

Club Finances : Budgeting & Staying Organized

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- Planning
- Budgeting 101
- Reporting
- Not for Profit
- Incorporation?
- Admin – employee vs. contractor?
Financial implications
- Tools available
- Questions



Planning comes first

- Club's purpose
- Mission statement
- Goals & objectives
- Priorities defined
 - Short & long term



**“BUDGET = FINANCIAL VIEW OF
PLAN”**

Planning chart of accounts

- Listing of each account in system
- Capture meaningful financial info
- Categories:

Assets - tangible Items

Liabilities - obligations to others

Surplus/Reserve – membership equity

Revenues – registration fees, fundraising, etc

- Expenses – ice rental



(Chart of accounts cont'd)

- Capture “type” & “level of detail” in financial reports:
 - Lowest level required
 - Simplicity
 - Logical
 - Disciplined & consistent

Make the effort – worth it in the end

Organizational structure & policies

- Clearly defined organizational structure
- Ownership of all financial matters understood & acknowledged
- Financial authorities (spending; discounting; credit granting)
- Financial Signing Authorities
- Contracts defined & communicated



Accounting Procedures Manual

Outline club policies & processes

Excellent support to auditor to evaluate controls

Aids consistency on board turnover (Treasurer)

Excellent vehicle to document policies related to:

Expense approval

Signing Authorities

Reimbursement Guidelines

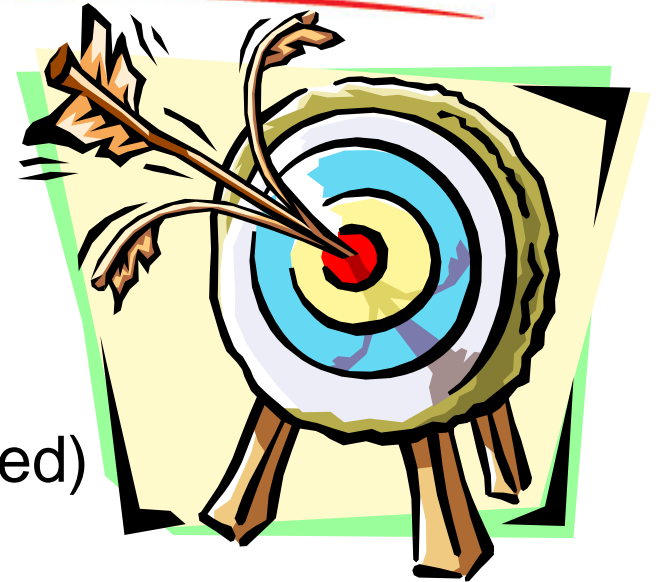
Credit/ Collections

Reserve / Surplus

Investments

Record Retention

- Desired end result? Surplus? Breakeven? Deficit?
- Prepare budget in advance of next year
- Budget committee utilized (unbiased)
- Consistent with Chart of Accounts
- Prior period(s) budget & actual
- Budget according to the strategic plan developed
- Prepared by (or input) from responsible board member/owner
- Assumptions clearly defined
- Establish “reasonable & realistic” estimates



- Critical data to begin:
 - Historical actuals
 - Strategic plans
- Research results:
 - Demographics – growing? declining? Economic conditions?
 - Environment – competing programs? What do they offer?
 - Costs? Similarities / differences?
 - Internal club surveys – assess customer satisfaction, suggestions, changes recommended
 - Prior year program review – overall success in terms of registration, results & financial outcome
 - Plan account by account (session by session)
- Understanding of your expected membership very beneficial

- Detail revenues & expense for “each” program
- Determine breakeven points for each program
– minimum participation requirements & pricing
- Don’t forget to allow for the “unexpected”
- Avoid dependency on “fundraising” to cover cost of regular operating programs.

- Fixed vs variable costs (ie not subject to change or fluctuates with membership)
 - Eg: Fixed – Administrator salary, telephone
 - Variable – CanSkate badges and incentives
- Ice costs – fixed or variable (varies) – your case?
 - Can ice be returned?
 - Future implications to re-acquire?
 - Opportunity & implications to sell ice to others?

Key Expense Considerations:

- * # of skating hours per week & # of weeks
- * cost of ice (including taxes)
- * cost of each program (ice, coaching, badges, tests, etc)
- * professional coaching fees, audit, legal
- * advertising & promotion
- * registration & insurance costs (honorary members)
- * equipment repairs & maintenance
- * test day requirements (ice, officials, hospitality)
- * club competition (ice, officials, medals, hospitality)
- * office (telephone, fax, website, stationary, etc)
- * communications, postage
- * annual meetings, recognition, awards

- Capital Budget Requirements?
 - * computer or music equipment
 - * office furniture & equipment
- Cash Flow Budget
 - * don't forget this...



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Ensure for all financial activities:

- * Clear ownership
 - * Ownership acknowledged & accepted
 - * Owner is actively involved in the budget process
 - * Owner is responsible to monitor actual to budget
 - * Clear understanding of spending authorities, limits & procedure
-
- formally reviewed & approved by the Board of Directors (allow time)
 - Board of Directors jointly responsible - buck passing not permitted!

- “Budget” = the club financial plan; but not a one-time activity
- Budgets are a plan, an expectation of what may happen based on certain conditions – reality is never that straightforward!
- Circumstances, conditions, priorities change - budgets may need to change - with control, discipline
- So why bother in the first place?

