books for audit
* Drawing up the budget for the board

Although the Treasurer carries greater burden in monitoring club finances, it’s important the club’s committee or board understand their responsibility in ensuring the club’s financial sustainability. This module covers some of the key areas of financial management including; financial terms, record keeping, budgeting, and identifying ailing finances. For more in-depth information on club financial management, sporting clubs can visit:

* Community Directors: <https://communitydirectors.com.au/tools-resources/community-finance-centre>
* Club Help: <https://www.clubhelp.org.au/club-finances>

# BUDGET

For sporting clubs to plan a year of playing, running events, supplying equipment (etc), clubs need to know if these plans can be funded.

Knowing how much money is available and allocating it accordingly gives sporting clubs a clear picture of where it sits financially, at any given stage. Often, sporting clubs will budget according to expected incomings. Although forward budgets stop organisations from falling unnecessarily into debt, it’s important all new initiatives are planned and organised, when there is *real* money available to fund the exercise. Organisations that continue to overspend will eventually fold, so sensible budgets are essential for success.

Budgets generally coincide with financial years, and so usually commence on July 1. Planning for a budget starts earlier - how early depends on the size of your sporting club, the amount of money you turn over each year, and the amount of time generally taken to prepare the budget. You should aim for the board or committee to sign off on the final budget by June at the latest, so all changes can be implemented for a July start. Budget’s cover two main items areas: Expenditure and Income.

Expenditure might include:

* Rent/Facility costs
* Salaries (i.e. coaching fees)
* Bills - electricity, rates, telephone
* Stationery
* Equipment
* Insurance
* Marketing/advertising
* Printing
* Travel

Income might include:

* Membership
* Grants
* Fees
* Donations
* Sales of goods and/or services
* Bequests
* Annual fundraising events
* Sponsorship

When setting the new year's budget, clubs can analyse the previous year's budget. Using past- experience as a guide is useful to inform spending according to the organisation's 12-month business plan. However, it’s also important to consider any expected cost increases that may occur (e.g. wages, electricity, etc). One simple method of doing this is to apply an escalation factor to a previous year's results. Remember, you're not costing what you did last year, or even what you're doing now; you want to know what it will cost to deliver the objectives set out in your strategic plan.

Preparing a budget involves making educated guesses on what costs and income will be. It is always best to be conservative when estimating your income and realistic when estimating your expenditure. If you over-estimate your revenue and take on programs or costs in the anticipation of this increased revenue, then danger may be just around the corner. Extra funds are a bonus, too little could spell disaster.

It is also important to monitor your budget to keep on track. A comparison between budgeted expenditure and actual expenditure should be completed each month and discussed at board or committee meetings. For more information on preparing a budget, you can read: <https://communitydirectors.com.au/help-sheets/preparing-a-budget>

**PLAN AHEAD**

While a budget serves a short-term (12-month) function, financial planning allows organisations to look ahead, anticipating spending and income for the next three to five years. When building budgets, it’s worth considering what a three to five-year financial plan (and budget) could look like. To do this, organisations need to:

* Develop contingency plans (for example, anticipate any funding sources that may dry up, and identify other sources of potential funds)
* Plan for future events and programs and determine how much money will be needed to support them
* Set financial goals - profit margins or reinvestment strategies
* Analyse your services and identify relevant grants your club could apply for

**TIPS**

When managing your budget, clubs should be on the lookout for methods that can better utilise resources. Here are some areas to consider:

* Reduce bank fees. You can do this by making fewer transactions and running accounts that suit your club’s needs, or consolidating your accounts into one
* Consider internet banking
* Make use of the expertise of members/supporters before seeking financial/legal/tax advice
* Source the best insurance package to suit your sporting club. Why pay for extras that are not applicable to your group's activities? Seek alternative quotes.

**DEVELOPING A BUDGET**

A template is included in the appendix of this document.

# RECORD KEEPING AND REPORTING FOR CLUBS

Poor record-keeping can be one of the biggest risks to a club’s financial management. A computer system is not a substitute for paper records. Clubs, like any organisation, need to have a proper audit trail. In addition to this, club’s need to ensure they make regular back-ups of computer records. Hard drives do crash, and data does get lost.

