

21st June 2015

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*SACC*

# Financial Baseline and Turnaround Plan

Rich Parkin: Treasurer (newly appointed)



**STANDARD ATHLETIC CLUB**  
SETTING THE STANDARD SINCE 1890

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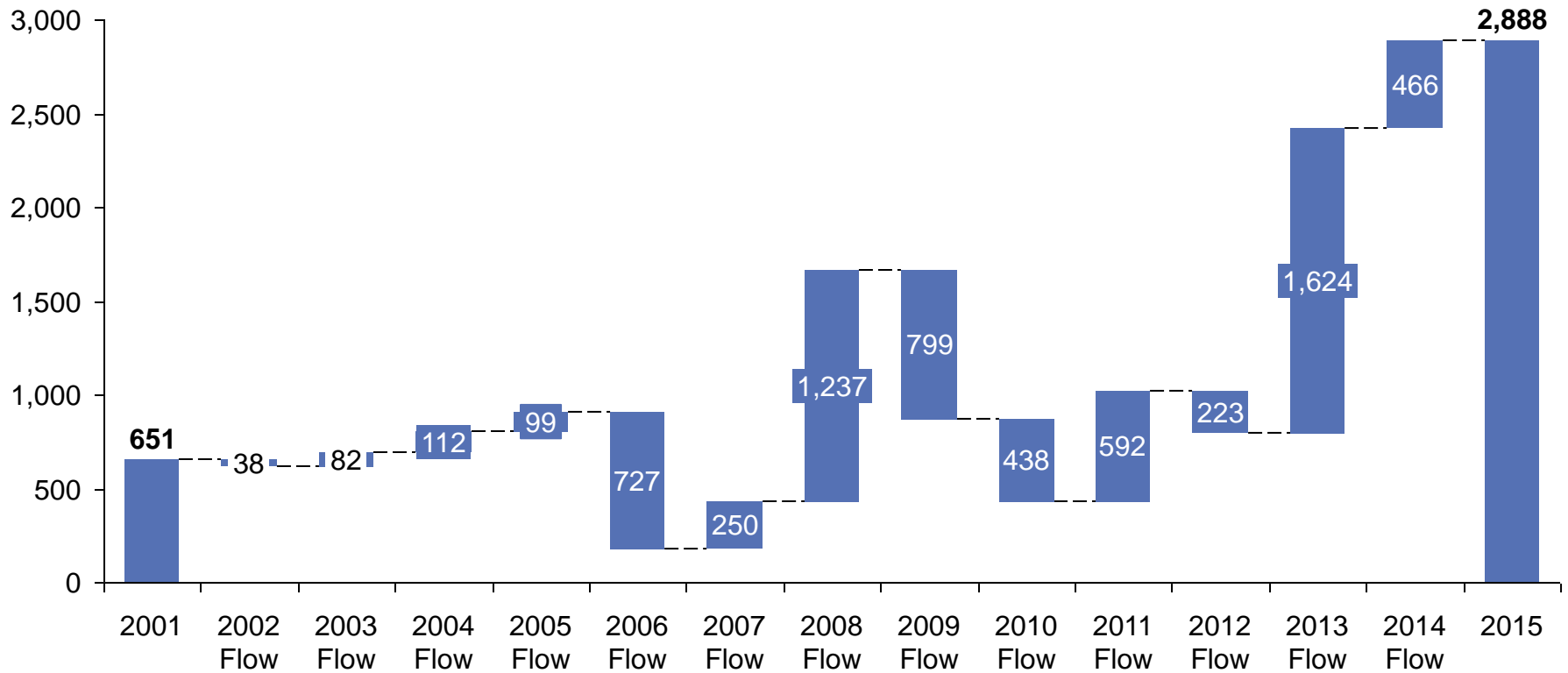
## ***This document lays out the Section's financials to inform decisions on sustaining a high quality club***

- What is our current cash position, and how has it evolved over time?
- What are our true financials, and their primary drivers?
  - Revenue
  - Costs
- In particular, what level of revenue is required to fund the ongoing replacement of our depreciating assets (most notably the match pitch, costing ~€13K) ...
- ... and what do we need to do now in order to ensure we are generating the required level of funds?

