

RECORD KEEPING AND FINANCE FOR U.S. FIGURE SKATING CLUBS

A Guide for Club Treasurers and Presidents

**By
JACK CURTIS, CPA**

Ann Moore, Editor

ABOUT THE AUTHOR

Jack Curtis is a Certified Public Accountant. He has served as President of the Los Angeles FSC, as Chair of the Southern California Interclub Association and as Treasurer of US Figure Skating. He has served as Chairman of Club events and of Regional, Sectional and National USFSA Championships.

Revised 2007

INTRODUCTION

Most skating clubs have bills to pay, uncertain income and volunteer treasurers. Many of the volunteers serving clubs aren't financial, accounting or tax people; however, a little expertise is needed for acceptable financial management. This is a starter kit.

Officers and Directors cannot perform their jobs properly without regular, accurate financial reporting. A club's money may disappear on a depressingly regular basis without appropriate safeguarding. Tax returns must be prepared. Someone must see that club property is maintained and safeguarded. Directors who fail to arrange for these basic minimums will be derelict in their duties and may be personally liable for any unfortunate results if some member with an attorney friend gets grumpy about it.

This starter kit will help you organize and operate your new club or reorganize an existing one. It may be usefully handed to new presidents, treasurers and directors as part of their job training; this will help keep your financial system on track over time. A common source of club financial losses is degeneration of its financial controls as its officers come and go.

A final point: club officials are handling other people's money; that is a position of trust. Remember the advice given to corporate presidents on finding a corporate treasurer: "Find someone who is honest; then watch him!" One of the most costly, common errors in club management is the mistaken attitude: "We shouldn't ask dear Hortense to validate her bookkeeping; she would be insulted! It would appear that we don't trust her!" Actually, failing to properly supervise Hortense is a dereliction of the duty owed to all those members whose money is supposed to be safeguarded. If Hortense feels that her work should not be supervised, you have not found the right candidate for the position.



This manual is designed to assist skating club Treasurers and other officers and directors in fulfilling their financial responsibilities. It is made available with the understanding that neither the author nor the publisher is engaged in rendering legal, accounting or other professional service. If expert assistance is required, the services of a competent professional should be sought.

CLUB FINANCIAL MANAGEMENT

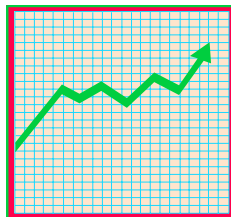
Club financial management is the process of assuring that sufficient funds are generated to cover the costs incurred in operating the club. It is best done through careful planning, which will involve examining various sources of funds, followed by monitoring of results by means of financial reporting.

FINANCIAL PLANNING

Financial planning requires that various types of budgets be prepared. Through the budgeting process, the directors can determine the amount of funds necessary to finance desired operations. They can then look at the various sources of funds and decide how to obtain the required amount in advance of need. Alternatively, they may decide that the revenue target is unrealistic in light of the available funding sources and can then rethink the planned operations before the club embarks on an ambitious program only to run out of money before all the bills are paid.

Here is a checklist of things to keep in mind about budgeting:

- ✓ Budgets should be prepared annually, covering the coming year. The budget should be prepared by the Treasurer with input from various chairpersons and approved by the Board of Directors.
- ✓ A budget should also be prepared in advance of any planned event that will involve significant amounts of club money. Examples would be shows, competitions, large parties or outings, etc. These budgets may be prepared either by the treasurer or by the official appointed to chair the planned event.
- ✓ Budgets need not be fancy, formal nor highly detailed. They should contain enough information to allow a reviewer to understand the projected income and expenses. The format suggested on page 4 for reporting income and expenses of the club can also be used for budgeting. Of course, more elaborate formats or computer programs designed for the purpose can be used as well. The point is simply that operations with significant financial impact should be well planned and properly approved.
- ✓ When preparing your budget, remember that sound club finance rests upon the cash box mentality: Any expenditure must come from assured funds. That can be stated in three axioms:
 - 1) Don't spend money you don't have!
 - 2) If you *must* spend money you don't have, know where it will come from!
 - 3) If you don't know where it will come from, reread axiom number one!
- ✓ **NO MATERIAL, UNBUDGETED FUNDS SHOULD BE SPENT WITHOUT SPECIFIC BOARD APPROVAL!**



