

Financial Considerations for Clubs

- Club structure
- Taxation Considerations
- Importance of Governance
- Budgeting and the common pitfalls

- A club within a community is an essential element to its lifeblood, well-being and indeed its long term viability and survival.
- However, such public or community service carries with it higher and higher levels of duties and responsibilities including administrative and compliance duties which are necessary in the current era of transparency and accountability.
- In essence, club funds must not only be accounted for but must be seen to be accounted for. Club assets must be protected against embezzlement. Club liabilities must only be incurred for valid goods or services.
- With such demands, there is a danger that the essential *raison d'être* of the organisation may be side-lined, proper controls and procedures such as budgeting need to be in place to make sure this doesn't happen.

UNINCORPORATED V INCORPORATED (Company Limited by Guarantee)

- **Advantages v Disadvantages**
- Club organisations are not required to register with the company's office; however larger organisations will normally register a company "limited by guarantee" to act on behalf of its members.
- For a company limited by guarantee the annual report (the accounts) must be filed with the CRO each year together with the Annual Return (details of directors).
- Smaller organisations may not require a company structure however they should have a Constitution and appoint officers of the organisation e.g. Chairman, Secretary and Treasurer. If possible these people should have the expertise for the role concerned
- Essentially the club will be governed by the rules of the club. Individuals should always consult the rules (the club constitution) before assuming any office within the organisation.

- *Section 235 (Tax Act 1997) exemption for sports bodies*
- *Tax relief on donations to sports bodies*
- *Vat*

- Exemption from income tax and corporation tax
- Applies to income of bodies established for the sole purpose of promotion of athletic or amateur games or sports
- Relief from capital gains tax on chargeable gains, provided proceeds are applied to the sole purpose of promoting athletic or amateur games or sports
- Exemption from stamp duty on acquisition or lease of land to be used for sole purpose of promoting athletic or amateur games or sports

- Tax relief for donations to sports bodies for funding of capital projects
- Examples:
 - ▶ purchase, construction or refurbishment of building or structure
 - ▶ Purchase of land for use in providing sporting or recreation facilities
 - ▶ Purchase of permanently based equipment (excluding personal equipment) for use in providing facilities
 - ▶ Improving playing pitches, surfaces or facilities
 - ▶ Repaying money borrowed on or after 1 May 2002, and related interest, for any of above purposes

- Project must be approved by Minister for Transport, Tourism and Sport
- Estimated aggregate cost of project must be less than €40 million
- Receipt required to be given to donor
- PAYE taxpayer: sports body claims relief at individual's marginal rate of tax on grossed-up donation
- Self-assessed individual: claim as deduction from total income on tax return
- Company: claim as trading expense

■ Ticket sales for matches

- ▶ VAT exempt
- ▶ No input VAT recovery allowed on related costs

■ Bar and foods sales

- ▶ VATable – Drink (21%), Meals (9%), Confectionary (21%)
- ▶ Registration thresholds for services (€37,500) and for goods (€75,000)
- ▶ Input VAT can be recovered on related costs

■ Merchandise

- ▶ VATable (usually 21%)
- ▶ Registration thresholds applies

Vat – a moving scale.....

■ Advertising and Sponsorship

- ▶ Grey area – historically not VATable for sporting bodies by concession
- ▶ Discussions ongoing with Revenue

■ Buying outside Ireland

- ▶ Obligation to VAT register (€41,000 threshold)
- ▶ Reverse charge VAT
- ▶ VAT costs where goods relate to exempt or non-VATable activities

GOVERNANCE IS THE SYSTEM BY WHICH AN ORGANISATION IS DIRECTED AND CONTROLLED IN ORDER TO MEET ITS OBJECTIVES AND DELIVER RESULTS

NO ORGANISATION CAN ACHIEVE ITS OBJECTIVES OR DELIVER RESULTS WITHOUT GOOD PLANNING, MANAGEMENT & ADMINISTRATION

The importance of INTEGRITY, TRANSPARENCY, ACCOUNTABILITY and CONTROL in the running of any organisation cannot be overstated

- **CLARITY** in the definition of the roles and responsibilities of each officer, at executive and sub-board level – *everyone knows what is expected of them*
- **APPROPRIATE CONTROLS** over the execution and recording of transactions – *to protect the integrity of the individual*
- **Consistent application of accounting and presentation of financial statements for all activities** – *to protect the integrity of the organisation*
- **Defined REPORTING PROCEDURES** which support decision making – *to ensure transparency & accountability*

The Club Treasurer

Duties and Responsibilities of a Club Treasurer

- The role of the club treasurer is similar to that of Chief Financial Officer in a commercial organisation. In broad terms, the treasurer is responsible for financial administration and stewardship.



Duties and Responsibilities of a Club Treasurer

- *The preparation of the annual club budget (CASH V PROFIT)*
- *Proper recording of receipts and payments*
- *Authorisation/set limits of expense claims eg. Medical, physio, mileage*
- *Proper recording of assets and liabilities*
- *Monitoring of club's cash flow*
- *Liaising with the bank*
- *Safeguarding the financial assets of the club*
- *Providing regular financial reporting to the Executive Committees*
- *Proper payroll reporting and discharge of any tax and social insurance liabilities to the RC*

Duties and Responsibilities of a Club Treasurer

- *Assisting in drawing up financial plans for capital projects/application for grant funding.*
- *The timely preparation of year end financial reports in the proper format – use of comparatives and monitor against budget*
- *Liaising with any external auditors (If applicable)*

Budgeting

■ Why budget?

- 1. Acts as a roadmap – visual representation of the direction being followed*
- 2. Aligns priorities and coordinate efforts – Reduce disagreements!*
- 3. Reveals waste - cost over runs*
- 4. Controls spending – corrections can be made on time for overruns*
- 5. Grow Savings- Can surplus be saved?*

■ Steps to Budgeting

- 1. Gather all financial information you can.*
- 2. Record all of your sources of income – Be aware of the seasonality of this income!*
- 3. Create a list of monthly expenses.*
- 4. Break expenses into two categories: fixed and variable.*
- 5. Total your monthly income and monthly expenses.*
- 6. Make adjustments to expenses.*
- 7. Review your budget monthly.*

- Still, there are a few things you need to watch out for when making your budget.
- **Pitfalls**
 1. *Having the intention but not actually preparing a budget.*
 2. *Preparing a budget and not using it – comparison v accounts*
 3. *Not gathering all the information and leaving vital information out.*
 4. *Making sure all relevant personal are consulted as part of the budgeting process*
 5. *Overcomplicating the budget. Needs to be understandable and easy to use.*
 6. *TIME!!!! Not giving the budget adequate time to work for you.*