***The Section accounts focus on our cash position, which grew to €2900 at the end of last year***

**Year End Cash Position At Bank, 2001 to 2015 (current €)**

**Cash Balance**



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## ***However, the actual cash flows often do not reflect underlying costs and revenues***

- Mixed treatment of transactions with rest of Club; these are sometimes treated as revenues and sometimes treated as omitted costs
  - In some years (2002, 2003, 2004, 2005, 2006, 2007, 2013) the Club made a direct contribution to the Section, which is captured in revenues; in some cases this was to cover operating costs and in others a grant for a specific capital investment (most notably €5000 for the replacement of the match wicket in 2006)
  - The Club also made “in-kind” contributions, which only show up in the accounts by omission (e.g., printing of fixtures list at no charge to the Section, paying for cricket balls)
  - Different revenues treated differently between Club and Section; e.g., full and seasonal memberships (€2355 this year) go to the Club, while junior dues stay in the Section
- Entries sometimes recorded as “net”, thereby obscuring the underlying revenues and costs. The primary example of this is “net match fees”, which represent total match fees, minus tea cost, minus umpire costs
- Donations not captured in the accounts; e.g., purchase of Bola bowling machine, with replacement value around €2000, paid for primarily through individual contributions
- No distinction between “stocks” and “flows”
  - No “Profit and Loss” account incorporating depreciation; our accounts are purely cash flow
  - No documented understanding of our assets, their replacement cost and current value

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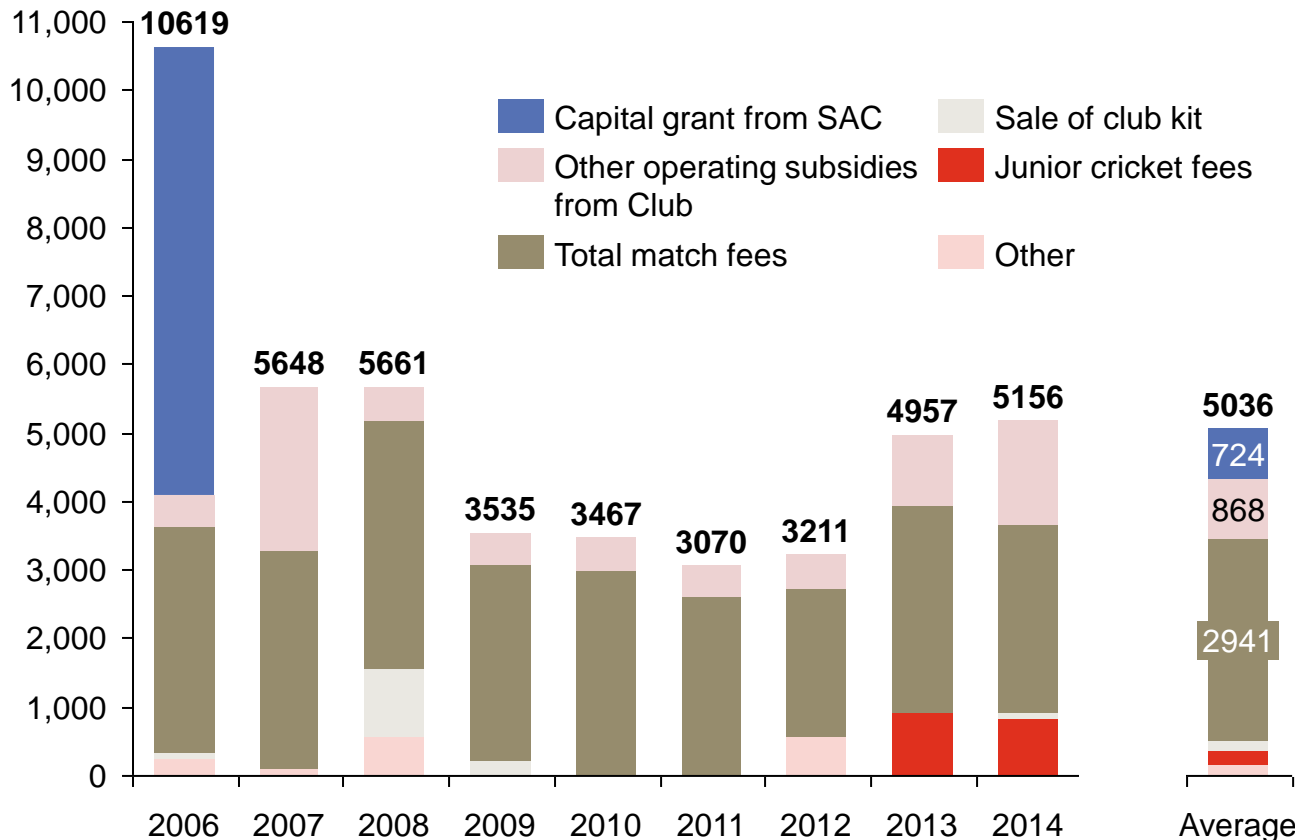
## ***We therefore restate here so as to arrive at a comprehensive P&L***