SOURCES OF FUNDS

Following are descriptions of sources of funds frequently available to clubs:

- **Dues:** The primary source of club income is usually club membership dues. Dues often cover the cost of using club ice time as well as membership expense, but may include the costs of membership only. In the latter case, admission to club ice time may be collected at each attendance. The USFSA membership fee should be included in setting dues, along with any other membership costs particular to club operations, a newsletter subscription for instance. In setting dues, it is most important to accurately foresee the costs to be covered and the members' ability to pay. In administering dues, it is best to set a firm due date for payment and terminate privileges promptly thereafter.
- **Initiation Fees:** Whether to set a one time fee for new members in addition to dues is a policy decision based upon the ease of acquisition of such versus the costs of adding and informing them. A small fee is usually warranted, provided it does not discourage expansion too much.
- **Event Income:** The net income from well-planned club shows, competitions, parties and other club events constitutes a common source of club funds. Good management of well-planned events is the key to success. Failure to provide the planning or the management can produce painful losses. Budgeting such events is crucial. Club events are discussed in more detail on page 7.
- **Sponsorships, Gifts and Contributions:** These are the result of well-planned and
- executed solicitation programs. It is important to control the costs of solicitation. Special tax consequences may apply.
- **Advertising:** Revenue can be obtained from selling space in club newsletters, competition or show programs or various types of club brochures. It is important to be realistic in setting prices, in knowing who are likely advertisers and especially, in controlling the cost of the publication to be produced in relation to its *realistic* circulation. Again, realistic budgeting in advance is called for!
- **Ice Time Fees:** When not included in dues, ice time fees may be a substantial source of revenue. The most important issues are (1) setting the fees at a realistic level with respect to ice costs and members' ability to pay, (2) the cost of competing skating sessions in your area, and (3) assuring that the fees are reliably collected. This can be a problem!
- **Investment Income:** Substantial amounts of cash on hand should be invested in insured, interest bearing accounts. Risk avoidance is primary; income, secondary.
- **Other Income:** There are many possible sources of income for clubs in addition to the common ones listed. Caution, care, planning and knowing what you are doing should be the guide.



FINANCIAL REPORTING

Just as school students receive report cards on their performance, the Club needs a report card on its financial condition. That is the purpose of financial reporting. The Club's financial reports present the revenues and expenses that result from its operations and they provide the means to compare the actual financial results of operations with the anticipated results as shown in the budget. Such a comparison should be done regularly to determine whether expenses are staying within budget and revenues are being generated as anticipated. The Board will then know if unfavorable variances are developing so they can take action to prevent possible cash shortfalls in the future.

Small clubs don't need elaborate financial reports, just regular, consistent and reliable ones. The bookkeeping system from which the reports are prepared may be a simple columnar pad, computer spreadsheet program, or one of the simpler computer accounting programs. There is no particular format that is better than any other. Whatever will clearly convey the club's receipts, disbursements and results will be fine.

A format is suggested below for those who have no interest in making their own. It should be modified as seems useful. It is very simple, suitable for new clubs, small clubs or large ones with simple operations. The idea is that the beginning bank balance, plus the receipts and less the expenses and other disbursements, should equal the ending bank balance.

ITEM	CURRENT MONTH	YEAR TO DATE
CASH IN BANK 1/1/01 \$XXX		
RECEIPTS		
Dues	XXX	XX,XXX
Ice Fees	X,XXX	XXX,XXX
Event Results (See Schedules) *	X,XXX	X,XXX
Etc.	<u>XX</u>	<u>XXX</u>
TOTAL RECEIPTS	XX,XXX	XXX,XXX
EXPENSES		
Ice Rental	X,XXX	XX,XXX
USFSA Membership	X,XXX	XX,XXX
Music Supplies	XX	XXX
Bank Charges	X	XX
Etc.	<u>XX</u>	<u>XXX</u>
TOTAL EXPENSES	XX,XXX	XXX,XXX
OPERATING RESULT (Receipts less Expenses)	XX	X,XXX
OTHER		
Receipts		
Disbursements		
NET OTHER		
CASH IN BANK 1/31/01 \$XXX		

* A separate report in this format should be attached for each event; their net total is shown here.

