

5 Finance

5.1 Financial operations

The **treasurer/financial manager** (see appendix for full job description) is responsible for the day-to-day management of the club's financial resources. In this role, the treasurer/financial manager, perhaps with the help of paid staff or other volunteers, puts into place the procedures necessary to collect and record details of all financial transactions affecting the financial position and performance of the club. Financial transactions are documented and these records are kept by the treasurer/financial manager. The output of these procedures is regular financial reports, which are presented at the management or board meetings.

Club records and reports summary

The treasurer/finance manager must maintain the following records:

- Members' subscription details
- Cash receipts
- Cash payments
- Assets register
- Bank accounts
- Liabilities
- Contracts - including Leases

Member's subscription records

This is a database of all members which should include name, contact details and their subscription payment details.

Cash receipts record

A summary listing of the money received according to the receipt book. To keep an accurate record, receipts should be issued for every amount of money received.

Cash payments record

A summary of the cheque book and all cash payments made.



Assets register

This should include both current and fixed assets. Current assets include cash, materials, accounts receivable (e.g. money that is owed to the club) and prepaid expenses. Fixed assets include land, buildings, IRBs, motors etc.

Bank accounts

A cheque account is necessary for the well-run club. A cheque account provides a convenient record of payment through the cheque butt. It is therefore essential to complete cheque butts at the time of drawing each cheque to update the cash book and complete a bank reconciliation at least monthly. Cheques also provide a secure method of payment. This means that club members need not carry cash.

It is a good idea to have at least three members with the authority to sign cheques, with individual cheques requiring any two authorised signatures. Never sign blank cheques. Never sign a cheque without an accompanying bill or docket from the supplier. For control purposes pay on invoice only. Payment on photocopied invoices may lead to some invoices being paid twice.

A term deposit or call account operating in tandem with a cheque account accumulates interest at higher rates when there are no bills to pay.

It is wise to pay all club bills out of the cheque account, as all expenditure becomes recorded on the account statement. You can ask your bank to forward statements weekly, fortnightly, monthly, or quarterly. It is up to you and will depend on the average number of transactions your club has.

Liabilities record

This indicates the total monies owed by a club and includes both current and non-current liabilities. Current liabilities include bank overdrafts, short-term loans and accounts payable while non-current liabilities include long-term loans.



Contracts (including Leases)

Contracts including leases are legal agreements that commit the club to fulfilling certain requirements or obligations, often financial.

It is advisable to maintain a record of contracts, including such details as commencement date, term, and frequency of payments, amount to be paid and any other special conditions that need to be fulfilled.

Cash book

The cash book records all the club's receipts and payments on a daily basis. At the end of each month, the figures recorded in the cash book are checked against your bank statements. It is also a good practice to summarise what the club owes people (the club's creditors) and what money other people owe the club (the club's debtors).

To determine the cash balance, simply total the receipts and deduct payments. Other items that will alter the cash balance are bank interest and charges, unpresented cheques, dishonored (bounced) cheques, and direct credits or debits from other accounts.

The cash book opening balance for each month becomes the closing balance from the previous month. If you want to save money and use just one cash book, you can record receipts in the front of the cash book and payments in the back.

Receipts

Details of receipts are recorded in cash book columns. Columns can be drawn up with the types of income expected. These are often the same as those identified in the income side of the club's budget.

Receipts are entered in three places, depending on the amount of detail you want and the type of cash book you buy. Receipts are entered in the amount column, under its income type, and in the banked column when banked. Often the banked figure will be an accumulation of all money received since the banking was last carried out. Listing individual amounts by banking date gives the opportunity for



cross-checking to be carried out.

All incoming cash and cheques must be banked promptly. It is unwise to use money without it first being banked as it may become impossible for the treasurer to keep track of what is going on. It is also essential that all cash and cheques received be banked without any deductions being made. Tally all receipts at the end of each month. Monthly totals are accumulated to give a record of receipts for the year to date.

In some cases, quarterly reports may be required. When this happens, it is more efficient to calculate cumulative figures month by month for each quarter rather than doing it for the entire year.

Be sure to enter the total amount of cash and cheques received daily. When receipting cash or cheques, make sure you enter the correct date and amount, and issue them promptly.

Payments

As with receipts, each column may be drawn up to reflect items of club payments as identified in the expenditure side of the club budget.

Every time a cheque is issued the details should be entered in the amount column. The amount column will operate as an indicator of total club expenditure. Then write the amount in the appropriate expenditure column.

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 whether expenditure is proceeding as planned.

All accounts received are required to be paid strictly according to their terms, usually between seven and 30 days of receiving an invoice or claim from a supplier. It is usually the club treasurer's responsibility to prepare cheques for approval and signing at club meetings.

