

Financial Management

Module Five- **Assessing a club's financial position**


A club's capacity to assess its financial position is dependent on the quality of information and data it has available. Clubs that operate 'shoe-box' accounts with no formal processes in place are unlikely to have the information needed to make an accurate assessment of current and future financial positions.

Conversely, clubs that have established formal processes, plan and set budgets and invest in appropriate accounting procedures and systems will have access to up-to-date information and figures that will allow them to monitor and assess the financial position.

There is no secret to the process. Clubs need to know what it costs to run activities and what level of income will be generated. Clubs in a sound financial position will generate more revenue than the expenses they incur.

The routine application of the budgeting and financial reporting processes described in these notes will provide the tools and produce the information required to allow for a formal assessment of a club's financial position.

The checklist below identifies the key factors that underpin the financial management of a club. The more ticks a club has in the right hand column the better its situation in relation to assessing its financial position.

Key factors for managing and assessing club finances	
Does the club treasurer have the required skills and support required to carry out the role?	
Is the board or committee of management committed to formal financial management practices?	
Is the club treasurer equipped with the appropriate accounting stationery and software?	
Does the club apply a formal process to budget planning, setting and operation?	
Are members of the board or committee of management and other key club members fully involved in the budget process?	
Do the key officials fully understand the income and expenses associated with the operation of the club.	
Are there formal and regular reporting processes in place as part of the management and monitoring of the club's finances?	
Does the club have in place appropriate petty cash procedures and facilities including a cashbook to record payments and receipts?	
Does the club treasurer have all the necessary tools, systems and support to allow for the regular and accurate assessment of the club's financial position?	
Does the club have in place formal processes for the auditing of its annual accounts?	

Other matters

The focus of these notes has been on the establishment and operation of formal systems, processes and procedures to ensure the efficient and effective financial management of clubs.

The role and skills of the treasurer, the commitment of the board or committee of management, the establishment of proper budgeting and the provision of appropriate financial reporting are key factors to ensure a club is well positioned to manage its finances. There are also some important operational matters that a club needs to make sure are properly addressed and three of these are described below:

- Petty cash
- GST
- Auditing

The petty cash system is a convenient and cost effective way to reduce paperwork and minimise account fees and taxes that would have to be paid if a cheque was drawn for every item of expenditure. It is almost an essential part of all club activity and needs to be properly established.

Petty cash should be provided in exchange for a receipt to reimburse club members or volunteers who have used their own money to purchase small items.

A club needs to set a limit on the amount of cash that can be spent - \$50 to \$75 is usual and there needs to be an approval process so that members do not decide for themselves when to spend money and on what.

In most clubs a petty cash system is established by drawing a 'cash' cheque from the club's account and documenting this in a cash book. When presented with a valid claim supported by a receipt the Treasurer completes a petty cash voucher, has the claimant sign the voucher, reimburses the claimant, records and retains the receipt.

As the petty cash is used up it may be topped up by drawing another 'cash' cheque.

At any given time the amount of cash and receipts should tally with the total amount of petty cash held.

The majority of community sport and recreation clubs in Western Australia would operate below the goods and services tax (GST) threshold, but it is important to understand the process in case a club's revenue grows and exceeds the threshold.

Sport and recreation clubs operating as companies in the-for-profit sector must be registered for GST if the annual turnover of the club exceeds \$75,000. For incorporated clubs in the not-for-profit sector registration for GST is required when annual turnover exceeds \$150,000.

If a club believes that it will exceed the GST threshold it is important that it seeks advice from a qualified accountant, financial manager or legal adviser on how best to deal with GST matters.

The term audited accounts means that the financial records of the club organisation have been independently checked by someone with recognised accounting qualifications as being a true and correct record of the financial operations and position of the club at a given time.

If a club is an incorporated organisation it may be a requirement for the accounts to be audited and the club treasurer must be familiar with the rules of the club as set out in the constitution

Clubs that are unincorporated may also require an audit of accounts if this is specified in formal documentation such as a club charter or procedures manual.

If you are unsure of the requirements at your club in relation to the auditing of accounts you should seek advice from a qualified accountant, financial manager or legal adviser.