

# U.S. Figure Skating Club Financial Management Webinar

March 20, 2014



## Presenters

- **Alan Wolf, Chair, Membership Committee**
  - Alan is an active member of the North Atlantic Figure Skating Club in Falmouth, Maine, serving as club president since 2000
  - In addition, Alan has served on the Board of Directors of the Family Ice Center in Falmouth since the day it opened in 1997 and has assisted the non-profit rink on various legal, programing and management issues.
  - Alan has served as a Board Member of various non-profit organizations for more than 25 years and is currently the President of a California Foundation that donates money to organizations for cancer research and education.
  - Alan became involved in figure skating, as a "skating Dad", through his daughter Chloe, who he watched progress from a basic skills skater to the 2008 Novice Ice Dance Champion.
  - When he is not working on skating matters, Alan is an attorney who maintains a private practice in Maine.
- **Winston Burbank, Sectional Vice-Chair of Rules and Policies, Membership Committee**
  - Prior to retiring, Winston practiced law, in the State of Alaska, for 22 years and became a Judge for the State for 7 years.
  - Served as a member of the Board of Directors for three years as the Admin/Legal Coordinator
  - Currently the Chairperson of the Audit committee and serves as a member of the Grievance Committee
  - Winston became involved in skating through his children - daughter, Bianca, skated free style and recently skated for Miami University club team and son, Baxter, was an ice dancer, who competed and trained in Philadelphia.

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"Nonprofit is a tax status,  
not a business plan."



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## Duties of a Figure Skating Club Board

1. Define mission and purpose
2. Approve and monitor programs and services
3. Ensure adequate resources
4. Ensure effective fiscal management – budget, controls
5. Engage in strategic planning
6. Recruit and orient new board members
7. Support the coaches/ rink relationship
8. Enhance club's public image
9. Effective board operation – committees, meetings, decision making and recording process
10. Ensure sound risk management – conflict of interest, proper level of insurance coverage, minimize exposures



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## Fiduciary Responsibilities

- Ensure legal and ethical compliance
- Ensure fiscal accountability
- Prepare and approve your annual club operating budget
- Support and evaluate programs
- Ensure adequate controls
- Know what questions to ask
- Monitor results



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## Board Member Composition

- People who will put the organization first
- Should strive to have financially competent board members
- Effective decisions are made if boards are armed with effective information
- Most people who serve on boards are accustomed to making financial decisions in their lives



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## 10 Key Financial Questions Board Members Should Ask

1. Have we achieved a profit or loss?
2. Are our key sources of income rising or falling?
3. Are our key expenses under control?
4. Do we have sufficient reserves?
5. Is our cash flow projected to be adequate?
6. Where are we compared with budget?
7. Is our financial plan consistent with our strategic plan?
8. Do we have the appropriate checks and balances to prevent errors, fraud, and abuse?
9. Are we filing all needed reporting documents on a timely basis?
10. Are we fulfilling our legal obligations?

\*\*Credit BoardSource – [www.boardsource.org](http://www.boardsource.org)



## Club Survey Responses

Club Presidents sent survey in February - 80 responses to date  
Link to survey - <http://fs12.formsite.com/USFSAIT/form848/index.html>

Financial-related information follows:

**Tax-exempt status:**  
86% are 501 c (3)  
10% are 501 c (7)

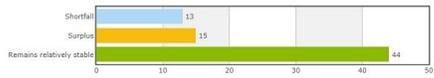
**Accounting System/Software Tools Used:**

57%	QuickBooks
28%	Excel Spreadsheets
8%	Quicken
3%	Quasar
1%	MAS 90



## Club Survey Responses Budget

From year to year, is your club operating with a budget:



**Annual Reported Operating Budget:**

30%	\$0-25K
19%	\$26-50K
24%	\$51-100K
10%	\$101-200
3%	\$201-300K
6%	\$301-900K



## Club Survey Responses

Profitable Programs:

- Basic Skills
- Annual ice show
- Competitions – Basic Skills and Nonquals
- Synchronized skating
- Practice sessions
- Test session
- Qualifying competition
- Theatre on Ice program
- Logo apparel sales

Not-profitable programs:

Do you offer skating programs that are not profitable?



- Practice Ice
- Clinics
- Exhibitions
- Test Sessions
- Special events
- National Skating Month
- Special Olympics/Therapeutic



## Where do you get your revenue from?

- Membership dues
- Income from programs/ events
- Fundraising
- Sale of ice time
- Coaches commissions
- Sales of goods
- Sponsorship/grants
- Interest/dividends
- Unrelated business income




## Role of the Treasurer

**Job description:**  
The treasurer shall have the authority of overseeing the funds of the club and shall keep a record of all receipts and disbursements.