Although the treasurer has the power to make payments between meetings, it is a good practice to



have any such payments ratified at the next meeting. List all receipt numbers issued and cheque sequences used for the month and any cancelled cheques for ratification at the management meeting. In general, all payments will be for budgeted items and can therefore be paid subject to ratification. The management committee minutes should record the authorisation for major expenditure.

Prompt payment will generally ensure the goodwill of trade's people. Prompt payment of out of pocket expenses of volunteers also generates goodwill within the club.

Whenever you make a cash or cheque payment, write the details in the payments section of the cash book, usually found at the back.

When writing cheques remember the basics:

- Write in the payee's name in full
- Be sure to cross out 'or bearer' if you want the cheque to be paid only to the payee
- Write in the correct date. Post-dating cheques is illegal
- Write in the total amount in both written and numerical forms
- Make sure you cross the cheque 'not negotiable'
- Put the club's postal address on the back and the invoice or account number
- Fill in the butt. This is a cross check for your monthly bank statements
- Sign the cheque

Some clubs find that authorisation can be easily verified by using a cheque requisition form. This form contains all details of payment, similar to those on the cheque butt, including the signatures of those club members authorised to make payments on the club's behalf. Alternatively, you may find having the signatories initial the cheque's butt just as effective.

 **Remember, complete the cheque butt, and make sure there are two authorised signatures on the cheque.**

Cheque requisitions, if used, are best kept in monthly files, by cheque number. Once they have been presented as confirmation of cheques issued they are required by law to be kept for future reference.



They are required to be presented for audit. Be sure to attach paid creditors invoices to the cheque requisition. A labeled archive box, expandable file, lever arch or manila folder is best for this.

Income and expense summary

An itemised summary of income received and all expenses on a monthly basis.

Balance sheet

Provides an overview of the overall wealth of the club by comparing its assets (what it owns) with its liabilities (what it owes). This will indicate the net wealth of your club.

Bank reconciliation statements

Ask your financial institution to send monthly account statements. Try to time these just prior to the monthly club meeting. Check the statement against your cash book to ensure they are the same. Remember that there are items that may slightly alter the bank balance interest and charges, unpresented cheques, dishonored (bounced) cheques, and direct credits or debits from other accounts.

A copy of the monthly statement is usually made available for the benefit of the club's auditor.

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 cash book balance is reconciled against the bank statement once a month.

The budget related report

This type of report provides far more detailed information than the basic monthly report. It enables the club management committee to track income and expenditure and make decisions based on the budgeted targets for the year.

This report is closely related to the cash book and annual budget. Presenting this type of report will



take little time once the cash book and budget are established. The budgeted figures for each item of income and expenditure will remain unchanged throughout the year. The figures that change will be those tallied at the end of each month and added to the year to date column.

Petty cash

Petty cash is for small amounts paid by cash. A cash cheque is drawn on the club account for a small amount and all expenditure from this is recorded and receipts retained. Records of petty cash expenditure should be recorded in a petty cash book, not the club cash book. Combined petty cash vouchers and register type books can be purchased from your local news agency or stationer. Items bought out of petty cash are for small amounts (e.g. less than \$20.00). Items purchased on petty cash may include milk, pens, fuel, band-aids, etc.

Clubs normally carry a petty cash float to handle these payments. It is best to calculate how much cash should be kept on hand and kept in a safe place. It is advisable to try to minimise the size of the float and to include it in your club's contents 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 purchase small items. Cheques drawn to reimburse petty cash should be entered in the cash book. Petty cash should be reconciled monthly and included in the club expenditure for the month and ratified by the management committee.

Annual returns

At the end of the club's financial year, the treasurer will need to prepare a set of accounts to be presented to the members at an annual general meeting. These accounts will need to be audited based on the figures recorded in the club's cash book and budget.

If an organisation is incorporated, it is required to lodge an annual return (copy of the annual accounts with the prescribed fee) within one month after the annual general meeting with Consumer Affairs Victoria. The accounts are to be accompanied by a certificate stating that they have been approved by the members at the AGM on a particular date. An officer of the organisation must also sign these



documents. **Annual return forms can be obtained from Consumer Affairs Victoria (www.consumer.vic.gov.au).**

If your club uses a cash basis of accounting, simple annual accounts can be produced from your cash records. There will be two types of accounts necessary:

- A statement of income and expenditure, together with the annual totals from the previous year, if available.
- A statement of assets and liabilities. This account also includes the previous year's figures.

Auditing

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

The treasurer/finance manager must be familiar with the rules/constitution of their club, particularly if the club is incorporated. If the club is an incorporated association, it is usually a legal requirement to have the accounts audited prior to the AGM.

