

PRESENTATION

FINANCIAL BEST PRACTICES

I. INTRODUCTION: (Thank the sub-committee)

- A. This presentation is the result of a survey on the financial structure and practices of all breed clubs.**
- B. 800 clubs were polled, about 300 responded. This was a very good result.**
- C. We have organized this presentation in 3 sections, Treasurer Organization, Club Finances and Show Finances.**
- D. We have consolidated the presentation from about 150 slides to 49 slides to share with you today.**
- E. I plan going through these slides as rapidly as appropriate because we have a busy agenda today and I want to allow time for that and comments.**
- F. If, at any time, you have questions or comments, please feel free to ask.**
- G. Finally, this is a report on the survey results. The Committee will further review these data this summer and will prepare a "Best Practices" report to be given at the next Delegates Meeting in September.**

II. TREASURERS' ORGANIZATION

Comment: In general, we feel Treasurers should enjoy oversight and transparency. This protects them and their clubs.

- 1. 97% of respondents have a club member as Treasurer.**
 - A. This clearly tells us who we are addressing with these survey results and Best Practices.**
- 2. We were pleased to learn that 59% have bonded their Treasurers. We believe this is important to protect both Treasurers and Clubs.**
- 3. Again, we were pleased to learn that 68% of clubs insure their officers and directors.**
- 4. Over 70% of clubs with Officer/Director insurance have policy limits of \$1 million. These limits are determined by the club and their insurance carrier.**

- A. Dennis Sprung sent the following regarding insurance, "If staff can be supportive in any manner with this education of our clubs, we are delighted to do so. Two examples: (1) It may be helpful to note our website offers information on availability of insurance with a company, Equisure, with whom AKC has worked. (2) The Sample Constitution and Bylaws for All Breed clubs suggests, "The Treasurer shall be bonded in such amount as the board of directors shall determine". This may help encourage clubs to do so. In the past, Chairman Menaker has written to clubs emphasizing this wise step.
5. We learned that 80% of clubs are given Treasurer's reports on a monthly basis. This frequency creates transparency and keeps club members informed. It also builds confidence in the Treasurer.
6. We find that 42% of Treasurers report orally and 37% with a typed report.
 - A. Typed reports are valuable in that the members then have a hard copy to review and store.
7. Some clubs have a Finance Committee. This committee helps the club prepare budgets, analyze revenues and expenses, provides Treasurer oversight and recommends best financial practices.
8. This is a similar question to the one regarding Finance Committees.
 - A. Audit committees review the Treasurer's records to ensure accuracy and completeness. While more clubs have audit committees than finance committees, still, only 40% use audit committees. 49% don't.
 - B. We believe audit committees help protect both the club and the treasurer.
 - C. Jim Dok sent the following regarding auditing the books, "One additional advisory for Ann is clearly to communicate to ALL CLUBS, THAT IT IS IMPERITIVE FOR THEM TO REPAIR, MEMORIALIZE AT A MINIMUM OF ONCE PER YEAR AND FILE FOR AUDIT, an "Inspection of Financial Records". Not doing so would result in any insurance company holding a "Financial Bonding" with their organization, not to be compelled to honor such financial bonds.
9. Not surprisingly, most (63%) audit the books annually.
10. Using an outside professional to prepare tax returns is prudent. Not only does this provide additional oversight, but these professionals can also ensure the club is in compliance with state and federal requirements.
11. Using computers to store and process the club's financial information is a good idea. The data is uniformly organized so reports are consistently

presented. Historic data is safely stored for future reference and is easily transferred to successive treasurers.

A. 70% use a club member's computer. Ideally, a club-owned computer is better because all the data and software could simply be handed off whenever necessary. Also, the hardware, software and data would clearly belong to the club.

12. There are 3 standard softwares for club accounting: Excel, Quicken and Quick Books. All are easy to use and will satisfy the clubs' needs. (Note: Excel 24%, Quicken 20%, Quick Books 36%)

13. It's good to see 84% of clubs are reconciling their books (balancing the checkbook!) on a monthly basis. Less frequent reconciling can become difficult and complicated.

14. Most clubs (59%) only require one signature on their checks.

A. Note the 'Other' category. Many of our survey answers had separate Other responses. They are listed in the full presentation on the AKC website for Best Practices. I encourage you to look at Other responses because in some questions there are many Other responses.

15. This is self-explanatory. Lots of Other responses on this question.

16. Club property is often overlooked. However, agility equipment, computers, sheds, trailers, etc. need to be valued and accounted for. Note, 32% of respondents don't account for club property.

