



# *AUFQ*

## *CLUB FINANCIAL MANAGEMENT*



*The Australian Underwater Federation Qld recognizes that club volunteers and administrators make a significant contribution to the AUFQ. It also recognizes that the demands on club volunteers and administrators are increasing along with the need for clubs to operate in a professional manner.*

*As a result of this we have put together some tips to assist clubs with their Financial Management.*

*The purpose of this is to:*

- *Provide information to assist the club treasurer in fulfilling his/her role with regard to the financial management of a club.*
- *Explore the roles and responsibilities of the treasurer within a club*
- *Outline the processes involved in and the issues that should be addressed when considering the financial management of a club.*

*Financial management of any organization is usually regulated by the treasurer. The treasurer is responsible for reporting on what has happened to the club's funds and devising the most effective methods of using all available funds.*



## **Club Treasurer**

The treasurer's role within a club is exciting and challenging, it involves a significant contribution to the overall running of the club. The job requires honesty, integrity and a passion for success. The following material is a guide and should act as a framework to assist the treasurer in carrying out his/her duties within the club.

### **Role of the treasurer**

The treasurer is involved in managing the financial side of the club. Each club will have different tasks for the treasurer, depending on its size and annual turnover.

Some of these responsibilities are:-

- Issuing receipts and promptly depositing all monies received.
- Making all payments, and keeping accurate, up – to – date records of income and expenditure.
- Ensuring that there are adequate accounts and records of the club's financial transactions.
- Being the signatory on club cheque, with at least one other.
- Preparing regular bank account reconciliations.
- Ensuring safe custody of money.
- Ensuring the club has effective financial control systems so that money cannot be misappropriated.
- Invoicing members for items/services provided, for example equipment, memberships, competitions, trips.
- Preparing budgets for the forthcoming year describing potential sources of income and expenditure.
- Presenting regular breakdowns of income and expenditure to the management committee
- Preparing and presenting financial statements to committee meetings and the annual report.
- Investing surplus funds.
- Managing club investments
- Preparing annual financial accounts for auditing and providing the auditor with information as required.
- Ensuring annual returns and statements of accounts are filed with the Office of Fair Trading.
- Ensuring invoices are valid tax invoices and that suppliers issue valid invoices.

The club treasurer can incorporate these responsibilities into a checklist, and share these jobs with an assistant treasurer.



# **Operating Club Finances**

## **Stationery**

In order to successfully fulfill their role a treasurer will need the following items of stationery:

- Cheque books
- Numbered receipt book with carbon copy page
- A file for accounts payable
- A file to store receipts from accounts paid.
- Bank deposit books.
- A cashbook or general ledger or a computerized financial programme
- Account forms for members subscriptions.
- A file to store bank statements
- Petty cash payment voucher/book

## **Bank Accounts**

Clubs will mainly use cheque and savings accounts. When opening an account at the bank, you will need to fill in an application form and produce several forms of identification, and the minutes of meeting showing permission to open an account in the clubs name.

### **Cheque Account**

Cheques provide a secure method of payment, where club members do not need to carry cash. Or your club might decide to use internet banking. Both forms always require 2 signatures. Payments can only be made when a valid tax invoice is supplied. The payment details eg. Cheque number or internet banking details must be written on the creditor's invoice.

The treasurer in conjunction with the committee should authorize at least three members to authorize/sign payments. Remember to never sign blank cheques in advance or without an accompanying bill or docket from the supplier, and always ensure that the goods have been received before writing the cheque.

### **Saving account**

A saving account usually operates in tandem with a cheque account and enables interest to be accumulated at a higher rate when there are no bills to pay.

Pay all club bills from the cheque account, so that expenditure is recorded on the account statement. Bank statements can be requested weekly, fortnightly, monthly or quarterly depending on the average number of transactions, or down loaded if you do internet banking.

### **Cash Book**

A cashbook is used to record all receipts and payments made by the club on a daily basis. At the end of each month, figures recorded in the cashbook should be checked against the bank statements. It is also beneficial to summarize what the club owes and what is owed to the club. The committee can then discuss strategies to collect any outstanding money owed by debtors and allocate people to these tasks. OR your club might decide to use one of the many financial programs available for use on the computer, remembering that it should be user friendly and be able to pass on to the next treasurer. The opening cashbook balance for each month is the closing balance from the previous month. When only one cashbook is used for small clubs, you can record receipts in the front and payments at the back.

