



CLUB BUDGETING AND FORECASTING FUNDAMENTALS

Presented by:

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Introduction



Geoffrey Benedict, CPA, CGMA

Geoffrey Benedict is a partner at PKF O'Connor Davies with over 22 years of public accounting experience. Prior to joining the Firm, Geoff was the founding partner of a regional accounting firm serving the Maryland/Washington, DC markets. He led and directed the assurance and tax practices.

Geoff specializes in providing services to private clubs, not-for-profit organizations, closely-held businesses and individuals. His engagements include financial reporting, audit, review, tax and consulting services.



WHAT IS THE VALUE OF BUDGETING AND FORECASTING?

- Allows management to monitor and project operations
- Helps to ensure positive operating results
- Provides a financial benchmark for department heads
- Ability to hold managers accountable
- Aids in controlling expenses
- Assists in planning cash flow

STANDARD BUDGETARY PROCESS



Map out the timing and assign responsibilities



Prepare the budgets,
including:

- Operating budget
- Capital budget
- Cash flow budget



Make sure it is in line with the club's mission



Apply and review the budget results



Keep in mind that the budgetary process and format can vary by club – it should be customized to fit your needs



POLLING QUESTION #1



CAPITAL BUDGET

Inputs may include:

- Fixed asset reserve study
- Fixed assets
 - Proper classification amongst fixed asset categories
 - Determine appropriate useful lives and remaining useful lives
 - Use of register template or fixed asset software
- Department head and committee involvement



CAPITAL BUDGET

Let's look at a sample
capital budget:

OPERATING BUDGET

Who should be involved?

- General Manager
- CFO
- Controller
- Department Heads
- Budget/Finance Committee



OPERATING BUDGET

Where to begin

- Decide if it will be a zero based or incremental based budget
- Prepare in accounting software or Excel
- Review prior year budget
- Review prior year actual result
- Discussions with department heads

OPERATING BUDGET

Where to go next:

- Department heads prepare their budget
- General manager preliminarily approves the budget
- Controller compiles and reviews
- Budget/finance committee reviews and approves
- Board reviews and approves



OPERATING BUDGET

Additional factors to consider:

- Should be on the same basis as which the books are maintained so that it is measurable
- Economic environment
- Dues increase
- Other departmental revenues
- Labor costs
- Cost of goods sold
- Repairs and maintenance
- Leases
- Insurance, utilities, etc.



POLLING QUESTION #2

OPERATING BUDGET

- Variable vs. Fixed?
- Fixed:
 - Not impacted by sales volume
 - Defined as set expenditures for a fixed time period
 - Primarily applies to the capital budget
- Variable:
 - Is impacted by sales volume
 - Has the ability to be revised



OPERATING BUDGET

Let's look at a sample
operating budget:

OPERATING BUDGET

Additional thoughts on the budget:

- There should not be guestimates
- Revenue and expenses should have support/rationale
- Reviews should be made for opportunities and cost savings
- Finance committee and board should approve
- Should be reviewed on an monthly & quarterly basis
- Working budget
- Potential new taxes and non-member accounts

CASH FLOW BUDGET

- Standard procedure:
- Determine the timing of cash receipts
 - Look at timing of collections and events
- Determine the timing of expenses & cash outflows
 - Timing of large or unusual expenses
 - Any debt retirement
 - new leases
 - upcoming projects, including capital projects

A 3D maze made of dark wood or metal, with a white circuit board overlay on the left side. The circuit board has various lines and nodes, some of which are connected to the maze's paths. The maze is complex and winding, with many dead ends and paths that lead to other paths.

FORECASTING

- Forecasting is not a perfect science
- Forecasts are generally more accurate for grouped items than individual items
- Forecasts are more accurate for short time period rather than long time periods (2 to 3 years is a good time frame)

FORECASTING

Two Methods:

- Qualitative – Based on judgement, which can include latest insights, but can have bias
- Quantitative – Based on mathematical calculations, but it is only as good as the data used in the calculations





FORECASTING

Where to begin

- Prepare in accounting software or Excel
- Start with prior year actual result
- Review industry trends
- Review trends in your region
- Discussions with department heads



FORECASTING

Let's look at a sample forecast:

A decorative graphic on the left side of the slide, consisting of a network of light blue lines and circles that resemble a circuit board or a data network. The lines are vertical and horizontal, with some branching out to connect to small circles.

POLLING QUESTION #3

COVID-19 CONSIDERATIONS

- Additional cleaning and safety costs
- Dues increases
- To go food
- Modified indoor dining and member events
- Lack of weddings, banquets, etc.
- Lack of golf outings
- Decreased capacity at the pool
- Increased rounds played on the golf course
- New memberships/initiation fees
- Employee retention credits and other government funds
- Reinforcing the value of the club membership
- Costs for remote working

COVID-19 CONSIDERATIONS

- Compliance with mortgage and loan covenants
 - Decrease in revenues and increase in liabilities may result in non-compliance with certain loan covenants
 - Discussions with lenders to obtain waivers
- Impact on financial statement audits
 - Going concern considerations
 - Impairment of long-lived assets



QUESTIONS?

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