

Financial Management

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Introduction

Clubs are an essential part of every community. They exist to provide benefits to members of the community. They can vary in size, from the very large to the local sport & recreation clubs. Operations are based on the receipt of grants, donations, fundraising or receipts from members as the principal income source. In some instances, clubs supplement this income with trading activities. Although these clubs operate on a not-for-profit basis, appropriate good financial management practices will ensure that there are adequate resources to meet their objectives, remain solvent and continue to support the community.

Although profitability is not the core purpose of a club, it is necessary to ensure that the club is sustainable, properly capitalised and funded. Clubs need to ensure they have adequate cash flow to support their operations and contribute to achieving their goals.

This guide has been produced to assist in the implementation of sound financial management practices to make certain that the social objectives of the community club are met. It is aimed at clubs whose income is below \$150,000.

Of course, for each club, some of the areas may not be relevant. For instance, where there are no trading activities, then the areas that discuss stock management will not be relevant. Also the type of industry in which the club operates will determine the implementation process when considering good financial management. For example, if the club runs a cafe then stock levels will be reviewed every week; a small retail shop may do a stock-take only once a year.

By implementing good financial management your club will deliver its strategic goals in a financially sound manner. Responsible management of financial resources is perhaps the most common factor that separates sport and recreation clubs that are successful from those that are either less successful or those that no longer exist.

Please note that we have used the term “Treasurer” throughout this guide but understand that alternative names can be used.



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Financial Management - Management Committee

All clubs should have a properly constructed club management committee (which is usually detailed in the constitution). It is essential that the Treasurer has the support of and is part of this management committee.

One of the responsibilities of the management committee is to ensure that the club has good financial management practices in place to achieve the objectives of the club, for scheduled bills and expenses, to make sure that there are adequate funds in the accounts and to ensure it can fund all its programs and all other contractual obligations.

Solvency – making sure that the club:	YES?
• can pay all bills when due	
• has adequate funds in the accounts for scheduled expenses	
• can fund all its program and other contractual obligations	
• regularly reviews its cash-flow forecasts, identifies any variances and notes their potential impact on solvency	
Budgeting – ensuring that:	YES?
• all expected income and expenditure is included	
• all sources and amounts of income are identified	
• all expenditure included in the budget is approved	
• expenditure is not greater than income	
• the annual budget is approved	
• there is a regular review of budget to actual results (monthly, quarterly)	
• the impact of any variances from budget to actual are identified and explained	
• the budget is amended where material changes have occurred that impact original budgeted income and expenditure	
Financial statements – ensuring that:	YES?
• appropriate record keeping is maintained	
• key financial accounts are regularly reconciled	
• there is regular reporting of income and expenditure, balance sheet, cash flow statement, budgets and forecasts	
• financial statements are audited annually	
• the balance sheet is reviewed in order to assess the financial health of the club	
• appropriate financial controls are in place for accurate records	
Preventing fraud and mismanagement – ensuring that:	YES?
• controls are in place to safeguard assets	
• money is used in line with approved budgets	
• controls are in place for approval of spending	
• controls are in place for banking transactions	

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Review those questions in the checklist that are applicable to your club but for which you have not answered 'yes'. The management committee should implement appropriate policies and procedures, including naming the people who will be responsible for them and a completion date. When the appropriate policies and procedures have been set up, you should be able to answer 'yes' to all the questions. The management committee should review this checklist annually.

Cash-based or accrual accounting?

The accounting system described in this module is cash-based. Cash and accrual accounting are two different accounting standards, which use different criteria for recognising income and expenses. Using an accrual-based system provides a more accurate record

of a club's financial position and financial performance but involves more work. Revenue and expenditure have to be matched for the period in which they are incurred. Many sport and recreation clubs, particularly those that are entirely volunteer-staffed, do not have sufficient resources to run accrual-based accounting systems. They use the cash-based system because it is easier to learn and requires less work to keep it up to date. Because the cash-based system does not routinely track accruals (e.g. prepayments such as insurance, unpaid accounts, or unearned revenue such as membership fees), the management committee may not always have complete financial information. Some clubs use a modified cash-based system in that they record income when it is received but record expenses whether or not they have been paid (or vice versa).



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