## Receipts

Receipts should be recorded in the cashbook columns according to the income type, which are often the same as those identified in the income side of the budget. Receipts are entered in the amounts column, under its income type and in the banked column when the monies are banked. The banked figure will be an accumulation of all money received since the banking was last done. List individual amounts by banking date to allow for crosschecking, which increases the accountability and control of the club's accounting system.

Bank ALL incoming cash and cheques promptly. It is unwise to use money before banking it as that may create difficulties for the treasurer in the preparation of the monthly and annual financial statements.

The treasurer should also tally all receipts at the end of each month. Monthly totals can be accumulated to give a record of receipts for the year to date. In some cases., quarterly reports may be required. In this case, it is more efficient to calculate cumulative figures month by month for each quarter than for the entire year.

Receipt entries in your cash book might look like this:-

<b>DATE</b>	<b>DETAILS</b>	<b>RECEIPT No.</b>	<b>AMOUNT</b>	<b>COMP. FEES</b>	<b>M'SHIPS</b>	<b>CLUB SHIRT</b>	<b>BANKED</b>
05/07/09	J. Smith	000123	40.00	20.00		20.00	
18/07/09	B. Brown	000124	55.00		55.00		
28/07/09	C. Gray	000125	95.00	20.00	55.00	20.00	
30/09/09	BANKING						<b>210.00</b>

When issuing receipts for cash or cheques, or internet deposits, make sure that correct dates and amounts are entered.



## Payments.

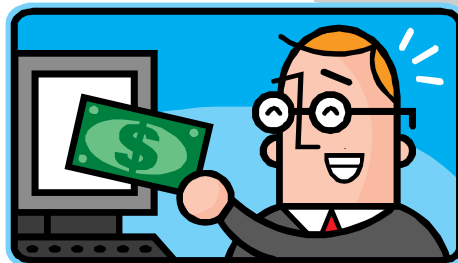
Payments are recorded in the cashbook according to their type, which are often the same as those identified in the expenditure side of the budget. Every time a cheque is issued, record the detail in the amounts column. This will be an indicator of total club expenditure. Also write the amount in the appropriate expenditure column, for example, club shirts purchased. In this way, the total amount spent on shirts during the year can be tallied.

At the end of each month, the columns should be tallied for presentation to the club committee. At this stage, comparisons can be made against the budget to see if expenditure is proceeding as planned. It is usually the treasurer's responsibility to prepare cheques for approval and signing at club meetings. Although the treasurer had the power to make payments between meetings, it is good practice to have any payments ratified at the next meeting.

In general, all payments will be for budgeted items and can be paid subject to ratification. The committee minutes should record the authorization of major expenditure.

Expenditure entries in the cashbook may look like this:

DATE	DETAILS	CHEQUE Number	AMOUNT	CLUB SHIRTS	POWER	INSURANCE
07/07/09	A Energy	0004321	\$56.00		\$56.00	
09/07/09	B Printing	0004322	\$105.00	\$105.00		
19/07/09	C Insurance	0004323	\$205.00			\$205.00



## **Bank Reconciliation**

The treasurer should organize monthly account statements to arrive just after the end of the month and schedule club meetings for the second week of the month, so that there is enough time to prepare accounts.

The information presented on the financial statement should be delivered on a timely basis so an accurate assessment of the club's current financial position can be obtained. Monthly reports should be issued to the committee with the agenda, which can easily be done via email. The report should also be included in the meeting minutes as a true and correct record of the club's financial position at that point in time, with any adjustments noted.

Check the statement against the cashbook to ensure they are the same. Remember, there are items that may slightly alter the bank balance, such as interest and charges, un-presented cheques, dishonored cheques and direct credits or debits from other accounts. The bank statement shows all movements of funds in and out of an account. To obtain a clearer picture of the club's financial position, the cashbook balance is reconciled against the bank statement. If you use an electronic programme it does the hard work for you.

A Reconciliation statement looks something like this:

Bank Reconciliation statement 30/09/09			
<b>Opening balance</b>			<b>1500</b>
Add receipts			60
Less payments			200
<hr/>			
<b>Closing balance</b>			1360
Add direct credits not yet written			250
Less direct debits into cash book			40
<hr/>			
<b>Adjusted balance</b>			<b>1570</b>
<hr/>			
Bank statement balance at end of period			1570
Add receipts not yet banked			235
Less cheques not yet presented			400
<hr/>			
<b>True financial position</b>			<b>1405</b>
<hr/>			
List of cheques not yet presented:			
Date written	Cheque No.	Description	Amount
10/09/09	0001223	Power	\$56.00
25/09/09	0001226	Insurance	\$150.00
<hr/>			
			\$206.00

## **Creditors and Debtors**

Summarising what your club owes and is owed at the end of each month helps provide a clearer picture of your club's financial position. Knowing the total amount of credits and debts also indicates your club's likely cash flow for the next month.