CLUB TAXATION

Please read this with time and patience on hand. It is not fun (what is fun about taxes?), but it may be important if you don't wish to find yourself explaining how you entangled your club with the Internal Revenue Service.

First, know that your club is a taxpayer. It has income, and all U.S. income of residents and citizens is taxable unless specifically exempted by the tax law. Too, there are other taxes in addition to those on income. What you truly wish to know is, does the tax law specifically exempt your club from taxes? The short answer is no. After that, it gets complicated.

The USFSA assumes (but it does not require) that its member clubs are corporations under the laws of their various states. One reason is. Most states provide a corporate tax form for *nonprofit* organizations. Keep in mind, however, that even though your club may be formed as a nonprofit corporation, it is not automatically tax exempt. If you don't want your club to be taxable, follow the instructions in the handy USFSA Guide: "Formation of a Nonprofit Corporation." Note that the guide, while it is clear (as such things go), well written, and complete and covers a lot of tax ground as well, does not promise to be everything you will require. On the contrary, it suggests in its dignified way that you will need attorneys and accountants from here on. This advice reflects the complexity of US tax law, not any desire of US Figure Skating.

If you decide that, as a struggling little group of skaters and parents trying to get along, you don't *need* to be a complicated corporation and you can't afford attorneys and accountants, there is the traditional good news and bad news. The good news is that you may not need attorneys for a while. The bad news is that you are still expected to file some kind of income tax return. That choice should be discussed with a knowledgeable professional. You may find that it is less complicated (and less expensive) to form a "plain vanilla" nonprofit corporation than to sort out all the tax and non-tax consequences of operating in a non-corporate form.

Note that filing a return doesn't always mean that tax will be due. For example, even if your club does not have tax exempt status, if your expenses absorb all the income, for instance, there won't be any tax to pay unless your state sets a minimum tax, as some do. You should discuss this with someone who knows taxation and won't give you too big a bill. The USFSA has attorneys and accountants among its members; one may live near you.

Here is a list of don'ts under tax law, in no particular order:

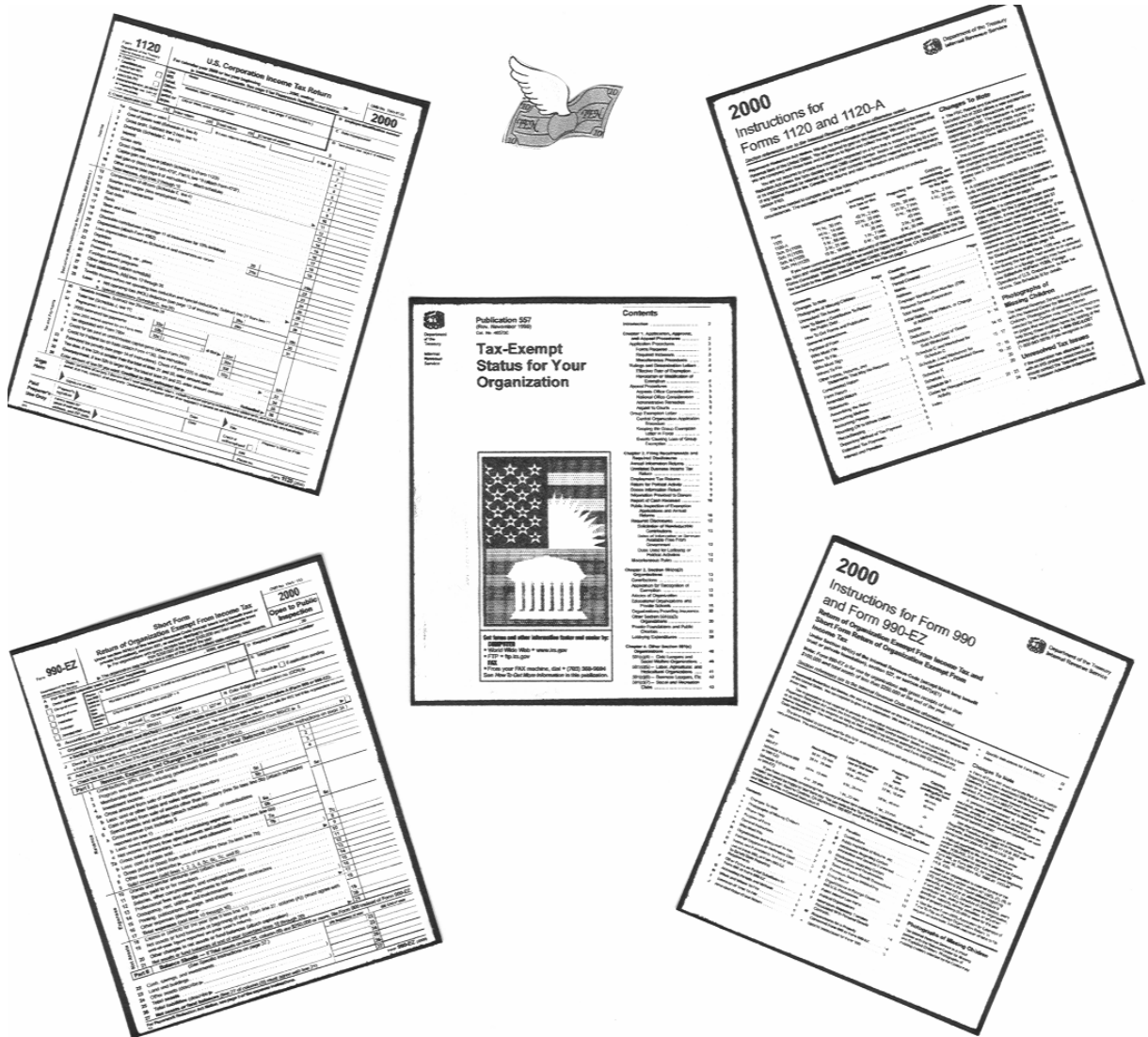
1. Don't pay anyone to perform services involving skating or club operations unless you are planning to register and report as an employer. You may be making your club liable for payroll taxes, workman's compensation, etc. Obtain "Circular E" from the IRS and your state's equivalent.
2. If someone tells you that you can ignore number one above because she is an "independent contractor", be wary; verify that she owns and operates a real, public business. And you will still need to report to the IRS on Form 1099 Misc.
3. Don't give anyone more than token amounts of club benefits (such as ice time) in exchange for personal services. That could be considered employment.
4. Don't provide different treatment/benefits among the same class of members.
5. Don't tell people that contributions to your club are tax deductible unless you know that your club is a 501 (C) 3 corporation. If you don't know what that

means, contributions are almost certainly, not tax deductible.

violate IRS restrictions on tax-exempt organizations.

6. Don't allow any volunteers (or their children) any material benefit from the club in exchange for volunteering. This could be considered employment and can

7. Don't put people into club office if they can gain tangible benefit from holding the office.



CLUB EVENTS

A competition, show or even a club picnic can be a significant financial affair. If you plan and control the event properly, you can expect the result that you intended; if you don't, you may encounter some expensive surprises along the way. One of these can be a last minute notice that you aren't in compliance with local fire laws or that you need event insurance coverage that you haven't applied for and that has been omitted from the budget.

The person in charge should prepare the budget so that all the income and expenses are planned in advance. Either the club treasurer or a special event treasurer should deposit funds generated from the people collecting them; the collectors should provide reports of collections to the treasurer and to the event chair.

Event attendance can be recorded through the use of ticket collection, attendance sheets, etc. This is important. Expenditures for large events can be managed by a separate, special checkbook provided the event by the treasurer, with its own starting balance, or by just giving the bills to the treasurer to pay. It may be easier for the event chair to pay bills from her private funds, with periodic reimbursement by the treasurer, or perhaps the treasurer will provide an advance in the form of a check.

