

## **Financial Management**

### **Module One- Understanding the budget process**

A budget is a financial plan that lists all the planned expenses and revenues of an organisation.

The primary purpose of budgeting is to provide a plan or forecast of the expenses and income of an organisation and to predict how the organisation may perform financially when a range of activities, events, plans and strategies are applied.

All sports and recreation clubs should have a budget.

A budget requires a club to think ahead in relation to its finances. Budgeting is all about looking forward – a budget predicts the expenses you expect to incur and the income you hope to bring in. The budget process allows club officials to think about the risks and exposures a club may face and it provides a way of minimising these risks. A budget protects a club against nasty financial surprises and provides a financial foundation for a club's programs and activities.

A budget can be as simple as a one page document with month columns across the top and expected income and expenses filled in on the appropriate month or it can be a more sophisticated approach using an Excel spreadsheet or proprietary financial and accounting software such as MYOB, Xero or Quicken.

Regardless of the process used the bottom-line is that a club needs a budget and also needs officials who understand the budgeting process.

As well as being a predictive tool to help a club work out what it is likely to spend and what income it is likely to collect, the budget is an essential analytical tool that allows a club to track its financial activities.

Once a budget is in place a club should be able to compare the actual financial outcomes (usually on a monthly basis) with the targets in the budget and take corrective action if the targets in the budget are not being met.

Although the Board or Committee of Management of a club should approve the budget, in most clubs the responsibility for developing and managing the budget resides with the treasurer. It is the treasurer's job to monitor the actual income and expenditure figures and compare these to the budgeted figures. The process of regularly reviewing a club's progress against the budget provides a useful guide when making financial decisions.

The review process also provides the basis for the treasurer's reports at board and committee meetings.

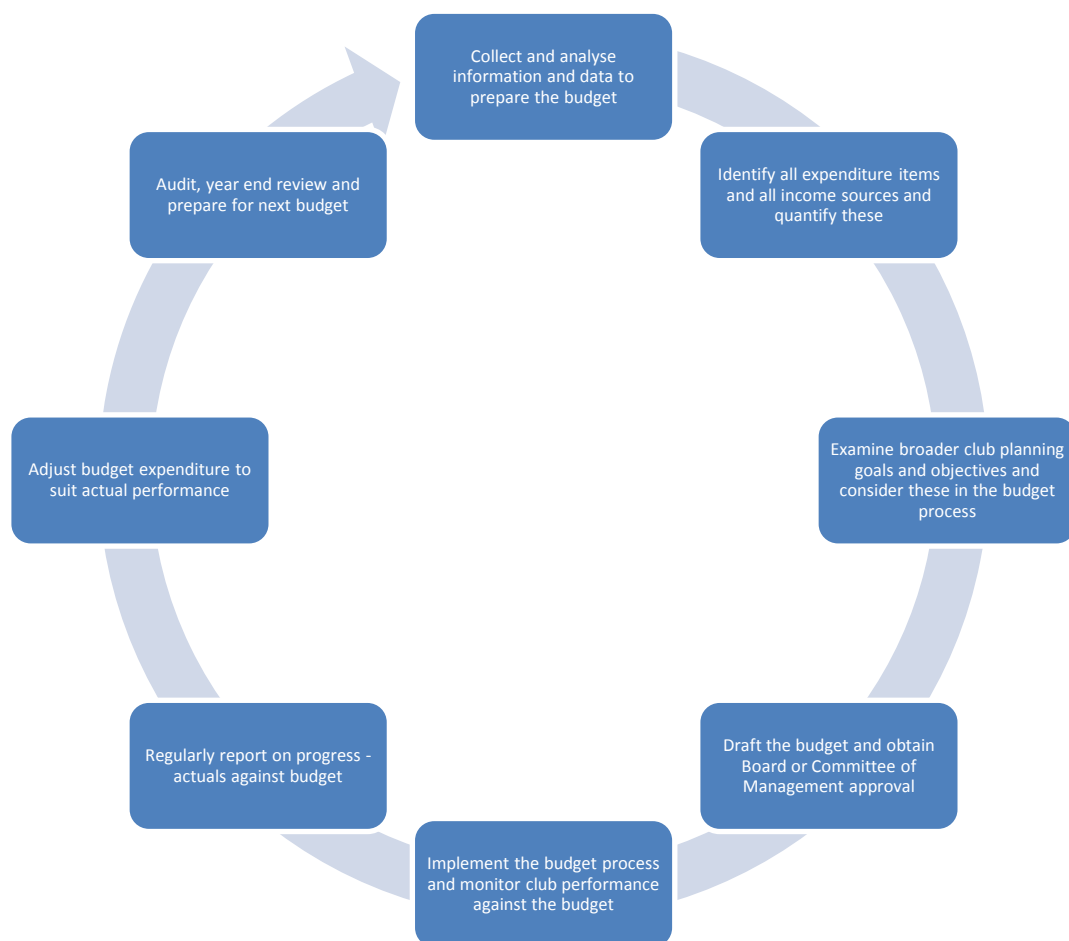
The preparation of a budget requires a club to look at past performance, analyse data and information on the size, scope and extent of its activities, think about what is planned for the year ahead in terms of club activity, predict likely expenditure on club

activity and likely income from all sources and allocate costs and revenue on a monthly basis.

The budget should also align with the club's broader planning processes.

If there are strategic or operational goals and objectives the club has set that will impact on expenditure and revenue these need to be considered in the drafting of the budget.

The following diagram shows the key elements in the budget process for sport and recreation clubs.



### Activity

Think about how your club currently predicts and tracks income and expenditure.

Is there a formal budget in place at your club?

How is the budget developed and drafted – who is involved?

Is the budget process at your club appropriate? What improvements may be made to the process?

The size and sophistication of budget processes, data and documents will depend on the size and scale of the sports or recreation club.

Some clubs may generate revenue from a range of income streams such as membership fees, merchandise sales, canteen and bar takings, sponsorship and events. Other clubs may be dependent on just membership fees to fund activities.

Club expenses will also vary depending on the size, scale and scope of club activities.

Regardless of the size of a club or the complexity of its activities a standard operating budget will follow the same approach. The example that follows shows the annual budget for a small sports club.

## Kangaroos Soccer Club - Operating Budget for 2012

<b>Income</b>	<b>\$</b>
Membership fees	12600
Canteen sales	10200
Fundraising events	3100
Sponsorship	1500
Merchandise sales	2800
<b>TOTAL</b>	<b>30200</b>
<b>Expenses</b>	
Player registration fees	9450
Team registration fees	1800
Local council ground fees	880
Equipment purchase	2680
Utilities	930
Canteen supplies	5610
Merchandise	1540
Events costs	1705
Web hosting	190
PO Box	135
Insurance	645
Printing and postage	110
Replacement playing strips	595
<b>TOTAL</b>	<b>26270</b>
<b>Projected – Surplus</b>	<b>3930</b>
<b>Projected – (Deficit)</b>	<b>-----</b>

In addition to the annual operating budget, the club treasurer should also have in place a month-by-month break-down of likely expenses and revenue aligned to the overall budget figures



### Activity

Think about the income and expenditure at you club.

Where does your club get most of its income from?

What are the main expenses at your club?

In the table below construct a simple budget using the main income and expenditure items at your club and based on what you know about your club's finances

<b>Income</b>	
-	\$
-	
-	
-	
<b>TOTAL</b>	
<b>Expenses</b>	
-	
-	
-	
-	
-	
-	
-	
<b>TOTAL</b>	
<b>Projected – Surplus</b>	
<b>Projected – (Deficit)</b>	