Creditors are people or organizations that your club owes money to, while debtors are people or organization who owe money to your club. They are usually associated with an invoice issued by the club with regard to goods or a service, such as membership subscriptions.

## **Petty Cash**

Your club may choose to have petty cash facilities for those small amounts paid in cash. A cheque is drawn on the club account for a small amount and all expenditure from this is recorded and receipts retained.

Petty cash expenditure should be recorded in a petty cash book rather than the club's cashbook. Combined petty cash vouchers and register-type books can be bought from a local news agency or stationery supplier. Items bought out of petty cash are for small amounts (less than \$20) such as stationery. It is best to calculate how much cash should be kept on hand and keep it in a safe place. This cash on hand is often referred to as the float and should be included in the club's theft insurance policy.

Petty cash can be issued in exchange for a receipt as a means of reimbursing club members who have used their own money to buy small items. The petty cash float should be reconciled regularly by adding all the remaining cash, and the paid petty cash vouchers together to arrive at the petty cash float total. Discrepancies should be brought to the attention of senior management as soon as they are evident. Once reconciled, reimburse the float by preparing a cheque to "petty cash" for the voucher paid.

*Tips when writing cheques, remember the basics:-*

- *Write the payee's full name*
- *Be sure to cross out "or bearer" if you want the cheque to be paid only to the payee and cross out "not negotiable"*
- *Write in the correct date. Post-dating of cheque is illegal.*
- *Write in the total amount in both written and numerical forms.*
- *Put the club's postal address on the back, along with the invoice or account number.*
- *Fill in the butt as a crosscheck for your monthly bank statements.*
- *Sign the cheque with two authorized signatures.*
- *Always request a receipt for payments.*

## **Budget**

One of the most important roles of the treasurer is to establish a club budget at the start of each year. A budget can be viewed as the committee's financial game plan for the coming year. If a committee does not plan and prepare financial goals for the club, little financial success can be expected.

A budget will give your club a higher level of control over a number of activities and, therefore, greater accountability to its members. It is vital in promoting effective club management and should be drawn up to cover the year. A budget will also allow your club to measure its performance in various areas. If deemed appropriate, money can be moved from a project that does not require all of the allocated funding to one where additional funds are required. The budget essentially outlines where and when money can be spent and the financial performance of the club can be judged against the budget through the development of monthly accounts.

The budget also helps to avoid issues such as unwise spending, and will shape a more realistic and professional approach to financial management and accountability. Dissecting the budget on a monthly basis is very useful, as it enable a comparison with actual results as the year progress. It also allows steps to be taken should any problems arise and give the club the opportunity to ensure that projected cash is sufficient to meet payments.

All members, especially those directly involved in fundraising or spending club funds, should be invited to prepare and discuss the budget. The more people involved in its preparation, the less likely that an important figure will be overlooked.

### **Preparing a budget:-**

1. Identify all possible sources of income and expenditure. Obtain estimates from all budgeted areas and make adjustment of inflation and likely cost increases. You should also consider capital expenditure and examine areas where reduction in expenditure can be made, or identify means of raising additional funds, Sources of income and expenditure may come from the following.

#### **Income**

Membership fees  
Competition fees  
Subscriptions  
Fundraising  
Social events  
Grants

#### **Expenditure**

Club house hire  
Electricity  
Referees  
Affiliation  
Insurance  
Equipment maintenance

2. After listing all possible items, define each item so that everyone understands what should be included and where money is to be correctly allocated. A definition list will also help identify any additional items needed.
3. Decide if your club requires a yearly or monthly budget
4. When developing budgets, remember to make your targets realistic. Unachievable goals may discourage members and alienate people from being involved.



## **GLOSSARY**

**ABN** - Australian Business Number

**Account** - a record in a ledger used to record financial transactions

**Accounting period** – the period of time which an organization adopts between the production of financial statements.

**Accrual accounting** - a system that records all financial commitments, as well as cash transactions

**AGM** - Annual General Meeting

**Assets** - physical resources owned and used by a club or organization

**ATO** – Australian Taxation Office

**Audit** – the process of getting the club’s financial records checked by someone with recognized accounting skills

**Auditor** – person who carries out the audit, usually an accountant.

**Bank reconciliation** – the process of checking the details of bank records against the cash records of the club.

**Balance sheet** – record of club’s assets, liabilities and members funds for the organization as at a certain date:  $\text{Assets} - \text{Liabilities} = \text{members equity}$ . This is a snapshot of the clubs financial position as at that date.