- Completed back to 2006 to give historical understanding
  - How has the Section typically been financed?
  - What are the long-run averages of our expenses, including repair of capital equipment?
- Incorporation of assets ...
  - All assets valuations made at replacement cost, typically based on ~3 prices available at online retailers, including VAT and shipping; as a side benefit, this means we do now have an accurate inventory of all kit
  - Life of assets estimated (ranging from 5 years for cloth sight screen at clubhouse end, to 20 years for slip catch cradle and forest end sight screen)
  - Remaining asset life estimated so as to incorporate “depreciation” into the accounts from this year
- ... and separation of capital expenses from operating expenses
- Estimation of implicit transfers to and from rest of Club in prior years to give complete picture
- Separation of gross match fees, tea costs, and umpiring costs
- Revalued at 2015 prices (assuming 3% *per annum* inflation)

# *Our primary revenue is gross match fees, averaging €2900/year; the Club has averaged €1600 annual subsidies*

## Cricket Section Revenues (€, at 2015 prices)

Total revenues

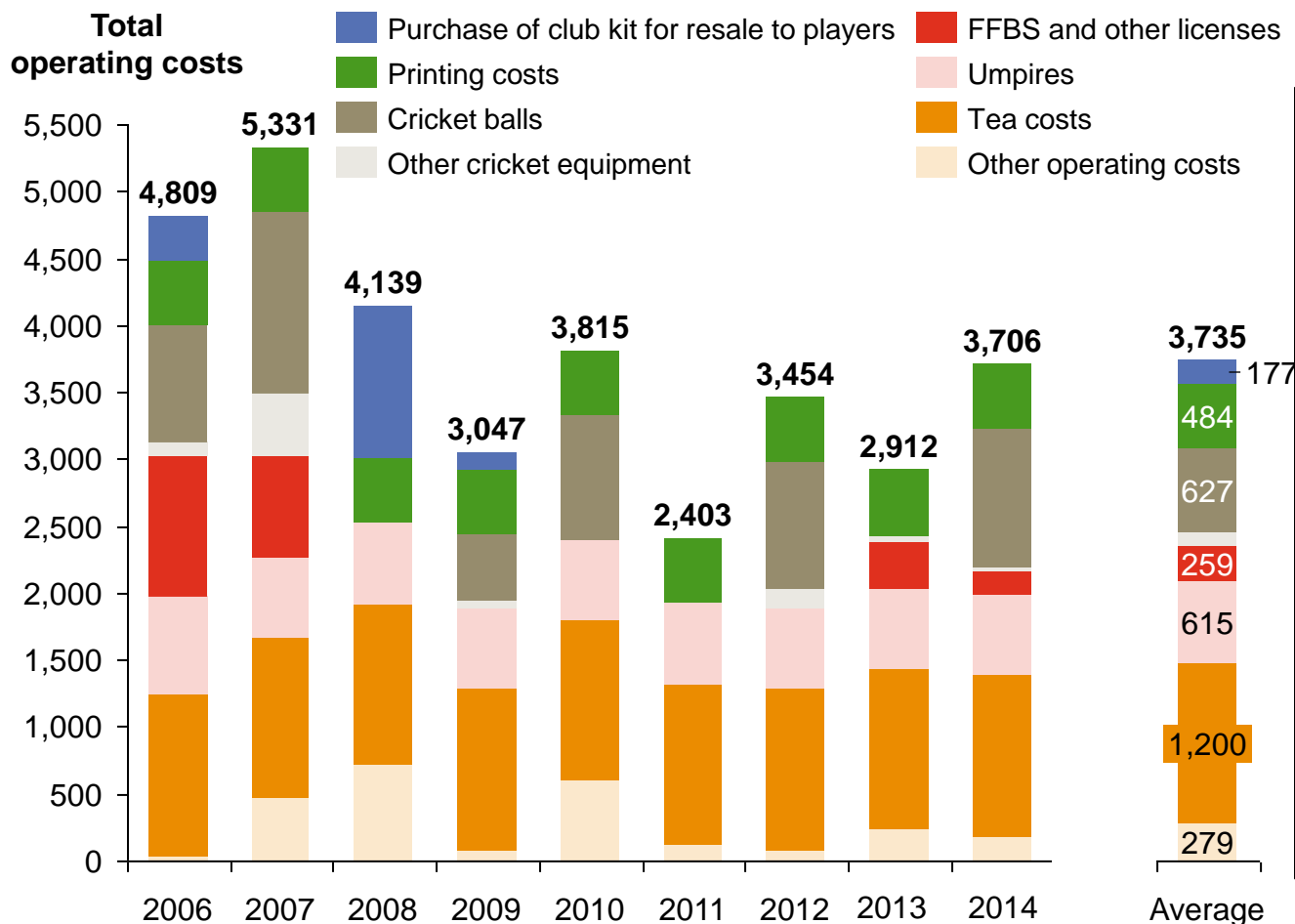


### Comments

- Club made major capital grant in 2006 for new wicket
- Other than this, Club has financed fixture printing, and (in 2014) balls
- **Club contribution will be zero for 2015**
- Gross match fees average €2940 a year (e.g., €5.57 per player per game assuming 24 home games), and have been stable with exception of 2011 and 2012 (only €2200)
- Junior cricket fees now represent a substantial part of the Sections's revenue (17% over past 2 years)

# Operating costs are driven by teas, balls, umpires, and fixture cards

## Cricket Section Operating Costs (€, at 2015 prices)



Comments	
▪	Our primary operating cost is match teas, at ~€1200 for the year
▪	The second largest cost is cricket balls, at €625, followed by umpiring fees, at ~€600
▪	Fixture printing (previously done for free by the Club) was charged at €484 this year
▪	At various time the Section has purchased kit for resale to players; this has typically been money losing, due to problems of cash recovery
▪	An additional ~€1000 a year has been spent on capital improvements and maintenance (current wicket, plus occasional maintenance expenses)