**Specific duties include:**

- ✓ Maintain financial accounts with due diligence
- ✓ Record transactions with appropriate documentation
- ✓ Provide regular written and oral reports on the financial status to the board and membership
- ✓ Seek expert counsel when needed
- ✓ Develop policies and procedures for managing club's finances
- ✓ Be responsible for handling tax issues of club or for finding a resource to handle these issues
- ✓ Help in the budgeting process for the club
- ✓ Attend board meetings and report monthly



## Financial Management: Oversight, Policies and Procedures

### Who's Responsible?

The board has overall legal responsibility for the financial health of your club. Board members need to understand key financial information and policies, it's recommended you look at the following reports at least quarterly (if not monthly):

- Fiscal year budget
- Profit/loss statement
- Balance sheet statement
- Cash flow analysis
- Required reports for local, state and federal regulators



## Financial Policies and Procedures

### • Internal Controls:

- Regular, rigorously applied internal controls are the key to fiscal responsibility
  - Checks and balances to avoid losses
  - No one person should handle all financial transactions
  - Handling incoming funds
  - D and O insurance
  - Document your spending and check-writing process
    - Two signatures on checks, purchase orders, reimbursement policy



## High Quality Reporting and Internal Controls

- Capable involved board members
- Comprehensive budget(s)
- Monthly financial statements
- Statements compared to budget/program budget
- Statements include a balance sheet
- Bank reconciliations
- Understands cash flow
- Board understands information given

Source: BoardSource Webinar



## Credit Card/Debit Card?

- Who controls them?
- Who uses them?
- Do you have rules?
- Do you have checks and balances?
- Do you have limits?
- Pretend that you are letting your teenager use your card --- What would you do?



## The Budget Process

Budget is the club's annual plan presented in dollars and cents. Think of it as a road map showing where the club is headed next year:

- Board Oversight - approves and monitors
- Goal Focus - focus on long-term goals
- Financial Control – control finances by setting limits; ensure programs and costs are consistent with revenue
- Cash Forecasting – see if club has enough cash on hand to meet financial obligations



## The Budget Process

Effective budgets are:

- Realistic
- Consistent
- Flexible



Common Budgeting Errors:

- Mathematical errors
- Overlooking expenses
- Overestimating forecasted revenue
- Failing to account for known or expected changes

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### The Budget Process

Determine Programs and Activities

- ➔ Budget Expenses
- ➔ Budget Revenue
- ➔ Assemble Draft Budget
- ➔ Review and Modify
- ➔ Present Budget Draft for Board Approval
- ➔ Monitor Budget vs. Actual – amend as necessary

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### Recordkeeping



- Must keep books and records to show compliance with tax rules and regulations in accordance to general accepted accounting principles (GAAP)
- Must be able to document sources of receipts and expenditures
- May lose tax exemption if books and records not kept accurately
- Monitor progress of programs
- Aid in preparation of financial statements and returns
- Recommend Annual Audit\*\*\*

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### Sample Profit / Loss Sheet

ITEM	CURRENT MONTH	YEAR TO DATE
CASH IN BANK 11/1/13 SXXX		
<b>RECEIPTS</b>		
Dues	XXX	XX,XXX
Ice Fees	X,XXX	XXX,XXX
Event Results (See Schedules) *	X,XXX	X,XXX
Etc.	XX	XXX
<b>TOTAL RECEIPTS</b>	<b>XX,XXX</b>	<b>XXX,XXX</b>
<b>EXPENSES</b>		
Ice Rental	X,XXX	XX,XXX
Membership dues	X,XXX	XX,XXX
Supplies	XX	XXX
Bank Charges	X	XX
Etc.	XX	XXX
<b>TOTAL EXPENSES</b>	<b>XX,XXX</b>	<b>XX,XXX</b>
<b>OPERATING RESULT (Receipts less Expenses)</b>	<b>XX</b>	<b>X,XXX</b>
<b>OTHER</b>		
Receipts		
Disbursements		
<b>NET OTHER</b>		
CASH IN BANK 11/30/13 SXXX		

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

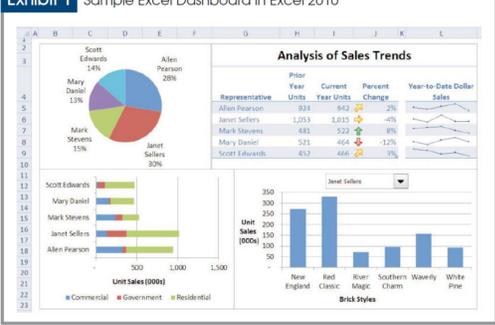
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### Dashboards

- A finance dashboard, can display such metrics as profitability, accounts receivable/payable and past due invoices
- Great way to present key financial data and metrics
- Helps visual people
- Focus on the issues
- Generates more interest
- Display key success and risk elements

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### Exhibit 1 Sample Excel Dashboard in Excel 2010