After the event, the event chair should prepare or supervise preparation of a financial report showing funds received; identified by source, and dollars spent, identified by purpose and payee. The difference between these will be the financial result of the event. Copies should be

given the treasurer and the directors. The report need not be elaborate.

A common problem facing club event chairs is the number of attendees who believe that they are entitled to free attendance. The reasons they will advance are numerous and imaginative; the bottom line is that every one that you may allow will do two bad things:

1. It will convince three others that they too are deserving, and
2. It will diminish the money you need to pay expenses.

There will be those also who don't ask first; they will just try to gain entry through subterfuge. Plan to watch secondary entrances and provide paid attendees with visible evidence of their status. That evidence may be numbered ticket stubs, an ink stamp on the back of a hand, etc. It should be something hard to counterfeit or pass around for multiple uses. Event passes can be signed by the bearer, with the bearer's name prominently displayed.

Safeguarding event receipts should be considered in advance. People collecting money for admission are potentially targets. They should work in as secure a location as possible and should not accumulate large amounts of money. Accumulations should be collected periodically and taken to a secure storage location. Finally, keep security in mind when the accumulated receipts are counted and taken to be deposited.

PICNIC

COMPETITION



SHOW

TRAINING CAMP

FINANCIAL RESPONSIBILITIES OF OFFICERS AND DIRECTORS

All of the officers and directors of a skating club are responsible for its financial management; the treasurer is just the primary operator of the club's reporting and safeguarding systems, not the only responsible party. Under the laws of most states, the directors may be held personally liable for losses resulting from their failure to do a reasonably businesslike job.

Each officer and director has a responsibility to:

1. Assure that the club enjoys sufficient income for its operations.
2. Assure that it pays its obligations promptly and that it does not undertake obligations that it is unlikely to be able to pay.
3. Assure that the club has sufficient financial reserves for foreseeable future risks or provides for them with insurance or other appropriate planning.
4. Assure that club property is safeguarded from foreseeable risks and that physical property is maintained in good condition.
5. Assure that adequate records of property and of financial transactions are kept, are current and are available to members and to taxing authorities and other authorized parties.
6. Assure that tax and other government or USFSA mandated reports are provided timely and accurately.
7. Assure that any contracts entered are promptly and fully fulfilled.
8. Assure that all club dealings with members or nonmembers are open, fair and businesslike.

Typically, a treasurer is charged with the execution of the first seven of these (number eight is just good advice). Please note that assignment of these to a treasurer does *not* relieve the other officers and directors of any responsibility. Adoption of an attitude that, once a Treasurer is in office, the rest of the officers can forget about the financial end of things is a serious mistake and an invitation to future problems.

Bonding of a treasurer (obtaining an insurance policy to cover defalcation) is a good idea but may be difficult or expensive to accomplish. Ask liability insurance carriers or look for specialty bonding companies. Most small club operations will find this door hard to open. A good, logical, conscientious approach to financial reporting and controls is your best safety measure.



SAFEGUARDING CLUB MONEY AND PROPERTY

The procedures below are typical and may be altered for appropriate circumstances, but they should not be overlooked, nor disregarded for minor reasons. They are based upon centuries of experience. The basic premise is to involve as many different people as possible in authorizing, spending, receiving, depositing and reporting money so that no single person is in a position to acquire or spend money without someone else knowing. That limits temptation and makes defalcations difficult. (Note: Not impossible!)

RECEIPTS:

1. The membership chair should prepare and send the dues statements to the members and a list of the billings to the treasurer; the members should send their payments to the Treasurer. The treasurer should then provide the membership chair a list of payments by member.
2. Collected event proceeds should be given to the treasurer by the people collecting them in exchange for a receipt. Evidence of their source should accompany the proceeds. The treasurer should provide a list of such proceeds to the appropriate event chair.
3. Ice fees from club sessions should be given to the treasurer by the session official, together with an attendance sheet bearing the

signature of each person attending. Any non-paying attendees should also be listed, separately.

4. In general, any person who collects club funds should make an accounting report to explain the amount and source. A copy of the report should be given to the treasurer with the funds. Only the treasurer should make deposits.