***In addition, we have a substantial asset base, which is going to the end of its useful life***

**Asset base (2015 €K)**

Fixed assets at €40K replacement cost, with €13K remaining value

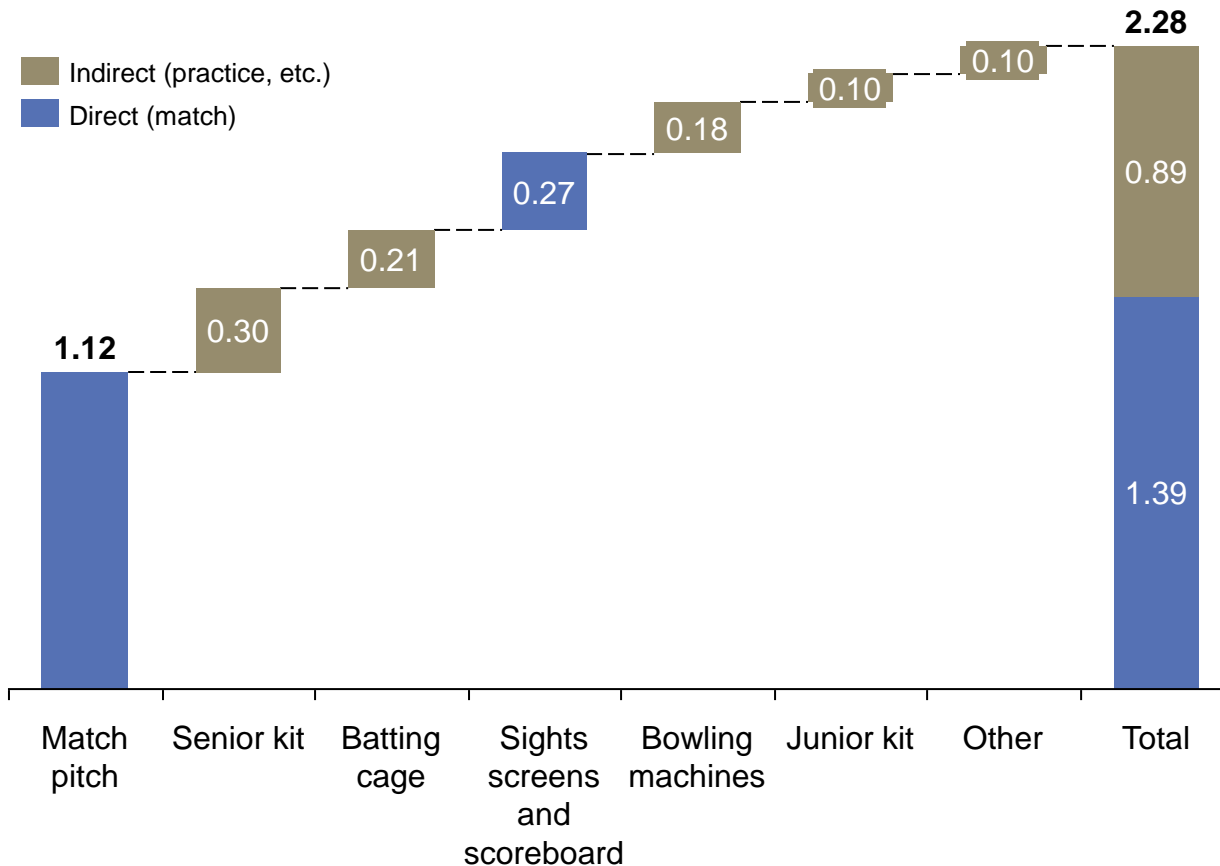
	Assets	Replacement cost	Estimated remaining value
Fixed Assets	Practice pitch and net	7.5	0
	Match pitch	13.4	3.4
	Portable batting cage	2.6	1.3
	Bowling machines	5.4	1.4
	Scoreboard	2.0	1.0
	Sight screen, forest end	2.4	1.2
	Sight screen, clubhouse end	0.4	0.2
	Slip catch cradle	0.5	0.3
	Other	0.4	0.2
Kit	Senior kit	3.0	1.5
	Junior kit	1.0	0.5
"Cash	Cash on hand	NA	2.4
	FFCBS credit	NA	0.3

■ Approaching end of life    
 ■ Needs maintenance/repair    
 ■ Good condition; no expenditure needed



