



# Basketball Victoria Professional Development Finance Webinar

14<sup>th</sup> May 2020





# Agenda

- Financial reporting structure
- Software Solutions
- Board/Committee Reporting
- Financial Statements
  - Profit and Loss Statement
  - Balance Sheet
- Budgeting
  - Understanding your income and expenses
  - Making assumptions
- Forecasting
  - COVID-19 Response
  - Post COVID-19
- Financial Controls
- Questions

Presenter

Ben Pahl

Manager – Business Services  
Basketball Victoria



# Finance Reporting Structure

Good financial management begins with **GOOD** financial information, **UNDERSTANDING** how it is put together, **WHAT** it is telling you and **HOW** you can use it to plan for the future.

Although profitability is not the core purpose of a club, it is necessary to ensure that the club is sustainable and properly funded. Clubs need to ensure they have adequate cash flow to support their operations. COVID-19 has been a real life example of the rainy day scenario. Having a solid cash reserve for times like these has proven its worth.

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 sporting clubs that are successful from those that are either less successful or those that no longer exist.



# Finance Reporting Structure

## Management Committee

All clubs should have a properly constructed management committee (usually detailed in the constitution). It is essential that the role of 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. The responsibility does not fall exclusively to Treasurer, the whole committee is responsible for the financial management of the club.

For larger clubs and associations you may want to have a Finance Sub-Committee to assist the Treasurer.



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	

# Finance Reporting Structure

## Accounting Method – Cash vs Accrual

### Cash basis accounting

The cash basis of accounting recognises revenues when cash is received, and expenses when they are paid. This method does not recognise accounts receivable or accounts payable.

Many small clubs opt to use the cash basis of accounting because it is simple to maintain. It's easy to determine when a transaction has occurred (the money is in the bank or out of the bank) and there is no need to track receivables or payables.

The cash method is also beneficial in terms of tracking how much cash the business actually has at any given time; you can look at your bank balance and understand the exact resources at your disposal.



# Finance Reporting Structure

## Accounting Method – Cash vs Accrual

### Accrual basis accounting

Revenues and expenses are recorded when they are earned, regardless of when the money is actually received or paid. For example, you would record revenue when invoices are sent, rather than when you get paid. This method is more commonly used than the cash method.

The upside is that the accrual basis gives a more realistic idea of income and expenses during a period of time, therefore providing a long-term picture of the business that cash accounting can't provide.

The downside is that accrual accounting doesn't provide any awareness of cash flow; a business can appear to be very profitable while in reality it has empty bank accounts. Accrual basis accounting without careful monitoring of cash flow can have potentially devastating consequences.



# Finance Reporting Structure

## Accounting Method – Cash vs Accrual

To work out which method best suits your club, think about:

- the size of your club
- how complicated your clubs transactions and processes are
- whether you have the resources to manage accrual accounting
- whether using an electronic system will make a difference



# Finance Reporting Structure

## GST

Sporting clubs, including those in the non-profit sector, must be registered for the GST if their annual turnover is \$75,000 or more (commercial sector) or \$150,000 or more (non-profit sector).

Registered clubs will have an Australian Business Number (ABN). GST is payable by clubs on most goods and services sold or supplied in the course of their business. You should consult a qualified accountant, financial manager or legal adviser about how best to deal with the GST if you are unsure.

## Chart of Accounts

A chart of accounts is a listing of the names of the accounts that a company has identified and made available for recording transactions in its general ledger. Keep your chart of accounts simple to start with and review and revise it as the need arises. It is important that your main income generating activities (registration, tournaments, stadium entry fees) and the expenses incurred in generating that income (court hire, referees) have their own accounts to make it easier to review the performance of these programs.



# Software Solutions

Where possible, accounting software packages should be used.

While changing from the traditional ways clubs have managed their financial affairs takes a little work, the benefits are huge and ongoing year after year, no matter how big or small your club is.