5. The treasurer should prepare a monthly report of receipts and disbursements for the directors. Operations reports from the various officials to the board should also report the amounts they have given the treasurer for the period.

DISBURSEMENTS:

1. Checks should not be made to "cash" without special authorization and only in small, infrequent amounts.
2. All expenditures should be properly authorized and supported with descriptive, legible invoices, bills, register tapes, receipts etc. When that is not possible, a note should be written identifying the reason and authority for the expenditure. Expenditures exceeding an amount chosen by the Board should require specific Board authorization.
3. Cash boxes provided doorkeepers etc. at club events should be counted by two people and signed for when issued; the same again when they are returned.
4. Checks should carry enough information to make their purpose clear, including a legible description written in the "memo" space if needed.

5. All disbursements should be made by checks if possible.

6. The number of blank checks on hand should be kept as low as practicable; only the treasurer should have custody of checks except for occasional, temporary circumstances, and checkbooks should be kept secure (locked up safely) to prevent unauthorized use.

7. Checks should not be written out of sequence nor post-dated.

8. A short, legible description should be entered in the check register to explain each check written.

9. Any unusable checks should be defaced and fastened into the check register.

BANK STATEMENTS:

The club's bank statements should not be addressed to the treasurer but to some other officer, such as the president. That official should look them over before giving them to the treasurer. Questions should be asked of checks

made to cash, checks in amounts exceeding authorization, checks written out of sequence, duplicate checks, checks written to unknown parties or for unknown purposes, missing check numbers, etc.

AUDITS:

A formal audit is both unnecessary in most cases- and beyond the means of the average club. However, it is a good idea to have the

books and records looked at by a reasonably knowledgeable person each year, preferably, a person who is not an officer or director.

OTHER PROPERTY:

It is unusual for new clubs to own material amounts of tangible property. However, operations often require the acquisition of sound equipment, furniture, office equipment, ice surface/boundary gear etc. The board should fix a dollar value below which equipment is considered disposable. Items costing more should be logged in a ledger by description, date and cost. The custodian and location of the item should also be shown. When a new custodian is authorized, the old one should obtain a receipt from the new custodian upon turning over the equipment; that receipt should be given to the

treasurer. The treasurer will then record the change. It should be made clear that the custodian receiving property is responsible for it unless she has turned in a receipt from her successor to the treasurer. The board should decide who has authority to authorize custodians.

While it is the responsibility of a custodian to assure the normal maintenance of an item under his control, the treasurer particularly and other officers and directors are ultimately responsible and should actively oversee this.

SUMMARY AND CAUTION:

As a club official or property custodian, you are responsible for other people's money or property. You should handle the responsibility as if the property were your own. If such handling seems like too much trouble or is not worthwhile because it may irritate someone, an

officer should consider whether he or she really wants to perform the office involved. One may be able to decline the office, but under most states' laws; one cannot decline the responsibility.



A SHORT LIST OF CLUB FINANCIAL AND TAX MISTAKES

Experience has shown that these common situations in club financial management are responsible for most of the financial losses clubs experience. No minor mistakes are listed here; these are all serious risks for a club.

1. Failing to pay attention to financial affairs; "Leave it to good old Charley the Treasurer, we don't have to worry about it!"
2. Failing to keep the (bureaucratic!) records of receipts and disbursements. This puts the club's money at risk and also may antagonize the IRS.
3. Failing to identify and file all the required tax returns.
4. Failing to prepare budgets annually and in advance of substantial events.
5. Requiring services from members in exchange for benefits. This can legally amount to employment and can be troublesome and expensive if the values are sufficient to interest a tax agency.
6. Failing to maintain appropriate risk protection such as liability insurance, etc.
7. Failing to understand all contracts before entering into them.
8. Failing to understand and accommodate USFSA rules. This is a general rather than strictly financial mistake but it can jeopardize a club's well being.
9. Failing to report the club's financial affairs to its membership.

10. Failing in any manner to remember to treat the members' money and property as you would treat yours, while keeping everyone concerned (including the IRS) fully informed.