***This generates €2.3K annual depreciation; €1.4K is directly necessary for home games***

**Annual depreciation of assets (direct vs. indirect) (2015€)**

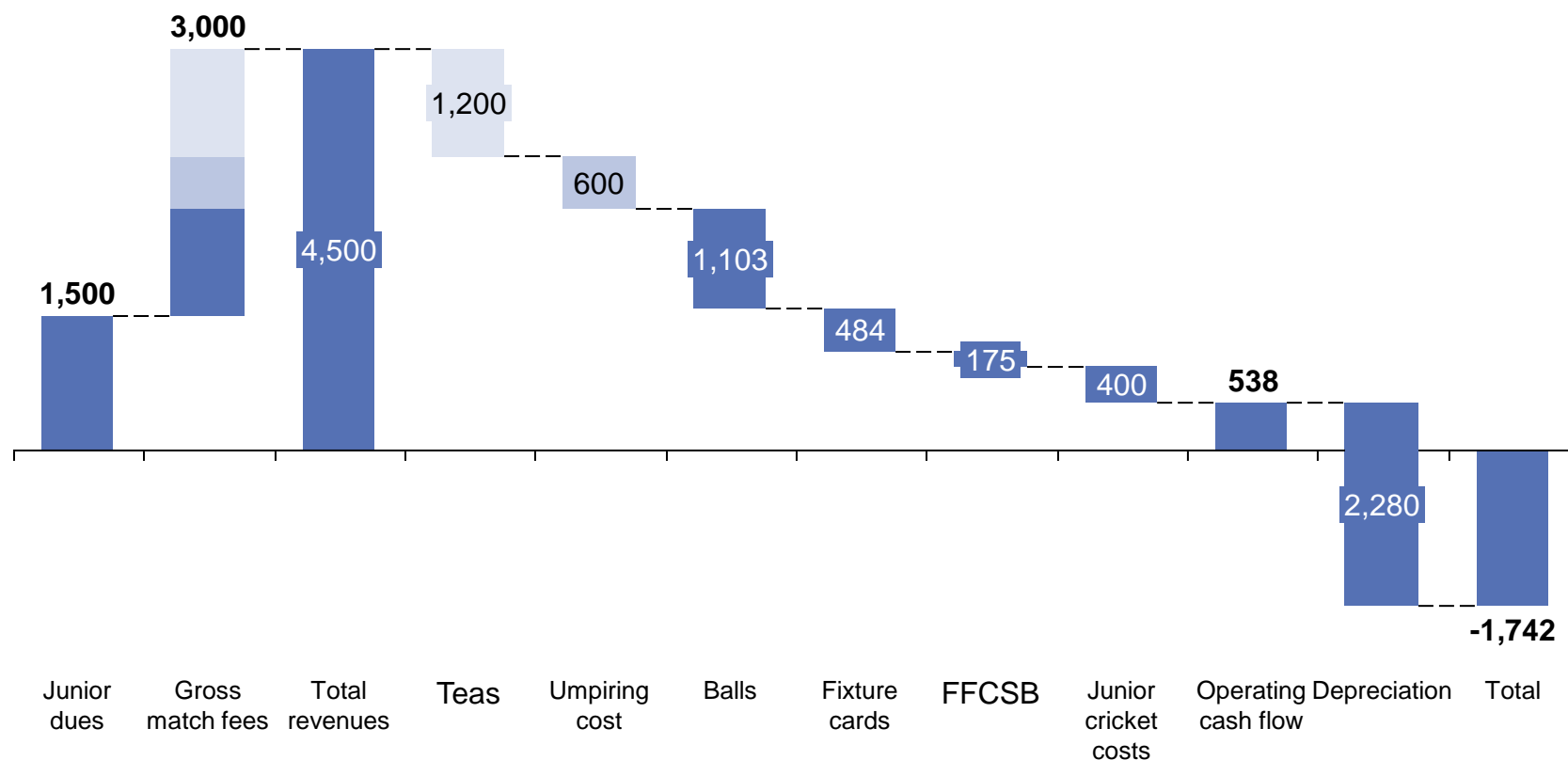


**Comments**

- Current value and remaining useful life of asset base have been used for estimation
  - Practice wicket close to forest is therefore not included (assumed fully depreciated)
  - Current match pitch is critical item
- Assuming 20 games a year, depreciation of assets directly required for each game represents **€70 per game**

