

THE FA CLUB  
FOOTBALL FORUM

FREE PODCAST



**FOR  
ALL**

# Introduction to Club Finance

An uncomplicated overview for committee members

# WHAT WILL BE COVERED;

By the end of this podcast you will...

- 1) Understand the different types of accounts relevant to your club

# WHY IS IT IMPORTANT?

- Typical reasons that businesses fail:
  - Poor cash flow management
  - Inability to pay tax/wages
  - Overspending
  - Poor credit control
  - Insufficient funding
- Therefore it is essential that key people at a club understand their club's accounts

# UNDERSTANDING YOUR CLUB'S ACCOUNTS

A basic set of accounts may include:

- Income and Expenditure account (Profit and Loss)
- Cashflow statement
- Balance Sheet (Assets and Liabilities)

# DIFFERENT TYPES OF ACCOUNTS

	Management accounts	Statutory accounts
Use	Used by management for up to date information about the club's profitability and financial health.	<ul style="list-style-type: none"><li>• Fulfil obligations to Charity Commission, Companies House or HMRC.</li><li>• Formatted in a generic way to allow comparison to other organisations.</li></ul>
Viewed by	Confidential and viewed only by committee members, directors, and others they agree to share information with.	Publicly available on the following depending on the legal structure: <ul style="list-style-type: none"><li>• Companies: Companies' House</li><li>• Charities: Charity Commission</li><li>• Societies: FSA Mutuals Public Register</li></ul>
Layout	Determined by the club.	Determined by UK Accounting Standards and Company Law.
Period	Typically annual, but broken down monthly or quarterly.	Usually annual.

# INCOME AND EXPENDITURE ACCOUNT

## What is it?

- Also known as Profit and Loss account
- Measures your club's performance over a given period of time
- Shows different types of income and expenditure
- Income less expenditure gives a surplus or deficit for the period
- This is added to or subtracted from opening reserves to give closing reserves

Categories	Examples
Income	<ul style="list-style-type: none"><li>• Member subscriptions</li><li>• Tournaments</li><li>• Sponsorship</li></ul>
Expenditure	<ul style="list-style-type: none"><li>• Salaries</li><li>• Rent and rates</li><li>• Utilities costs</li><li>• Office costs</li><li>• Corporation tax (if applicable)</li></ul>

## For charities, income may be separated into:

- Restricted income: Income to be used for a specific purpose or in a certain way (set by donor or charity)
- Unrestricted income: No external conditions or expectations on the charity in its use

# INCOME AND EXPENDITURE ACCOUNT

## Example

	2019	
	£	£
<b>Income</b>		
Membership subs	50,000	
Tournaments	20,000	
Sponsorship	<u>10,000</u>	
		80,000
<b>Expenditure</b>		
Salaries	(45,000)	
Rent and rates	(10,000)	
Utilities costs	(8,000)	
Office costs	<u>(10,000)</u>	
		<u>(73,000)</u>
<b>Surplus</b>		<b>7,000</b>
Opening reserves		10,000
<b>Closing Reserves</b>		<b><u>17,000</u></b>

## Things to look out for:

- What are the main changes year to year? Why?
- Is there anything obvious missing or anything that looks wrong?

# CASH FLOW

## What is Cash Flow?

- Shows:
  - Cash inflows – payments into a club from members or other sources
  - Cash outflows – payments made by a club to suppliers, etc
  - Net cash flow = cash inflows – cash outflows
- Cashflow statements enable you to see peaks and troughs in your cash balance, and how much available cash you have at a given time.

## How does the Cashflow statement (CF) differ to an Income and Expenditure account (I&E)?

- I&E shows items in the period they relate to.
- CF shows when items are received or paid.
- Example 1:
  - Member subscriptions for January to December 2019, are received up front in December 2018.
  - These will be in the 2019 I&E but the 2018 CF.
- Example 2:
  - The electricity bill for October 2018 to December 2018 is paid in January 2019.
  - This will be in the 2018 I&E but the 2019 CF.



# CASH FLOW STATEMENT

## Example – operating cashflow

	Oct-19 £	Nov-19 £	Dec-19
<b>Operating cash inflows</b>			
Membership subs			18,500
Tournaments		5,000	
Sponsorship	833	833	833
	<u>833</u>	<u>5,833</u>	<u>19,333</u>
<b>Operating cash outflows</b>			
Salaries	(3,750)	(3,750)	(3,750)
Rent and rates			(2,500)
Utilities costs	(2,000)		
Office costs	(833)	(833)	(833)
	<u>(2,833)</u>	<u>(833)</u>	<u>(3,333)</u>
<b>Net cashflow from operations</b>	<b>(2,000)</b>	<b>5,000</b>	<b>16,000</b>
Opening cash balance	3,000	1,000	6,000
<b>Closing cash balance</b>	<b><u>1,000</u></b>	<b><u>6,000</u></b>	<b><u>22,000</u></b>

## Cash Flow section

## What is included

Operating	<ul style="list-style-type: none"> <li>Day to day activities</li> </ul>
Investing	<ul style="list-style-type: none"> <li>Fixed asset purchases</li> <li>Fixed asset sales</li> </ul>
Financing	<ul style="list-style-type: none"> <li>Grant receipts for capital purchases</li> <li>Loan receipts</li> <li>Loan repayments</li> </ul>

## Things to look out for:

- How does the cash flow for the next 12 months look? Are there any potential shortfalls?
- Can the club pay its debts as they fall due for payment?

# BALANCE SHEET

## What is it?

- A snapshot of club's:
  - Assets (what you own or are owed)
  - Liabilities (what you owe) on a particular day.
- Assets and liabilities are separated into those falling due:
  - Within one year (short term)
  - After more than one year (long term).

Category	Examples
Long term assets	<ul style="list-style-type: none"><li>• Fixed assets – eg. owned facilities and equipment</li></ul>
Short term assets	<ul style="list-style-type: none"><li>• Cash in bank and petty cash</li><li>• Debtors – amounts owed by customers</li></ul>
Short term liabilities	<ul style="list-style-type: none"><li>• Creditors – amounts owed to suppliers</li><li>• Tax – eg. VAT, PAYE, Corporation</li></ul>
Long term liabilities	<ul style="list-style-type: none"><li>• Loans repayable over several years</li></ul>

# BALANCE SHEET

	2019	
ASSETS AND LIABILITIES	£	£
<b>Long Term Assets</b>		
Clubhouse	200,000	
Ground	<u>100,000</u>	300,000
<b>Current Assets</b>		
Bank account	22,000	
Trade debtors	<u>10,000</u>	
	32,000	
<b>Current Liabilities</b>		
Trade Creditors	(20,000)	
VAT	<u>(5,000)</u>	
	(25,000)	
<b>Net Current Assets</b>		7,000
<b>Long Term Liabilities</b>		
Loan	<u>(290,000)</u>	(290,000)
<b>Total Net Assets</b>		<u><u>17,000</u></u>
<b>RESERVES</b>		
Profit and loss account		17,000
<b>Total reserves</b>		<u><u>17,000</u></u>

## Things to look out for:

- Are our total assets more than our total liabilities? What is the overall financial health of the club?
- Are our current assets more than our current liabilities? Can the club pay its debts as they fall due?
- Are any big payments due? Eg. Tax, supplier invoices, loan.
- Are any large debtor balances building up?
- Does the valuation of the club's assets seem reasonable?



# THANK YOU

## Next podcast – **‘Managing your money’**

Exploring the main responsibilities when it comes to managing money as well as the valuable internal controls which can be used to support this