These benefits include:

- Significantly reducing the workload of the Treasurer and other volunteers
- Protects the cash and assets of the club
- Makes things significantly easier for everybody needing to pay or receive funds
- Improves the quality and time taken to generate reports

The logo for myob, featuring the word "myob" in a lowercase, sans-serif font. The letters are colored in a gradient from purple to pink.The logo for Quicken, featuring the word "Quicken" in a bold, italicized, sans-serif font. The letters are white and set against a red rectangular background.

# Board/Committee Reporting

It is important to regularly report the financial situation of the club (actual performance) to the management committee, as well as comparing actual performance with budgeted performance. At a minimum you should supply an up to date Profit & Loss Statement and a Balance Sheet (if possible) each month. The management committee may also require a bank reconciliation and a list of creditors (money owed by the club) and debtors (money owed to the club). The information contained in these reports enables the management committee to get a clearer picture of its financial position and performance, and to use the information in making other types of decisions.

Where actual performance varies unexpectedly from budgeted performance the Treasurer might be called on to advise the management committee about managing unexpected financial results.

While it can be daunting to present unfavourable financials to the committee it is important for the Treasurer to keep the management committee informed and highlight unexpected expenses or over estimated income so the committee can plan the best course of action. **Remember, financial responsibility rests with the whole committee not just the Treasurer!**



# Profit & Loss Statement

The Profit and Loss Statement shows how much money a club has made or lost over the period as a result of its operations. It is a summary of the financial performance of a club over a period of time.

Reports which can be generated directly from your accounting software is preferred. This helps ensure the accounts are balancing, removes the chance of human error and well structured reports can be generated with the click of a button.

BV Basketball Club				
Profit & Loss Statement for month ended 30/4/2020				
	This Month	Year to Date	Budget	Variance
	\$	\$	\$	\$
<b>Revenue</b>				
Registration Fees	\$2,500	\$5,000	\$10,000	(\$5,000)
Team Sheets	\$500	\$1,000	\$2,500	(\$1,500)
Sponsorship	\$1,000	\$1,000	\$2,500	(\$1,500)
Canteen	\$250	\$300	\$1,000	(\$700)
Merchandise	\$100	\$100	\$500	(\$400)
Grants	\$0	\$0	\$0	\$0
Sundry	\$25	\$75	\$100	(\$25)
<b>Total Income</b>	<b>\$4,375</b>	<b>\$7,475</b>	<b>\$16,600</b>	<b>(\$9,125)</b>
<b>Expenses</b>				
Court Hire	\$1,000	\$2,500	\$5,000	\$2,500
Team Fees	\$1,000	\$2,500	\$5,000	\$2,500
Insurance	\$1,000	\$1,000	\$1,000	\$0
Merchandise Stock	\$300	\$400	\$300	(\$100)
Referees	\$500	\$2,000	\$3,000	\$1,000
Repairs & Maintenance	\$100	\$650	\$500	(\$150)
Telephone	\$50	\$100	\$250	\$150
Sundry	\$10	\$25	\$50	\$25
<b>Total Expenses</b>	<b>\$3,960</b>	<b>\$9,175</b>	<b>\$15,100</b>	<b>\$5,925</b>
<b>Total Profit/(Loss)</b>	<b>\$415</b>	<b>(\$1,700)</b>	<b>\$1,500</b>	<b>(\$3,200)</b>



# Balance Sheet

Statement of what the club owns and what it owes, the difference being the net worth or accumulated funds of the club.

It is a summary of the financial position of the club at a particular point in time.

The Balance Sheet helps management identify potential cash flow issues that may arise.