- Overriding principle – the full board (& each member) carries the responsibility for all funds entrusted by the organization
- Consistent Chart of Accounts
- Timely & accurate accounting & reporting of actual results
- Defined roles, responsibilities & authorities
- Defined & communicated financial controls

Critical to success:

- Segregation of duties
- Prior to payment, all invoices should be reviewed & approved by the person responsible
- All monies should be held in a “club” bank account
- All disbursements approved by minimum of 2 people
- Recommend that Treasurer sign all cheques
- All cheques should be “filled out” completely before signature – never sign a blank cheque!

Critical to success cont'd:

- Bank accounts should provide for monthly statements & returned cheques
- Recommend all disbursements by cheque (avoid cash)
- Whenever cash is involved (receipts or disbursements), recommend 2 people involved
- All receipts should be properly safeguarded & deposited to your bank promptly
- Bank reconciliations must be completed monthly
- If petty cash funds exist, keep \$ to a minimum & ensure adequate controls are in place & monitor carefully

Critical to success cont'd:

- Ensure credit / membership deferred payment plans are approved, exercised & monitored
- Surplus funds investment – cash flow budget supports this, define how surplus investments can be invested – don't forget this is not your money – maximize return but minimize risk!
- Record retention – minimum 7 years (consider location carefully). Include all bank statements, cancelled cheques, invoices, deposit slips, cash receipts & financial reports

Three primary financial reports:

1. Income statement (revenues & expenses)
2. Balance sheet (assets, liabilities & membership equity)
3. Statement of change in financial position (cash inflow & outflows during the period)

- Monthly reporting of Income Statement to Board is essential
- Reporting - include current period actuals, also recommend comparison to budget & prior period actuals
- Be prepared to act accordingly – if actual deviates significantly from budget – program changes may be required immediately
- Revised or updated budget required?
- Plans & program advancement or deferral an option?

Independent Audit – Why necessary?

“Our Treasurer is experienced, is trustworthy, a good guy & has been a valued volunteer for many years. An audit is expensive & a waste of valuable club funds!”

- Audit strikes “terror” in the hearts of many – but is a tool + protection!
- Validation for the board (particularly the Treasurer) & the general membership that:
 - reported financial information is accurate & complete
 - sound business controls are in place
 - membership interests are protected
 - review is independent with no vested interest
 - may be a legal requirement
 - provides unbiased endorsement of club management
- auditor often recommends opportunities to save \$\$
- What does your club require?

- ✓ Sample checklist

How much is enough? Very difficult to answer!

- Future is obviously unpredictable & uncertain
- No rule re surpluses, deficits, or break even – NFP's typically budget to break even
- Responsibility falls to Club Executive to define:
 - Provide a suitable cushion for seasonal or irregular cash flows
 - Dependent on club plans & objectives (eg. expansion? significant capital spending required?)
 - Three months' expenditures to half a year is generally an accepted principle (or approximately 35-50% of most club's annual expenditures)
- Key question – are current members being disadvantaged?

- All Skate Canada Clubs are required to file a Non Profit Organization (NPO) Information Return to Canada Customs & Revenue Agency if they meet “any” of the following criteria:
 - 1) The organization received or is entitled to receive taxable dividends, interest, rentals or royalties >10k\$ in a fiscal period
 - 2) The total “assets” of the organization >200k\$ at the end of the immediately preceding fiscal period
 - 3) The organization filed an NPO Information Return for a preceding fiscal period. It is necessary to file in the subsequent period even if the other criteria are not met.
- It is irrelevant if the club is incorporated or not!
- Information Returns must be filed within 6 months of the fiscal year end. Failure to comply will result in penalties. Forms are available through CCRA & the internet.

- All skating clubs should examine their business annually to reconfirm their position re Goods & Services Tax. The right decision re registering for GST can potentially save the club money in the long run. If the club does not register for GST & charge GST, it will not be able to collect a GST refund.
- Skate Canada provides all clubs a copy of “*Goods & Services Tax, A Summary for Canadian Non-Profit Skating Clubs*”. Refer to this document for more information.

What is a Corporation?

- Separate legal entity with an independent existence that is separate & distinct from its members, and as a result, an unlimited life expectancy. A corporation is governed by a board of directors elected by the members. The board then generally elects or appoints officers.

Why incorporate a skating club?

- As a legal entity the incorporated club is distinct from its members & can own property. Individual members (including board) are afforded limited liability protection & are not personally responsible in certain circumstances for the corporation's debts & obligations. The corp. is not affected by changes in members - easier to enter into contracts & transactions in the name of the club.

Considerations:

- Benefits & some drawbacks
- As a corporation, the club will be governed by the Corporations Act & subject to supervision by the provincial govt. Information needs to be filed with the govt.

Process for Incorporation:

- Consultation with a lawyer recommended
- Contact provincial govt for info & forms
- Select the corporate name, have it searched & obtain a NUANS report to ensure name is available
- File the application for incorporation with the govt
- Organize the corporation

Does your club have any employees? – **Are you sure?**

- CCRA is monitoring organizations re “contractor vs employee” relationships.
- clubs are exposed to this issue with professional coaches under contract BUT also note “club administrative support”
- Implications on club if the “contracted administrator” is deemed to be an “employee”
 - If Revenue Canada finds back taxes are owing by the “contractor” they can assess interest charges for the unpaid portion against the club
 - EI Premiums – responsibility to deduct & remit both employee & employer portion (plus penalties & interest charges)

- CPP – deduct & remit both employee & employer portion (plus penalties & interest)
- Employment Minimum Standards may apply – additional payments may be required to meet provincial employment standards legislation (eg. health taxes; occupational safety legislation; minimum wage; vacation pay; severance legislation, etc)
- Income tax withheld & remitted monthly for “employees”
- Full Payroll Accounting must be maintained (T4’s , etc)

**Caution – Check out the facts – Be certain
of your situation!**

Questions



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