

# ONTARIO LACROSSE HAPPINESS IN THE BLACK!

February 29, 2020





BUDGETS

FAILING TO PLAN IS PLANNING  
TO FAIL

# BUDGETS

- Gives you control. In fact, a budget is one of the most powerful financial controls that you have
- Keeps you focused on your goals
- Makes you aware of what is going on with your money (e.g. OLA Budget approved tomorrow)
- Helps you organize your spending (i.e. can you afford all that you want to do? With the registration fees cover your costs? Will you need to get more sponsorships, if not?)
- Makes you decide in advance what you will invest/spend your money on. It is not all dollars and cents, and there are qualitative factors to take into account as well.
- Provides early warning of potential problems (e.g. team overspending to their budget), and how to correct the trajectory to get it back on plan.
- Enables you to communicate to others in the Club/Association (i.e. transparency).

# TYPES OF BUDGETS

## 1. Incremental Budgeting:

Takes the prior year figures and adds an escalator like inflation (2%).

It is easy to understand and simple to complete.

Downside of this type of budget is that it ignores external factors like growth in age groups, costs like floor time increasing more than inflation, or carries forward one-time revenues/expenses that will not reoccur in the new season.

It works best when your costs are fixed in nature and don't change from year-to-year.

## 2. Activity-based Budgeting:

More of a "top-down" approach as you determine your costs that will support the teams and activities your Club will undertake in the year. This method takes more time and detailed analysis of the expected activities for the coming season.

From that you would determine the revenues you need to have a balanced budget. Possibly you may want a small surplus, which can allow for some contingency if plans change.

Divide the budgeted revenues by your estimated player registrations and you get your per player fee. A simple approach that says every player pays the same, which may not be an accurate method to use.

Can you breakdown your costs by major age groups to then determine the registration fees?

## TYPES OF BUDGETS (cont'd)

### 3. Zero-based Budgeting:

This method starts with a clean slate each year, that is nothing carries over and you rebuild the budget each year.

Each budget line is justified based on a detailed build up of the costs. No expense is okay and it looks to avoid costs that are not considered necessary.

It is a time consuming approach and is used more commonly in for-profit organizations who are looking for cost containment. It is not completed each year due to the time required to complete the budget.

While time consuming, it can provide a good base or starting point for a Club to build from in the future.

The OLA in setting its budget each year uses a hybrid method. It looks at activities and those costs to see if all will repeat and in some instances with programs we start from zero each year.





# SAFEGUARDS/CONTROLS

- March is Fraud Prevention month, so there will be lots of information available on the topic that you should be able to access and review to ensure you have safeguards in place to minimize your risk
- Ways to minimize fraud in your organization:
  - Segregation of duties; different people handle cash, making payments and reconciling bank statements. This is harder and quite difficult in smaller and Not-for-Profit (NFP) organizations
  - Two signing authorities for cheques, and having cheques approved at Board meetings or separate monthly reviews. No pre-signing of cheques to allow for ease of payment.
  - Have proper back-up and support for all payments, and a payment to match the support (e.g. don't accept email for expense reimbursement). Avoid netting of payments if the vendor may owe the Club/Association
  - Perform monthly reconciliation of bank statement. Don't leave it for a few months as unknown transactions or items may be missed.
  - Regular reporting of financial results such as balance sheet or income statement; to be discussed further in Reporting. Don't accept reporting of "cash in the bank" as being acceptable

# REPORTING

- Regular reporting against budget is another control on the financial records for the Club/Association
- Leads to better information that will assist in future period budgeting and planning
- Makes you aware of what is happening against your plan and are their corrections/adjustments that need to be made (e.g. cut back on spending)
- Allows for questions to be asked of the financial results and transparency to the members of the Club/Association (i.e. we are spending as we said we would)
- “Did you do what you said you would do”
  
- Sample report on next page

**SAMPLE CLUB INCOME STATEMENT - 2019**

|   | <b>Actual</b>      | <b>Budget</b>      | <b>Variance</b>     |
|---|--------------------|--------------------|---------------------|
| <b>REVENUES:</b>                                      |                    |                    |                     |
| Player entry fees                                     | \$20,000.00        | \$18,000.00        | \$2,000.00          |
| Sponsorship   | \$7,000.00         | \$8,000.00         | (\$1,000.00)        |
| Tournament Entry Fees                                 | \$10,000.00        | \$9,000.00         | \$1,000.00          |
| Fines   | \$620.00           | \$630.00           | (\$10.00)           |
| Other   | \$750.00           | \$750.00           | \$0.00              |
| <b>Total Revenues</b>                                 | <b>\$38,370.00</b> | <b>\$36,380.00</b> | <b>\$1,990.00</b>   |
| <b>EXPENSES:</b>                                      |                    |                    |                     |
| Bank Charges  | \$120.00           | \$100.00           | (\$20.00)           |
| Honorariums   | \$2,000.00         | \$2,000.00         | \$0.00              |
| Floor Time  | \$4,000.00         | \$3,000.00         | (\$1,000.00)        |
| Travel costs (Accommodations)                         | \$3,000.00         | \$3,000.00         | \$0.00              |
| Travel costs (Food/Meals)                             | \$2,000.00         | \$1,500.00         | (\$500.00)          |
| Insurance & Player Levy                               | \$3,000.00         | \$3,000.00         | \$0.00              |
| Tournament Entry Fees                                 | \$5,000.00         | \$3,500.00         | (\$1,500.00)        |
| Tournament costs                                      | \$8,000.00         | \$9,000.00         | \$1,000.00          |
| Equipment costs                                       | \$8,000.00         | \$7,500.00         | (\$500.00)          |
| Referee costs   | \$2,000.00         | \$2,000.00         | \$0.00              |
| Staff Meeting expenses                                | \$500.00           | \$500.00           | \$0.00              |
| Miscellaneous   | \$750.00           | \$750.00           | \$0.00              |
| <b>Total Expenses</b>                                 | <b>\$38,370.00</b> | <b>\$35,850.00</b> | <b>(\$2,520.00)</b> |
| <b>Excess/(Deficit) of Revenues<br/>over Expenses</b> | <b>\$0.00</b>      | <b>\$530.00</b>    | <b>(\$530.00)</b>   |