BV Basketball Club			
Balance Sheet Statement as at 30/4/2020			
	30/04/2020	30/04/2019	Variance
	\$	\$	\$
<b>Assets</b>			
Petty Cash	\$100	\$100	\$0
Cash at Bank	\$5,000	\$2,500	\$2,500
Debtors	\$700	\$1,000	(\$300)
Basketball Equipment	\$5,000	\$5,000	\$0
<b>Total Assets</b>	<b>\$10,700</b>	<b>\$8,500</b>	<b>\$2,200</b>
<b>Liabilities</b>			
Creditors	\$850	\$500	(\$350)
Loan	\$1,000	\$2,500	\$1,500
<b>Total Liabilities</b>	<b>\$1,850</b>	<b>\$3,000</b>	<b>\$1,150</b>
<b>Total Assets</b>	<b>\$8,850</b>	<b>\$5,500</b>	<b>\$3,350</b>
<b>Accumulated Funds</b>	<b>\$8,850</b>	<b>\$5,500</b>	<b>\$3,350</b>



# Budgeting

Budgeting is an essential part of the annual financial cycle. It allows the management committee to prepare a plan for the year ahead by identifying how much money the club expects to generate and the costs it will incur to deliver these.

The management committee should decide whether the club is going to use a conservative approach to budgeting and whether it is going to run a break-even (i.e. income to equal expenses), surplus or deficit budget.

It may take several attempts to draw up a budget that is acceptable to the management committee. It is not unusual for a sporting club to review its operational and capital expenditure plans in light of budget estimates, particularly where deficits are likely to occur.

BV Basketball Club	
Operating Budget for 2020	
	2020
Revenue	\$
Registration Fees	\$10,000
Team Sheets	\$2,500
Sponsorship	\$2,500
Canteen	\$1,000
Merchandise	\$500
Grants	\$0
Sundry	\$100
<b>Total Income</b>	<b>\$16,600</b>
<b>Expenses</b>	
Court Hire	\$5,000
Team Fees	\$5,000
Insurance	\$1,000
Merchandise Stock	\$300
Referees	\$3,000
Repairs & Maintenance	\$500
Telephone	\$250
Sundry	\$50
<b>Total Expenses</b>	<b>\$15,100</b>
<b>Projected Surplus/(Deficit)</b>	<b>\$1,500</b>



# Budgeting

## Understanding Your Income & Expenses

Identify and list all possible sources of income and all likely areas of expenditure, separating those items that belong in the operating budget and those items that belong in the capital budget.

As a general principle, you should ensure that total expenses are covered by total income for the year.

Obtain or make estimates for all budgeted items. Make a careful estimate about the amounts likely to be spent or received for each item. If the principle of conservatism is to be applied to the budgeting process, income items should be underestimated and expenditure items overestimated.

Having end-of-year financial statements and budgets from previous years is particularly helpful in the budgeting process. It is important to consult with individuals and groups within a club who are likely to be affected by budget decisions.



# Budgeting

## Making Assumptions

Good budget preparation should include documentation of all your key assumptions.

This way you will remember what you anticipated, and when reviewing your forecast against actual budgetary position, it will help to see what has changed. When listing your assumptions, if you believe that there is some risk that the event may not occur, include this information with the assumption and any actions that you may have thought of in the event that a particular assumption turns out to be incorrect. That way, you will already have an action plan in place.

Assumptions	Forecast	Source	Risk	Action
Grants	Grants will decrease by 11%.	Released government information as attached.	Grants available will be less than anticipated.	Increase fundraising and donation activity.
Trading operations	Overall trading income will decrease by 13%.	Current economic data and industry information.	Overall the decrease will be greater than anticipated.	Implement aggressive marketing campaign to increase sales. Review expenditure.
Salaries	Salaries will increase by 2.3%.	In line with CPI and market conditions.	Salaries will increase by more than 2.3%.	Review all staffing levels and employment contracts to identify possible savings.
Expenses	Expenses will decrease by 8%.	Prior-year historical data identified excess expenditure.	Expenses will decrease by less than 8%.	Continually review operational activities to identify any expense savings.