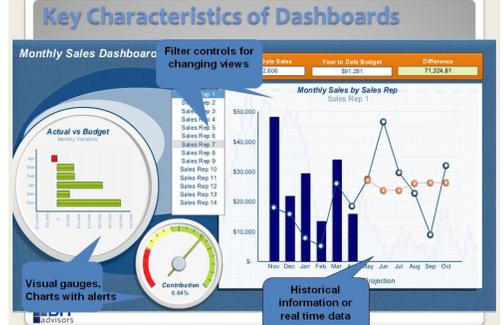


The dashboard includes:

- Analysis of Sales Trends:** A table with columns for Representative, Prior Year Units, Current Year Units, Percent Change, and Year-to-Date Dollar Sales.
- Sales Rep Distribution:** A pie chart showing the percentage of sales for Scott Edwards (24%), Allen Pearson (28%), Mary Daniel (13%), Mark Stevens (15%), and Janet Sellers (20%).
- Unit Sales (000s):** A bar chart comparing sales across different brick styles: New England, Red Classic, River Magic, Southern Charm, and Waverly White Pine.

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### Key Characteristics of Dashboards



The dashboard features:

- Filter controls for changing views:** Buttons for '700k Sales', 'Year to Date Budget', and 'Performance'.
- Visual gauges, Charts with alerts:** A gauge showing 'Contribution' at 6.4% and a bar chart for 'Actual vs Budget'.
- Historical information or real time data:** A line chart showing 'Monthly Sales by Sales Rep' from Nov to Oct.

© SAP 2008 / 5

Search on Google - Financial Dashboards, if interested

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## Official Depository for the Clubs Books and Records



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## Reimbursements

- What is the process for reimbursements?
- What activities are covered?
- What limits apply?
- What is the authorization process?
- Must have receipts for all reimbursements

### Documents:

- Travel/expense reimbursements
- Purchase orders



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## What are the advantages of being a 501(c) (3)?

- ✓ Exemption from federal income tax (except unrelated business income)
- ✓ Exemption from sales tax – in some states
- ✓ Can give donors a tax deduction

### Protecting your tax-exempt status:

- ✓ Activities must be consistent with mission
- ✓ Proper filing and recordkeeping practices
- ✓ Membership dues are not contributions
- ✓ Unrelated business income cannot be a substantial part of club's income



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## Form 990

- Form 990 is an annual information return — an annual 'tax' form — that nonprofits file with the IRS. This public document provides information that allows the IRS to determine whether the organization continues to fill the requirements for its tax-exempt status.
- Accountability and transparency are keys to retaining public trust, and nonprofits can accomplish it by providing easy and open access to this document.
- Form 990 explains the mission and program activities of the organization. The organization's financial information details revenues, expenses, and net assets.
- The Annual Return must be filed by the 15<sup>th</sup> day of the 5<sup>th</sup> month after the club's accounting period ends.



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## What's New about the New 990?

The changes cover topics that include governance, finances, fundraising, and program administration. Enhances transparency, promotes tax compliance, minimizes the burden on the filing organization.

- Asks questions about the organization's governance structure, policies, and disclosure practices
- Policies and procedures addressing conflicts of interest and whistleblowers.
- A revised section on the organization's mission statement
- Public availability of forms
- Suggest you review 990-EZ at [www.irs.gov](http://www.irs.gov)



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## Employee vs. Independent Contractor?

There are rules that will help you determine how to classify the people you hire.

The IRS uses three characteristics to determine the relationship between businesses and workers:

- 1. Behavioral Control** covers facts that show whether the business has a right to direct or control how the work is done through instructions, training or other means.
  - 2. Financial Control** covers facts that show whether the business has a right to direct or control the financial and business aspects of the worker's job.
  - 3. Type of Relationship** factor relates to how the workers and the business owner perceive their relationship.
- ✓ If you have the right to control or direct not only what is to be done, but also how it is to be done, then your workers are most likely employees.
  - ✓ If you can direct or control only the result of the work done -- and not the means and methods of accomplishing the result -- then your workers are probably independent contractors.

Employers who misclassify workers as independent contractors can end up with substantial tax bills. Additionally, they can face penalties for failing to pay employment taxes and for failing to file required tax forms.

You can learn more about the critical determination of a worker's status as an Independent Contractor or Employee at [www.irs.gov](http://www.irs.gov) by selecting the Small Business link.



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### When to issue a 1099?

Your club must file IRS Form 1099 for the members who had more than \$600 in benefits during the year, and the individual would be required to claim the monetary value on their taxes.



### Responsible Fundraising

When planning a fundraiser, a simple way to remain in good standing is by asking if the fundraising plan being proposed benefits the club as a whole or benefits only certain individuals. Individuals cannot directly benefit from the money they raise nor receive credit for ice or other costs in exchange.

