



## Section 2.09 Club Accounting Best Practices

---

The following information has been put together to share the key best practices that have been collected over the years from our Member Clubs. This document is NOT intended to teach the club how to perform accounting tasks or what software programs to use to manage their books of account.

### Accounting

Accounting is the process of recording information regarding the financial transactions of an organization in an orderly, systematic manner. There are a number of reasons for having an accounting system.

To begin with, the Treasurer of a club has been put into a position of great trust by the other members. The funds which people handle are not their own and it is therefore important that there be a system by which the inflow and outflow of these funds can be tracked. This serves to protect both the Treasurer and the club.

Secondly, the club ideally, is an ongoing entity. It will continue to exist regardless of any changes amongst the volunteers who serve on the executive. It is therefore important that a system be in place to produce financial reports which can be understood by those who will follow. This will assist them with the job of planning.

Accounting systems also aid with the process of planning and monitoring performance against the current plans. In this respect, an accounting system also aids with the decision making process. For example, in the absence of an accounting system, it can be very difficult to know just what financial resources the club has at its disposal. As well, without knowing the financial situation of a club, it is difficult to make good decisions in the event of some extraordinary occurrence.

Proper accounting may also be a legal requirement. Depending on the nature of the club and the jurisdictions within which it operates, there may be a legal requirement to produce proper financial statements. Attempting to do so in the absence of any form of accounting system would be virtually impossible.

Finally, accounting systems also assist with implementing controls on expenditures. **Internal controls are critical to ensuring the safeguard of members equity in the club and in minimizing the possibility of fraud. A club should have at least three signing officers and two signatures should be required on cheques and other legal documents. An approval process for expenses will ensure that only appropriate expenditures are made.**



## Objectives

There are three basic objectives for any accounting system or person operating such a system. These are accuracy, consistency and timeliness.

Accounting records which are not accurate are not worth the trouble of keeping. They serve no worthwhile purpose and may lead to questions regarding the motives of the person or persons who kept the records.

Consistency is one of the cornerstones of any accounting system. If the transactions which are recorded in the system are not done so in a consistent manner, the reports generated by the system will be of limited use as decision making tools. This is true on both a month to month, as well as year to year basis. If you are attempting to compare revenues or expenditures in a specific area with historic information, you must know that the transactions were recorded in the same manner in the past as they are at present.

Finally, timeliness is also important for two reasons. To begin with, it is difficult to make good decisions if the information you are basing them on is not as current as possible. Secondly, if you do not keep the records up to date on a regular basis, you run the risk of losing track of all of the details pertaining to a transaction. As such, you compromise your accuracy.

Small clubs who are not incorporated may get by quite well with using Excel and setting up simple categories for revenue and expense, while other larger clubs will likely be making use of software like Quickbooks or Sage to set up more complicated general ledger structures and automate generation of T4 slips for staff and generate all the necessary financial reports.

## **Best Practices for Improving Your Club's Financial Health**

This list is in no particular order and is certainly not exhaustive, but hopefully provides some useful tips on what to focus on when working your financials. If you have specific accounting questions, or wish to add your best practices to this list, please contact the OTA office.

1. Review and approve invoices (including as applicable OTA invoices) by appropriate authority level of club executive members. In the case of OTA invoices, this will include adjusting for actual membership in August when known.
2. Look at Incorporating your club in order to take advantage of grant funding that is available at the municipal, provincial and federal level. By far the easiest grants to obtain are typically the ones at the municipal level and may require only rudimentary financial reporting in order to obtain funds in the \$3000-\$10000 range which in turn could help your club pay for needed equipment (screens, nets, squigees, etc).
3. Incorporation will require additional costs and extra effort in book-keeping (paying

- CPP, EI for staff, filing tax returns, maintaining by-laws and register of board members, etc) so it is recommended you have a volunteer or staff person to manage your books appropriately who is a certified accountant or has similar designation.
4. Building a solid capital reserve is crucial in order to cover your ongoing expenses such as court resurfacing/rebuilds, clubhouse permit/rental costs, facility maintenance, etc.
  5. Best case scenario is to set your membership fees to a level that more than covers your ongoing operating expenses so that you have extra funds left at the end of the season to be put into capital reserve.
  6. Of course the fee you set will depend on what expense sharing model you have with your municipality and what restrictions your municipality has placed on what you can charge members. Some municipalities expect the club to pay 100% of all expenses (ie, lighting replacement, hydro, water, court resurfacing, clubhouse maintenance, etc), while others provide some sort of sharing arrangement (50/50, 70/30, etc) for specific items.
  7. Ensure you store all your important financial documents (and any others such as incorporation documents, contracts, bank information, license agreements, bylaws & constitution, etc.) in a safe place that are easily accessible by the board and by future board members when transitions occur. Many clubs use a safety deposit box approach or store all their documents online (eg: google Drive) for the board to access and share.
  8. Take the time to look at additional revenue streams beyond your membership fees. Some techniques clubs have used in the past include:
    - a. Hold a charity tournament
    - b. Yard sales or 50/50 draws during social time
    - c. Sell raffle tickets to sporting or entertainment events
    - d. Running OTA sanctioned tournaments (rookie tours, 1/2/3\* events, selection and qualifier events, etc.)
    - e. Silent auctions
    - f. Seeking donations for specific purposes and projects
    - g. Sell branded products to members for a profit, knowing a portion goes back to the club
    - h. Business sponsorships (donate money in exchange for advertising on club website or on club property if allowed by the municipality)
    - i. Fundraise through a 3rd party food retailer where a portion of all member purchases comes back to the Club (eg: [www.northcountrymeatandseafood.com](http://www.northcountrymeatandseafood.com)).
    - j. Apply for grants if your club is incorporated
    - k. Revenue share with your pro (see below)
  9. A number of our member clubs use a revenue sharing model with their club pro to help cover the costs of future court resurfacing and other capital projects. If you have one or more full time club pros, you should have a club pro contract set up to

discuss roles and responsibilities and in turn you may have a section on any revenue sharing expectations. Some options we've seen in the past from clubs include:

- a. The club pro pays anywhere from 10-50% of all their tennis lesson/camp revenues to the club, or alternatively for a portion of just the tennis camp revenues.
  - b. Request a flat rate amount annually from the pro to cover their use of your courts and facility/amenities.
  - c. Some clubs do not expect to share in any revenue taken in by the pro, however, they do expect the club pro will work hard to generate membership and attract new members.
10. Find good software that will help manage your membership registration process as this is likely your largest source of revenue. Some clubs still process their fees manually using cash or cheque only to avoid costs associated with online payments and credit card processing. Those clubs who have graduated to using PayPal, Karelo, Jegysoft/Bambora or membership registration software find that not only does the membership process become easier (and less stressful for your volunteers), but the financial reporting that accompanies the processing makes reconciliation a lot less cumbersome and error prone. Contact the OTA office for more information on which clubs are using these and other software systems.
11. Financial statements including at a minimum a balance sheet ( i.e a statement of assets and liabilities) and an income statement ( i.e. a statement of revenue and expenses), should be prepared at least annually on a fixed schedule and be reviewed and approved by the club executive and distributed to the general membership at the Club's annual meeting.
12. Where financially feasible, having the financial affairs of the club subjected to an audit by a independent audit firm will further ensure the accuracy of the accounting records.