# Forecasting

## COVID-19 Response

Forecasting is different to budgeting. A forecast is where the budget is updated with actual results to show what has happened and the impact of these events on the predicted outcomes.

The key to successful forecasting is to review results regularly, identify variances and implement strategies early to ensure that the approved budget will be met. This is even more important given the current COVID-19 situation.

As we prepare assumptions when preparing a budget we need to make some assumptions about the impacts of COVID-19. This is difficult to do until we know when we might be back playing. In the meantime we work towards the worst case scenario being no basketball this year. We then re-forecast as more information becomes available.



# Forecasting

## COVID-19 Response

Assessing the current year impact of a shortened season and identifying the areas where variances to budget will occur.

Important to not only revise the impact on income but also review what the changes will do to expenses. Reduced court hire, referees but increase in sundry due to additional cleaning requirements.

Forecasting Post COVID-19		
Please update all yellow columns		
<b>COMPETITION (Excl. Finals) - No of weeks in full season (Pre-Coronavirus)</b>	18	
<b>COMPETITION (Excl. Finals) - How many weeks of competition are you predicting for the coming season (Post-Coronavirus)</b>	9	
<b>LENGTH OF THE SEASON</b>	50%	50%
<b>SPONSORSHIP - What % of this revenue will you be able to secure for the delayed season?</b>	10%	90%
<b>REGISTRATIONS - What % of this revenue will you be able to secure for the delayed season?</b>	40%	60%
<b>GOVERNMENT FUNDING - Is there any Government stimulus funding? Please input into Cell C24</b>		
<b>BV Basketball Club</b>		
<b>Post COVID-19 Forecast for 2020</b>		
	<b>Budget</b>	<b>Forecast</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Registration Fees	\$10,000	\$4,000
Team Sheets	\$2,500	\$1,250
Sponsorship	\$2,500	\$250
Canteen	\$1,000	\$500
Merchandise	\$500	\$0
Grants/Government Funding	\$0	\$0
Sundry	\$100	\$0
<b>Total Income</b>	<b>\$16,600</b>	<b>\$6,000</b>
<b>Expenses</b>		
Court Hire	\$5,000	\$2,500
Team Fees	\$5,000	\$2,500
Insurance	\$1,000	\$0
Merchandise Stock	\$300	\$0
Referees	\$3,000	\$1,500
Repairs & Maintenance	\$500	\$0
Telephone	\$250	\$0
Sundry	\$50	\$0
<b>Total Expenses</b>	<b>\$15,100</b>	<b>\$6,500</b>
<b>Projected Surplus/(Deficit)</b>	<b>\$1,500</b>	<b>(\$500)</b>

# Forecasting

## Beyond COVID-19

The impacts of COVID-19 won't only last for this current season but may take years to get back to 'normal.'

It is important to look beyond the current year and try to forecast the return to 'normal'.

Sponsorship will be harder to obtain, running costs will be higher and disposable income will be tighter. It is crucial to be well planned!

BV Basketball Club			
Post COVID-19 Forecast for 2020-2022			
	2020	2021	2022
	\$	\$	
<b>Revenue</b>			
Registration Fees	\$4,000	\$8,000	\$10,000
Team Sheets	\$1,250	\$2,000	\$2,500
Sponsorship	\$250	\$1,000	\$2,500
Canteen	\$500	\$600	\$1,000
Merchandise	\$100	\$300	\$500
Grants/Government Funding	\$500	\$0	\$0
Sundry	\$0	\$100	\$100
<b>Total Income</b>	<b>\$6,600</b>	<b>\$12,000</b>	<b>\$16,600</b>
<b>Expenses</b>			
Court Hire	\$2,500	\$3,500	\$5,000
Team Fees	\$2,500	\$3,500	\$5,000
Insurance	\$1,000	\$1,500	\$1,000
Merchandise Stock	\$300	\$200	\$300
Referees	\$1,500	\$2,000	\$3,000
Repairs & Maintenance	\$500	\$500	\$500
Telephone	\$250	\$250	\$250
Sundry	\$1,500	\$1,000	\$1,000
<b>Total Expenses</b>	<b>\$10,050</b>	<b>\$12,450</b>	<b>\$16,050</b>
<b>Projected Surplus/(Deficit)</b>	<b>(\$3,450)</b>	<b>(\$450)</b>	<b>\$550</b>

