

### Club Budgets A guide to preparing and keeping good financial records

An essential component of every club's operations is a budget. A budget is integral to;

- planning and co-ordinating the year's activities;
- underpinning the club's goals for the year;
- facilitating the on-going evaluation of the club's performance including its financial position.

#### **Budgets:**

For most clubs a cash accounting method, using a simple spread sheet, will meet requirements. Cash accounting records funds received and money paid out during a period of time. Cash accounting, which should include a balance sheet, will allow clubs to judge whether it can meet its commitments and to continue to operate.

Larger organizations generally use accrual accounting that records and assigns accounts to the date they were earned or incurred rather than when they are received.

An example of a budget is at Attachment 1

#### Cash Flow:

The club's bank balance at any one time is not an effective measuring tool. It must be looked at with the Income & Expenditure Statement and how that compares to the budget. This will give a true picture of how the club is performing.

Cash flow – clubs should anticipate income and expenditure commitments on a monthly basis from the outset of framing a budget. This is to ensure that the club has made provision for any months where there may be a shortage of cash on hand to pay accounts on time. It may mean bringing forward, or delaying, items of expenditure to ensure sufficient funds are on hand when required.

An example of a cash flow budget is at Attachment 2.

A cash book should be kept. A cash book records all money received and spent. It should be reconciled at least monthly against the bank's cheque account statement. This statement will reveal some additional information that need to be taken into account eg bank charges, unpresented cheques, direct debits, receipts/income not yet banked.



#### **Controls:**

The budget is only a part of club's financial system. Other important features of a system are the controls and accountability installed to ensure the integrity of, and compliance with, the system.

#### In respect of control and accountability consider:

- A clear delegation and allocation of responsibility for the club's finances *eg Club Treasurer*;
- ➤ Defined procedures for the receipt of funds and the payment of money. eg all revenue and accounts for payment must be handled by the Treasurer two signatures required for each payment made;
- Maintaining a record of any and all adjustments made to the budget; (any adjustments to the budget should be approved by the committee); and,
- Producing an agreed set of statements regularly for the Committee's analysis that sets out the club's financial position at that period of time eg, Balance Sheet and the Income & Expenditure Variance Report. These reports must include current data and be provided in sufficient time for examination by committee members.

#### In conclusion:

There are a number of important aspects that should be kept in mind:

- A budget needs to be framed each year and be fully discussed and debated amongst the committee so that it is understood and committed to.
- Each budget should be relevant to any prior budget and any subsequent budget because sound financial management requires a consistent approach over time.
- Where responsibilities are delegated to sub-committees these groups should compile and submit a budget for their activities that will be incorporated into the club's budget.
- Emphasis should be placed on assessing what will be (and what has been) achieved with the allocation of funds, linking it to the club's plans, rather than just noting income and expenditure.

At the end of the financial year a complete record of income and expenditure must be prepared for presentation to the AGM. These reports must account for every dollar and cent received and spent.

As a guide, some examples are provided for compiling appropriate financial records –

**Attachment 1** – Budgeted Income & Expenditure

**Attachment 2** – Cash Flow Budget

Attachment 3 - Current & Budgeted Income & Expenditure Variance Report

Attachment 4 - Balance Sheet



#### Attachment 1

### Club's Budgeted Income & Expenditure For the period -/-/-- to -/-/--

#### **Income**

#### **Cost centre**

•	Player registration fees	\$	3600
•	Sponsorship	\$1	0000
•	Fund raising		
	- Raffles	\$	1000
	- Socials	\$	500
	- Events	\$	500
•	Grants	\$	2500
•	Sale of merchandise	\$	500
•	Miscellaneous	\$	700

TOTAL -\$20 100

#### **Expenditure**

#### **Cost Centre**

•	Affiliation fees (2x\$1500)	\$ 3000
•	Insurance	\$ 3000
•	Purchase of equipment/gear	\$ 1500
•	Purchase of merchandise	\$ 1200
•	Office reqts/stationery	\$ 500
•	Office equipment	\$ 200
•	Ground hire	\$ 800
•	Official functions	\$ 400
•	Sponsorship servicing	\$1500
•	Player support	\$ 700
•	Interest -loan	\$1000
•	Miscellaneous	\$ 400
•	Coach prof dev	\$ 500

TOTAL -\$14700

SURPLUS/DEFICIT -\$5400

#### **NOTES:**

1. The monthly income & expenditure variance statement presented to the Committee would reflect this structure.



#### Attachment 2

#### **Cash Flow Budget**

Opening Bank balance \$....