**Bank statement** – a statement of the club’s account at the bank,

**Budget** – an expression in financial term of the means by which an organization plans to achieve its objectives

**Budget related report** – provides detailed information of the club’s income and expenditure

**Cash accounting** – an accounting system that records only cash receipts and cash payment.

**Cashflow** – the amount of hard cash that is available to the club to spend at any one time.

**Constitution** – name given to the memorandum and rules of an organization

**Creditor** – a third party that is owed money by the club or organization

**Debtor** – a third party that owes money to the club or organization

**Employment record** – basic information which allows salaries to be calculated

**FBT** – Fringe benefit Tax. A tax that is payable by employers who provide fringe benefits to their employees

**GST** – Goods and services Tax A tax of 10 per cent on the supply of goods and services consumed in Australia.

**Liabilities** – obligations or debts that are payable to a third party.

**Net profit** – the profit remaining after expenses, interest and accounting, such as depreciation, have been taken into account.

**Non-current assets** – items that are not expected to be converted into cash within 12 months.

**PAYG** – Pay as you Go. A tax system that covers the taxes which are payable to the ATO. Consists of two systems, PAYG withholding and PAYG installments.

**Payroll** – provides a summary of gross income, net income and the tax on payments made to employees.

**Petty Cash** – small amounts of cash held to pay for minor items of expenditure

**Reconciliation Statement** – a statement showing the differences between a club’s ledger balance for cash and the balance in the bank’s recorded (statement). The difference can be explained by unrepresented cheques and or unrecorded deposits.

**Statement of assets and liabilities** – a statement of what the club owns and what it owes.

**Statement of income and expenditure** – a statement of revenues(income) and expenses for a given period of time (also known as a profit and loss statement)

**Transaction** – an event that affects the financial position of the club or organization.

## Financial Management Checklist

<b>Question</b>	<b>Yes</b>	<b>No</b>	<b>Committee Issue</b>
1. Do you have access to accurate up to date financial reports?	<input type="checkbox"/>	<input type="checkbox"/>	You need to ensure that your accounts are produced regularly enough to provide you with the information you need for decision making.
2. Do financial reports provide the information you need?	<input type="checkbox"/>	<input type="checkbox"/>	You need to decide how detailed and in what format you would like your information presented.
3. Do you understand key terms and relationship between the different figures and reports?	<input type="checkbox"/>	<input type="checkbox"/>	As a committee it is important you have this knowledge.
4. Do you recognize the significance of the major items in your club's financial reports and can you assess whether these items are realistic and accurate?	<input type="checkbox"/>	<input type="checkbox"/>	You will need this in order to provide input into strategic and operational planning.
5. Is your club an incorporated entity?	<input type="checkbox"/>	<input type="checkbox"/>	Have the yearly returns been submitted to Office of Fair Trading.
6. Does your club prepare a 3 year strategic plan, an annual budget.	<input type="checkbox"/>	<input type="checkbox"/>	It is essential that you do some form of strategic planning and budgeting.
7. Do you monitor performance against the above?	<input type="checkbox"/>	<input type="checkbox"/>	The President/committee responsibility.
8. Is your club/organization an employer? Does it comply with all statutory requirements – workcover, PAYG superannuation, holiday and sick leave entitlements?	<input type="checkbox"/>	<input type="checkbox"/>	You need to be aware of the legal requirements in respect of employees.
9. Do all employed have a letter of appointment/contract of employment?	<input type="checkbox"/>	<input type="checkbox"/>	Their employment should be formally reviewed or assessed annually.
10. Do you have appropriate insurance.	<input type="checkbox"/>	<input type="checkbox"/>	Does your club have a risk assessment and management procedure and policy
11. Do you understand the process of internal control and the policies for monitoring within your clubs ie cash, purchasing, tendering other financial processes.	<input type="checkbox"/>	<input type="checkbox"/>	Are major risk assessment procedures discussed at board/committee meetings and does the organization have a policy and action plan for major risks?
12. Does your club have an appointed independent auditor?	<input type="checkbox"/>	<input type="checkbox"/>	An independent auditor who can give a professional and impartial assessment of financial position of the organization is vital.