# Financial Controls

Financial control procedures ensure that all financial information is recorded and accurate. If it is not accurate or complete, then wrong decisions could be made. A financial control is a procedure that is implemented to detect and prevent errors, theft or fraud, or policy non-compliance in a financial transaction process.

Each financial control procedure is designed to fulfil at least one of these seven criteria:

1. Completeness – ensures that all records and transactions are included in the reports of the club
2. Accuracy – ensures that the right amounts are recorded in the correct accounts
3. Authorisation – ensures that the correct authorisations are in place to cover such things as approval, payments, data entry and computer access
4. Validity – ensures that the invoice is for work performed or products received and the club has incurred the liability properly
5. Existence – ensures the existence of assets and liabilities. Has a purchase been recorded for goods or services that have not yet been received? Do all assets on the books actually exist? Is there correct documentation to support the item?
6. Handling errors – ensures that procedures are in place to ensure that errors in the system have been identified and corrected
7. Segregation of duties – ensures that certain functions are separated. For example, the person taking cash receipts does not do the banking.



# Financial Controls

To manage the risk of financial transaction processing failures, manual or automated control procedures should be implemented at key stages of the process.

Some of the questions that can be asked are:

- a) How well are the financial aspects of the club managed?
- b) Are the club operations protecting the club against disasters, internal theft and unfavourable external audits?
- c) How comprehensive are management practices? Are the financial records accurate?
- d) Review the below checklist. Clubs with sound financial management practices would answer 'yes' to most of the following questions:



# Financial Controls

General	YES?
Is a chart of accounts used?	
Is it detailed enough to give adequate management information?	
Is a double entry bookkeeping system used?	
Are journal entries used?	
Are journal entries approved?	
Do you use budgets and cash projections which are:	
<ul style="list-style-type: none"> <li>• compared to actual results?</li> <li>• investigated if there are major discrepancies?</li> </ul>	
Do you understand the form and contents of the financial statements?	
Are comparative financial statements produced and reviewed?	
Are the books and records kept up to date and balanced?	
Is financial information produced regularly?	
Are reasonable due dates imposed for preparation of financial information?	
Are storage facilities safe (including computer back-up files)?	
Is insurance cover regularly reviewed?	
Is there a records retention schedule?	
Is there a policy for credit approval for customers?	



Cash Receipts	YES?
Do you or a responsible employee other than the bookkeeper or person who maintains accounts receivable:	
• Open the mail and pre-list all cash receipts before turning them over to the bookkeeper?	
• Stamp all cheques with restrictive endorsement 'for deposit only' before turning them over to the bookkeeper?	
• Compare daily prelisting of cash receipts with the cash receipts journal and the duplicate deposit slip?	
Are cash receipts deposited intact on a daily basis?	
Are cash receipts posted promptly to appropriate journals?	
Are cash sales controlled by cash registers or pre-numbered cash receipts forms?	
Cash spent (disbursements)	YES?
Are all disbursements except for petty cash made by cheque or internet payments?	
Are cheques pre-numbered and all numbers accounted for?	
Are all cheques recorded when issued?	
Are all unused cheques safeguarded, with access limited?	
Is a mechanical cheque protector used to inscribe amounts as a precaution against alteration?	
Are voided cheques retained and mutilated?	
If a signature plate is used, do you have sole control?	
Do you sign or view all cheques and internet payments?	
Are supporting documents, processed invoices, receiving reports, purchase orders, presented with the cheques and reviewed by you before the manager signs the cheques?	
Are supporting documents for payments properly cancelled to avoid duplicate payment?	
Are cheques payable to cash prohibited?	
Are signed cheques mailed by someone other than the person who writes them?	
Are bank statements and cancelled cheques:	
• received directly by you?	
• reviewed by you before they are given to the bookkeeper?	
Are bank reconciliations prepared:	
• monthly for all accounts?	
• by someone other than the person authorised to sign cheques or use a signature plate?	
Are bank reconciliations reviewed and adjustments of the cash accounts approved by a responsible person other than the bookkeeper?	
Are all disbursements from petty cash funds supported by approved vouchers?	
Is there a limit on the amounts of individual petty cash disbursements?	
Are petty cash funds on an imprest basis (the total amount is set (e.g. \$100), you can only spend what you have, and it's only topped up with what's spent)?	
Are petty cash funds:	
• kept in a safe place?	
• sufficient to require only monthly reimbursement?	