The auditor will need to be provided with:

- The books of account, consisting of the cashbooks, written up and balanced for the year, and journals and ledgers if these records are maintained
- Bank statements for the whole year
- Copies of deposit slips and cheque butts
- Receipts books containing the duplicates of receipts issued as well as cancelled original receipts. The auditor also needs to sight books of unused receipts
- Vouchers for payments made, which should be placed in numerical sequence of cheques drawn
- Access to 'paid' cheques from the club's bankers, unless receipts have been obtained for all payments made
- A copy of the minute's book to enable the auditor to review approvals for major items of income

- and expenditure
- A copy of the last audited statements of account
 - The financial statements for the year now being subjected to audit, together with all supporting working papers
 - Any other records or evidence the auditor may request

Accounting for Goods & Service Tax (GST)

The GST is a broad based tax of 10% applied to suppliers of most services consumed in Australia. Not-for-profit clubs with an annual turnover above \$100,000 must be registered for GST. If an organisation is registered for the GST, they must obtain an Australian Business Number (ABN) (www.abr.gov.au), which will simplify dealings with the Australian Tax Office (ATO) (www.ato.gov.au). *A club can apply for an ABN by contacting the ATO.*

The GST is payable by clubs on most goods and services sold or supplied in the course of their business. These supplies are called taxable supplies. There are other types of supplies where the GST does not have to be included in the price. These are called input-taxed supplies and GST-free supplies.

The GST is also included in the goods and services that a club acquires for its business. If a club is registered for GST, it can claim a credit from the ATO for any GST included in the price paid for things purchased for the club. This is called an input tax credit. **Clubs should obtain appropriate advice about how best to deal with the GST from their accountancy advisor or visit the ATO web site.**

Depreciation

Clubs sometimes set an annual charge, included in membership, to cover depreciation so assets may be replaced in future. As depreciation is a non-cash cost it must be recovered out of income. It is a good idea to keep a register of the club's fixed assets.



Payroll

If your club has paid employees it is important to maintain correct financial records of their contract, pay conditions and all other relevant information.

Clubs are encouraged to contact the ATO for expert advice on how to handle payroll transactions.

Insurance (see also 4.3 Insurance)

Insuring the club's assets is essential. Ensuring the club's assets are adequately secured is just as important as purchasing insurance. Reviewing the club's security regularly is a good idea. The main types of insurance required by a club are: marine hull, marine transit, building and contents.

Insurance is a specialist area so the best person to consult is an insurance expert. Before doing so, have a good idea of the value of assets you wish to protect.

-  **Whatever the insurance, make sure you are getting the right cover for what you want. Don't just go for the cheapest premium. It may not buy the appropriate coverage.**

Cash based or accrual accounting?

The accounting system described in this section is cash based. Cash and accrual accounting are two different accounting standards which use different criteria for recognising income and expenses.

Whilst the use of cash based accounting systems is adequate for a number of clubs, 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 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.

Financing and investing activities

From time to time the financial treasurer/manager may be called on to provide advice or make recommendations to the management committee about financing the purchase of a major asset (e.g. a new clubhouse facility) or how to invest surplus funds. Because financial institutions offer such a wide range of loan and investment products and services, the management committee should seek independent financial advice about such matters before making firm recommendations about how the club should proceed. Decisions about financing major asset purchases or investing large amounts of money do not occur very often but have significant long-term implications for the financial performance of clubs.

Financing and investing activities are regulated to some extent in incorporated associations by the Associations Incorporation Act.

Some financial implications of incorporation

Incorporated clubs have a legal existence in and of themselves. In financial terms this means that it can:

- Sue and be sued in its own right
- Own land and other property
- Make contracts and enter into tenancy agreements in its own right
- Receive a bequest or gift from a will
- Borrow money
- Perpetually exist, that is, remain in existence no matter who is a member until it is disbanded by direct operation of the law.

Further, the office bearers and members are not personally liable for the debts of the club, or the negligent acts or omissions of other office bearers and members, unless the rules specifically provide otherwise. Liability of members to contribute toward the payment of debts and liabilities of the organization or the costs and expenses of winding up the club is limited to a sum provided in the rules



(usually \$1.00). However, incorporation does not protect the individual from liability for their own negligence. Incorporated associations may not be formed for the purposes of trading or earning profit for members. If the organisation earns a profit from commercial activity, this profit may not be distributed among the members. It must be used for the objectives of the organisation as stated in its constitution.

Clubs that frequently review their financial position can make investment decisions to ensure that they carry minimal levels of surplus cash in their cheque accounts. When surplus funds are invested the two key factors to consider are the level of risk and return. In general, investments with higher returns tend also to have higher levels of risk.

Dealing with reputable financial institutions when making investment decisions minimises the risks associated with investing funds.

Borrowing funds exposes clubs to a degree of risk. If a club defaults on its loan repayments, the financier may move to appoint an administrator to conduct the affairs of the club (e.g. the management committee loses control) or may have the club wound up and its assets sold to cover any outstanding debt. There are several basic principles involved when borrowing funds to finance the purchase of fixed assets:

- Match the term of the loan to the useful life of the asset (e.g. motor vehicle four to five years, new building 10 to 20 years).
- Funds provided by the club should equal or exceed the borrowed funds.
- The club should ensure it has the capacity to service the debt.