Add: Net Profit/loss \$....

Sub total \$....

Add: non-cash expenses (eg depreciation) \$....

Less: equipment purchases \$....

Loan repayments \$.... \$....

Closing Bank Balance \$....

#### NOTE:

This cash flow budget

- > should be prepared at the beginning of the financial year; and,
- > periodically thereafter.



#### Attachment 3

# Current and Budgeted Income & Expenditure Variance Report For the month of \_\_/\_/\_

	Original Budget	Current	Variance
INCOME			
Player fees	\$ 3600	\$	\$ \$
Sponsorship	\$10 000	\$	\$
Fund raising - Raffles	\$ 1000	œ	œ
- Socials	\$ 500	\$ \$ \$ \$ \$	\$ \$ \$ \$
- Events	\$ 500	\$	\$
Grants	\$ 2500	\$	\$
Sale of merchandise	\$ 500	\$	\$
Miscellaneous	\$ 700	\$	\$
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TOTAL	\$20 100	\$	\$
EXPEDITURE			
Affiliation fees	\$ 3000	\$	\$
Insurance	\$ 3000	* * * * * * * * * * * *	\$\$\$\$\$\$\$\$\$\$\$\$\$
Purchase of equipment	gear \$ 1500	\$	\$
Purchase of merchandis		\$	\$
Office reqts/stationery	\$ 500 \$ 200	<b>\$</b>	<b>\$</b>
Office equipment Ground hire	\$ 200 \$ 800	Ф e	Ф С
Official functions	\$ 400 \$ 400	\$	\$
Sponsorship servicing	\$ 1500	\$	\$
Player support	\$ 700	\$	\$
Interest -loan	\$ 1000	\$	\$
Miscellaneous	\$ 400	\$	\$
Coach prof dev	\$ 500	\$	\$
TOTAL	\$ 14700	\$	\$
BALANCE (+/_)	\$ 5400		

NOTE: The current amount can be shown as a \$ figure or a percentage of the budgeted figure



#### **Attachment 4**

#### **Club Balance Sheet**

#### **ASSETS**

<ul> <li>Current Assets</li> <li>Cash – (bank balance)</li> <li>Debtors – (could be listed)</li> </ul>		\$ \$
Non Current Assets	TOTAL –	\$ \$
<ul><li>Current Liabilities</li><li>Creditors – (could be listed)</li><li>GST</li></ul>		\$
Non Current Liabilities  Loan balance	TOTAL – EQUITY (+/	\$ <b>\$</b>

#### **NOTES:**

- 1. Current assets or current liabilities refer to items that can be realised within twelve months while non-current assets/liabilities refer to items outside twelve months.
- 2. Annual depreciation of club assets should be built into this report. A simple method to apply is:
  - i. (Initial \$ cost) less (any residual \$ cost) divided by the number of years of useful life of the piece of equipment.
- 3. Depreciation is a book entry and not cash. It is a reminder that a replacement cost may be incurred at some time in the future; and, it presents a clearer picture to the club of its financial base.
- 4. Organisations with a turnover in excess of \$100,000 must make provision to comply with GST legislation. They should also have an Australian Business Number (ABN). Advice should be sought from a qualified accountant about how best to make provision for GST
- 5. If staff are employed a range of requirements must be complied with:
  - Provision for recreation leave
  - Superannuation
  - Provision for long service leave
  - Provision for worker's compensation
- 6. As the organisation grows thought should be given to using a commercial software package.