<b>Accounts payable</b>	<b>YES?</b>
Are supplier invoices matched with relevant purchase orders and receiving reports?	
Are all available discounts taken?	
Is there written evidence that invoices have been properly processed before payment, e.g. stamped?	
Are there procedures that ensure that direct shipments to customers are properly billed to them?	
Do you verify that the total of accounts payable agrees with the general ledger control account?	
Are expense reimbursement requests submitted properly and approved before payment?	
<b>Goods received</b>	<b>YES?</b>
Are all materials inspected for condition and independently counted, measured, or weighed when received?	
Are receiving reports prepared and used promptly?	
Are receiving reports:	
<ul style="list-style-type: none"> <li>• pre-numbered and do they account for the sequence of all numbers?</li> <li>• promptly provided to those who perform the purchasing and accounts payable function?</li> <li>• controlled so that liability may be determined for materials received but not yet invoiced?</li> </ul>	
<b>Employees</b>	<b>YES?</b>
Are all employees' job references checked?	
Are individual personnel files maintained?	
Is access to personnel files limited to a person who is independent of the payroll or cash functions?	
Are wages, salaries, commission and piece rates approved?	
Is proper authorisation obtained for payroll deductions?	
Are adequate time records kept for employees paid by the hour?	
Are salesmen's commission records reconciled with sales records?	
If employees punch time clocks, are the clocks located so someone in authority may watch them?	
Are time records for hourly employees approved by a foreman or supervisor?	
Are there controls to ensure that the absence of any employee is noted?	
Is the accuracy of the payroll checked?	
Are payroll registers reviewed by a responsible person?	
If employees are paid in cash, is the cash requisition compared to the net payroll?	
Is there control over unclaimed payroll cheques?	
Are staff cross-trained in accounting functions?	
Are annual vacations required?	



ANY  
QUESTIONS  
?



# Upcoming Webinars

## Session 2 – Government Advocacy

**When: Monday 18 May, 12pm**

**Topic:** Government advocacy and relationship building

**Presenter:** SMC Strategies

## Session 3 – Cyber Safety

**When: Thursday 21 May, 12pm**

**Topic:** Cyber Safety strategies for organisations and individuals

**Presenter:** Nik Devidas, Managing Director – Rock IT



# Upcoming Webinars – Play HQ

## PlayHQ – Clubs and Association Sessions

**Note: There are two options for each PlayHQ session**

### Club Set-Up and Registration

**When: Thursday 14 May – 6pm or Tuesday May 19 – 11am**

**Presenters: Kevin Ng and Matt Shimell – Basketball Victoria**

### Association Set-Up and Registration

**When: Tuesday 19 May – 6pm or Wednesday May 20 – 11am**

**Presenters: David Owies and Ben White – Basketball Victoria**

### Association Competition Management

**When: Thursday 21 May – 6pm or Tuesday May 26 – 11am**

**Presenters: David Owies and Kevin Ng – Basketball Victoria**