Lenders are concerned with the amount of collateral offered in relation to a loan, the ability of the club to repay the loan out of its earnings, the current market value of its assets, and the ease with which the lender could sell the assets. When approaching a financial institution with a proposal to borrow funds, clubs will need to have the following information available:

- The purpose of the loan
- Last three years financial statements (e.g. statements of income and expenditure and balance sheets)

- A cash flow budget for the period of the loan (monthly for first year)
- Details of debtors and creditors

Summary

The application of financial resources has a significant bearing on the success of lifesaving clubs. Clubs need to be able to account for their financial resources, but also need to look at ways to effectively use their financial resources. The financial manager/treasurer has a key role to play in the effective management of financial resources, but it is the management committee or board which has ultimate accountability for how funds are used by clubs. This section has endeavoured to clarify the position and role of the financial manager/treasurer, to outline the skills and attributes that may help treasurers be successful in their role, and to detail the responsibilities of the financial manager/treasurer as a manager of financial resources in lifesaving clubs.

Refer to www.lifesavingvictoria.com.au – Club Members for a glossary of financial terminology



Westpac Banking Corporation has provided lifesaving clubs with the following support:

New banking package for charities (19 May 2004)

Westpac today released a new package of discounted banking products for non-profit organisations called Community Solutions.

The special pricing for community groups includes a fee free cheque account, discounted business credit cards and merchant services.

“As a bank, we have a responsibility to provide low-cost basic banking facilities for community organisations. We have taken this further by developing a range of accounts to provide savings to community organisations as well as guidance on managing finances in a community organisation,”

“Westpac is committed to helping all Australian community organisations save money. Every dollar saved is another dollar that can go directly to building better and stronger communities.”

“Whether it’s the local football club, the p&c or the treasurer of a charity, it is important that organisations manage money efficiently and at low cost. Westpac feels it is important to help those organisations where every dollar counts.”

(Samantha Brown, Head of Community Involvement at Westpac)

Westpac developed the range of financial solutions for non-profit organisations in partnership with our community, a company that provides products and services to the community sector. There are an estimated 700,000 organisations in the not for profit sector.

Community solutions are a range of discounts on banking products commonly used by non-profit organisations including:

- A cheque account with no monthly service fee, no transaction fees and at call access to funds
- Business choice credit card with no annual fee on the first two cards saving up to \$78 per annum
- Eftpos extra terminal with no establishment fee (saving \$82.50) and a discount on the monthly

- 
- terminal charge (saving \$66 per annum)
 - Cash management account investor option also with no monthly service fee and competitive interest rates

Westpac also launched a free **'Guide for Community Treasurers'** specifically for community organisations on managing their finances. The guide was written in partnership with Our Community following extensive research of the needs of the non-profit sector.

The guide includes advice on keeping the books, asset registers, cash flow, tax and a section outlining how non-profit organisations can manage their accounts better.

Non-profit organisations who qualify for the special pricing include those with: memorandum and articles of association stating 'not for profit' status or an ATO income tax exemption certificate or a certificate of registration/incorporation for community organisations

For a copy of the 'Guide for Community Treasurers' visit www.westpac.com.au or call 1300 660 953.

5.3 Finance checklist

Who is responsible for the day to day management of the club's financial resources?

Which of the following records does your club regularly maintain (tick box)?

- Members' subscription details
- Cash receipts
- Cash payments
- Assets register
- Bank accounts
- Liabilities
- Other (please specify)

What templates do you have in place for key financial management procedures such as invoicing, record keeping, budget preparation?

Describe the documented system in place for following up overdue payments?

How often does the Treasurer provide regular reports on the financial status of the club so that you can effectively plan and budget?

- Monthly
- 6 monthly
- Yearly
- Never
- Other (please specify)

Who is responsible for auditing your clubs accounts?

Do you have insurance cover for all your club's assets?

When was the last time the insurance cover was reviewed?



Finance feedback form

LSV welcomes feedback to help us improve the quality and effectiveness of this Club Development Manual. If you would like to provide feedback on this section please do so using this form.

Please consider each question and rate them on a 1 to 5 scale, where 1 is poor and 5 is excellent (please circle the appropriate number).

How did you rate the quality of information?

1 2 3 4 5

How can it be improved?

How did you rate the design and presentation of this section?

1 2 3 4 5

How can it be improved?

If you would like to see additional information in this section please specify;

Please photocopy this form, complete and return to:

Administration Life Saving Operations

200 The Boulevard,

Port Melbourne Vic 3207

Or fax to: (03) 9681 8211