Very small organisations (like some sporting clubs) can get by with what's called 'shoebox' accounting; with all accounts kept in a box or filing cabinet. Try to organise your material into folders, large envelopes or separate compartments of a folder for separate items such as:

* Correspondence
* Bank statements
* Outstanding bills
* Paid bills and receipts
* Asset file with instructions and guarantees
* Lease file for equipment and rental hire
* Insurance
* Cash book - record of your cash receipts and payments
* Statutory information - constitution, budget and minutes

One step up from shoebox accounts is a ledger or a journal of income and expenditure. You can use books for ledgers, develop your own spreadsheet or use commercial software. Information in ledgers will include:

* Date
* Receipt number (if appropriate)
* Who was paid?
* Who paid the money?
* Purpose
* Account
* Amount

You will need to organise your income and expenditure by category. Let's look at the most common types of ledgers - assets, liabilities, equity, and income and expenditure.

You may also have separate ledgers for large projects and fund-raising events.

**TRACKING THE CASH**

When receiving cash, you will often provide people with receipts (standard receipts books are available from newsagents or stationery shops). While receipts are not always appropriate, you should count the money at the end of each event (or at regular intervals) and record how much you have collected and what it was for. Here are some tips for tracking cash:

* Count and bank cash promptly (many ATMs take deposits after hours).
* Never pay wages or expenses from cash waiting to be deposited
* Keep a petty cash box for small items such as stamps and parking (keep an upper limit on how much can be spent on any one item - above that figure, pay by cheque or online banking transfer so you have a record). Petty cash should last a month and needs to have enough so you don't run out, and not too much that it becomes a security risk. Document all petty cash spending through vouchers or a book and get receipts if possible

Your bank statements are important financial records. Ask your bank for statements that finish at the end of a month as this will make it easier for you to reconcile your accounts. It sounds obvious, but unless you request it, you may find your bank statement starts according to the date you opened the account.

A bank reconciliation is a schedule that explains the differences between the bank statement balance and the company's cash balance. Your bank statement may not equal your cash records because of timing differences, un-presented cheques, and other information not in your cash records, such as interest paid or received.

**REPORTING AND AUDITS**

Robust reporting of your finances and having your books audited by an independent auditor will ensure you stay on track. Clear and legible books enable an organisation to readily access information and provide accurate accounts to potential sponsors, grant-making

bodies, the tax office, etc. Don't cut corners to reduce your expenditure and certainly don't cut costs at the expense of the law.

**DEVELOPING A FINANCIAL MANAGEMENT POLICY**

A template is included in the appendix of this document.

# AILING FINANCES

It is a committee or board’s responsibility to ensure their sporting club is financially healthy. As such, all committee or board members should remain vigilant and committed to maintaining a high level of financial management. Below are some warning signs that may indicate looming financial problems. By no means do these situations mean there is a problem; they indicate circumstances questions should be asked.

**BUDGET DEVIATION**

Changes to the budget can mean a change to the organisation's bottom line – and if this is the case, you need to know about it. However, bear in mind that budgets are indicative, and can change. You need to make sure you are receiving regular updates on how the club is performing in relation to the budget, so you can keep on top of problems if/ when they crop up.

**UNEXPECTED INCREASES IN COSTS**

This could include a telephone bill that is usually $100 a month that suddenly jumps to $500, or a bill that suddenly becomes much more expensive than usual. Again, it is the unexpected nature of the increase that should set the alarm bells ringing, rather than the increase itself.

**SIGNIFICANT VARIATION IN THE AMOUNT OF LIABILITY (OR DEBT)**

Spiralling debts are often the first sign that something is not right. If the organisation is spending too much, it's vital to get to the bottom of the problem sooner rather than later.

**POOR PERFORMING FUNDRAISING ACTIVITIES**

If fundraising activities are not bringing in the expected revenue, it may be time to start pulling in belts or thinking about other alternatives.

**LACK OF CLARITY ON THE SOURCE OF FUNDS**

It is wise to know exactly where your organisation's funds are coming from as there may be conflict of interest, legal or ethical considerations.

**LATE REPORTS**

Late reporting is often an indication of deceptive behaviour, misleading practices – deliberate or otherwise – or an attempt to avoid accountability. Even at its most benign, late reporting still constitutes a failure of duties and may prevent you from detecting a problem early enough to fix it. It’s important that the cause of the delay is uncovered immediately and that processes are put in place to prevent it happening again.