17. 80% of clubs don't prepare annual budgets. We found this fact surprising. We'll discuss this in greater detail later.

18. Obviously, if a club doesn't budget, it won't be reconciling against the budget! So, not surprisingly, 67% of clubs said they don't.

19. Again, for those who budget, how is it done? 36% said they look at the prior year's results and factor in expected changes in the upcoming year.

III. CLUB FINANCES

20. How big are the responding clubs? 68% have between 25 and 50 members.

21. 57%, or most of the clubs, enjoy a Net Worth of \$25M to \$100M. Only 23% have less than \$25M.

22. Does your club own property? This means land or infrastructure. 94% don't.

23. 94% of clubs are not for profit.

24. This slide shows that most clubs make charitable donations.
25. And, this slide shows us where they donate.
26. Here we see the clubs' annual incomes. It appears that most clubs are doing well. However, please note that we are asking for income, not Net Income. So, there may have been some confusion in the answers. Let's look further.
27. 70% of clubs' income comes from shows. Only 4% from dues. Remember this, because we'll look at this in greater detail later.
28. While this slide looks at annual club expenses, how is the money being spent? And, what are the largest expenses? We do see that over 50% have annual expenses between \$10M and \$50M.
29. 72% of annual club project expenses are less than \$1,000.
30. Again, 72% is spent on capital expenditure purchases (eg. Computers) less than \$1,000.
31. 66% of clubs report that rent expenses were less than \$1,000 per year.
32. You can see in this slide that donations were evenly disbursed.
33. 70% of the clubs annually spend less than \$1,000 on club activities.
34. Again, I direct you to the longer report on AKC website, which will show you further detail of "Other Expenses".

IV SHOW FINANCES

35. This is important. It shows that 85% of clubs indicated that show related expenses were the highest annual expense. We saw in slide 27 that the highest annual income source also came from shows. We will see in a few slides that 61% of clubs blend show finances with the club's finances (39% keep show finances separate from club finances). But, we'll also see that many clubs don't budget for their shows).
 - A. So, it seems odd that so few clubs budget for their single largest annual financial transaction. Were they to do so, perhaps it would help them when planning for their shows.
36. This shows that 53% of clubs spend less than \$20M per year on their shows. Of that group, about half spend less than \$10M annually.
37. This is interesting. At a time when we've been concerned about declining entries, this response feels that managing rising expenses is the greater challenge (49%). Only 16% list declining entries as the big challenge.
38. 58% maintain greater than a \$10M cash reserve to fund future shows.

39. 57% of all shows are part of clusters! 25 years ago, there were far fewer circuits, or clusters. This clearly demonstrates a big change in the last 2 decades.
40. As mentioned earlier, 61% of clubs combine their show accounting with their club accounting.
41. I find that accounting for profit or loss on a per dog basis can be a helpful tool. For instance, we know the 3 largest expenses are venue, judges and superintendent fees. Let's say we have a 1,000 dog show at \$30 per entry. We know the super will take about \$8 to \$10 per entry and that AKC will take an additional \$3.50. So, if we give the super \$9 per dog and add the \$3.50, we know that we will keep \$17.50 from each entry ($9 + 3.50 - 30 = 17.50$). If we then add in daily venue costs of \$4M and judges costs of \$7M, that breaks down to an additional \$11 of cost per entry per day, for a total daily revenue of \$6.50 per entry for the club. This would be a pretty good result. However, don't forget grounds, trophies, parking, concession, hospitality, EMS, power hookups, A/C, heat, vendors, vets, etc. If your \$6.50 isn't enough to cover the other expenses, you'll need to find ancillary revenue sources to get you above break-even. This process works for all shows – big or small.
42. 82% of all shows have less than 1,500 dogs entered and 52% have less than 1,000 entries.
43. This is really obvious. 65% of shows get most their income from entries. However, look at all the other revenue producing categories.
44. 58% of clusters close the books and report to the cluster clubs in less than 3 months.
45. Ranked In order – venue, then judges, followed by superintendent fees are the 3 largest expenses for shows.
46. Again, we learned this earlier. 81% of clubs don't cast a budget for their shows.
47. So, it is no surprise that 61% don't reconcile their show budget.
48. This is self-explanatory. However, it does provide insight into the budgeting methodology.
49. This is a concerning statistic. All clubs should have a plan for a show cancellation. Again, there is a model plan for you to use on AKC's website, if you lack one.