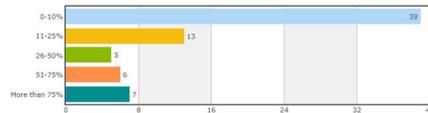


### Club Survey Responses Fundraising

Does your club hold fundraisers?



What percentage of your total annual revenue is raised through fundraising?



### Club Survey Responses

Does your club give any financial support in the form of grants or scholarships to your members?



Various Types Offered:

- Stipends to sectional and national competitors
- All qualifying competitors
- Skater recognition program
- Financial aid
- Scholarships
- Graduating high school seniors
- Four-year collegiate membership
- Grants to coaches for continuing education



### Fundraising Requirement

- Best practice...
- “As a condition of membership, everyone must raise \$200 in addition to paying their dues. We have four different fundraisers in which you can earn the \$200 OR you may opt out and write a check to cover your fundraising requirement. If you earn more than \$200, it goes into the club general fund. All monies will be distributed at board discretion.”



### The Fundraising Process/Plan

1. Determine needs/what is missing
2. Determine fundraising goals
3. Identify potential programs
4. Seek out information about program/product
5. Select fundraiser chairperson – who’s in charge?
6. Create timeline
7. Run fundraiser
8. Monitor results, send acknowledgement letter, recognize volunteers, was it worth it?



## Successful Club Fundraisers

- **Events**
  - Competitions
  - Test Sessions
  - Ice Shows
  - Exhibitions
- **Sales**
  - Program ads
  - Butter braids
  - Candy bars
  - Skate swap - equipment
  - Seasonal greenery
  - Club merchandise
- **Skate-a-thon**
- **Loyalty programs – grocery store chains**
- **Auction/raffles\*\***
- **Dinners**
- **Golf outings**
- **Ask – direct solicitation**
- **Concession work**
- **Corporate sponsorship/grants**
- **Bingo/Poker nights\*\***

\*\*check state gaming laws

See SKATING magazine article "Cashing In", October, 2011 and Club Fundraising Booklet for more detailed information

[www.usfigureskating.org](http://www.usfigureskating.org)

"Clubs" homepage → "Resources and Forms"

- Nonprofit Guidebook
- Sample bylaws
- **\*\*Club Finance guidebook**
- **\*\*Club Fundraising guidebook**
- Basic Skills Director's handbook
- Conflict Resolution guidebook
- Club Update forms
- Volunteer Recruitment Information
- Customized Commercial, Dasher Board and Banner order forms
- How to Host a Camp, Clinic, and Seminar
- Board Member Agreement form
- SWOT Analysis Form
- Sample Rink/Club Contract

"Clubs" homepage → "Risk Management"

- Waiver and Release forms
- **\*\*D and O Insurance**
- Coach Liability Insurance
- Accident Report forms
- Certificate of Insurance

## Checklist for Success

### NEW Club Self-Assessment Tool

Below are the five main pillars and the key critical factors that all U.S. Figure Skating member clubs must address in order to remain viable and prosper in today's ever-changing skating industry.

1. Leadership / Governance
2. Business Practices / Financial Management
3. Membership Development
4. Programs / Events
5. Community Relations

	Excellent	Good	OK	Fair	Poor	N/A
<b>Financial Management</b>						
We are compliant with the IRS, file all tax-related forms on time, and follow nonprofit guidelines (if relevant)	0	0	0	0	0	0
We are compliant with all state corporate filings (if relevant)	0	0	0	0	0	0
We have a solid financial plan for both the long- and short-term goals	0	0	0	0	0	0
We set an annual budget or program budgets	0	0	0	0	0	0
We have adequate controls for checks and balances (have more than one person overseeing all finances)	0	0	0	0	0	0
We monitor the financial success of our programs and events	0	0	0	0	0	0
We share monthly financial statements with board members	0	0	0	0	0	0
We seek professional advice when necessary	0	0	0	0	0	0
<b>Fundraising</b>						
We observe proper fundraising procedures—annual plan, offer a variety of fundraisers, compliant with IRS, recognition of donors	0	0	0	0	0	0
Our fundraising efforts are effective and bring in adequate revenue	0	0	0	0	0	0
We have a minimum fundraising requirement of our members	0	0	0	0	0	0

## Club Financial and Tax Mistakes

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 U.S. Figure Skating 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.

Resource: Club Finance Guidebook

## Resources:

U.S. Figure Skating Membership Committee:

- Alan Wolf, Chair, [aew123@aol.com](mailto:aew123@aol.com)
- Scott Cudmore, Eastern SVC, [scudmore@nc.rr.com](mailto:scudmore@nc.rr.com)
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Acknowledgments:

- BoardSource [www.boardsource.org](http://www.boardsource.org)
- Independent Sector [www.independentsector.org](http://www.independentsector.org)

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