**VAGUE ANSWERS AROUND FINANCIAL CAPACITY**

Board or committee members are duty-bound to ask questions and continue asking them, until they are completely satisfied with the answers. If you are being put-off by the person responsible for safeguarding your organisation's financial health, you would be foolhardy if you did not find out why.

# APPENDIX

**BUDGET TEMPLATE**

This template has been modified from the Club Help Budget Resource. It can be found here: <https://www.clubhelp.org.au/>

***Previous Year Summaries***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Revenue | Last Season Actual | Budget for Next Season | Expenditure | Last Season Actual | Budget Next Season |
| e.g. Membership |  |  | e.g. Insurance |  |  |
| Bar |  |  | Licence |  |  |
| Merchandise |  |  | Equipment  |  |  |
| Kiosk |  |  |  |  |  |
| Fundraising |  |  |  |  |  |
| Gate |  |  |  |  |  |
| Sponsorship |  |  |  |  |  |
| Fundraising |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Totals |  |  |  |  |  |

***Income***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 1st Quarter | 2nd Quarter  | 3rd Quarter | 4th Quarter |
| Budgeted | Actual | Budgeted | Actual | Budgeted | Actual | Budgeted | Actual |
| Membership |  |  |  |  |  |  |  |  |
| Sponsorship |  |  |  |  |  |  |  |  |
| Bar |  |  |  |  |  |  |  |  |
| Catering  |  |  |  |  |  |  |  |  |
| Kiosk |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Total**  |  |  |  |  |  |  |  |  |

***Expenditure***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 1st Quarter | 2nd Quarter  | 3rd Quarter | 4th Quarter |
| Budgeted | Actual | Budgeted | Actual | Budgeted | Actual | Budgeted | Actual |
| Insurance |  |  |  |  |  |  |  |  |
| Rent |  |  |  |  |  |  |  |  |
| Equipment |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Total**  |  |  |  |  |  |  |  |  |

**FINANCIAL MANAGEMENT POLICY**

The below (sample) Financial Management Policy is provided by: <https://www.clubhelp.org.au/>

It *does not* substitute legal advice.

|  |  |  |
| --- | --- | --- |
| **Sample Financial Management Policy** | Approval Date:  |  |
| Review Date: |  |
| Version No: |  |
| **President:** | Sign: | Name |
| **Vice-President:** | Sign: | Name |

PURPOSE: To ensure that the club’s finances are handled responsibly and to enable the implementation of sound day to day financial management practices with clear parameters.

SAMPLE POLICY STATEMENTS

The Committee of Management will ensure that:

* A suitably qualified person is recruited to the role of Treasurer
* Adequate support by means of a financial sub-committee or advisory group is established if needed
* A budget is available to purchase up to date financial software if needed
* An approved budget for the year is determined and that expenditure is within budget
* Enough income is available to meet the budget requirements
* All funding agreements are adhered to and acquitted as required
* Monthly financial management reports are produced and presented to the next Committee Meeting
* All legal and taxation requirements are attended to and delivered on time
* An audit is completed if necessary, in accordance with the Associations Incorporations Act
* Decisions regarding investment are resolved by the Committee

SAMPLE PROCEDURES

…………… Club will abide by the standard procedures listed below.

* Decide whether to use cash or accrual-based accounting
* Two signatures are required on all cheques / for all accounts
* The Treasurer and one other Committee Member are authorised to operate the club bank accounts
* A limit of $.......... may be authorised by the Treasurer without the approval of the committee
* Monthly Financial reports are prepared for Committee Meetings and distributed before the meeting
* Any variances to the budget are explained to the Committee Members
* A bank reconciliation will be undertaken at the end of each month to ensure receipts and payments balance with deposits and withdrawals
* Appoint a suitably qualified auditor if required
* After audit, develop a subsequent action plan to respond to the auditor’s report
* If Incorporated, the Club will submit an annual return to Consumer Affairs by the given date
* A petty cash system will be established to record petty cash transactions. Money will only be reimbursed on receipt.

***This document has been provided as a sample only and does not substitute legal advice.***