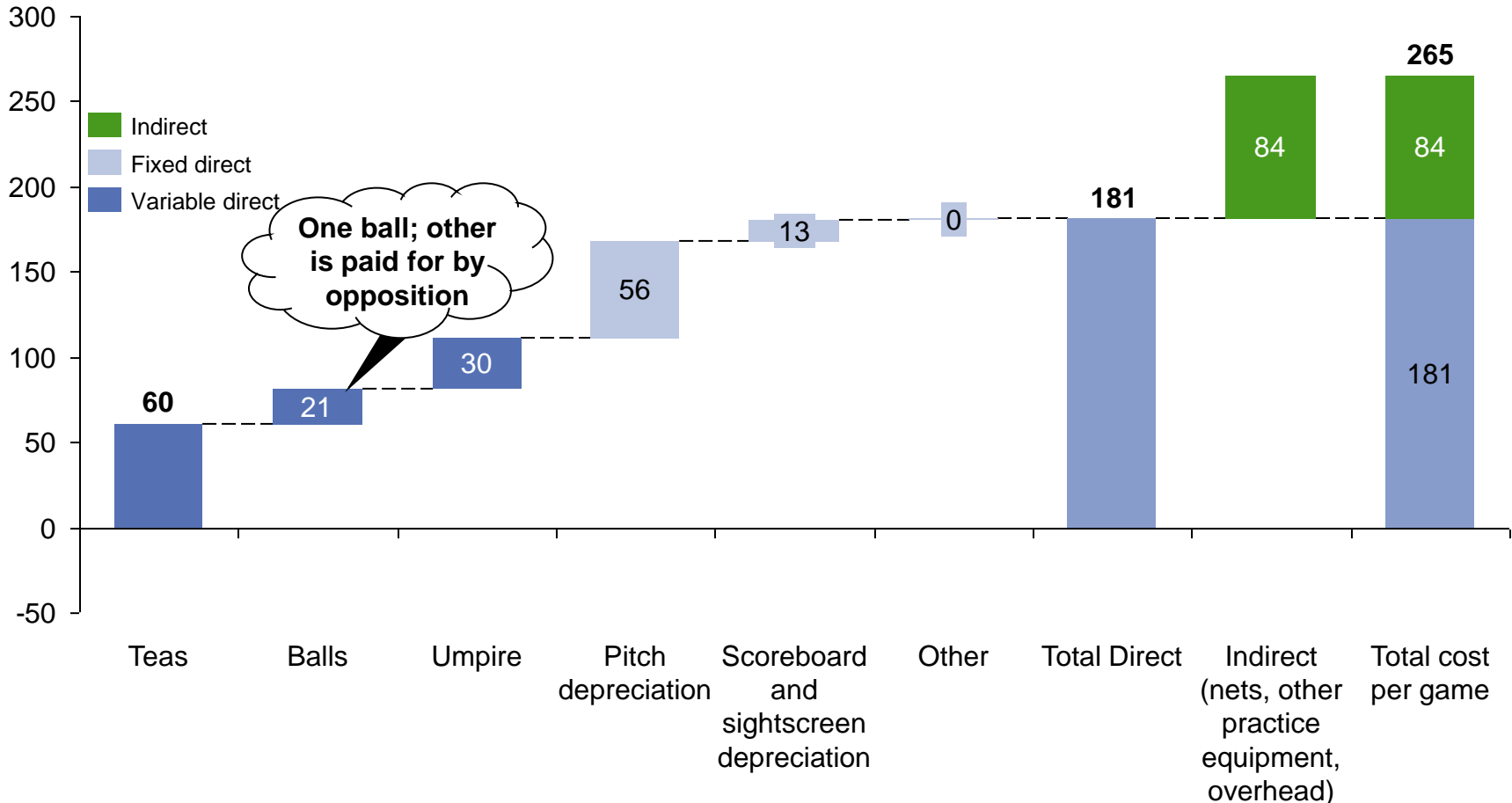
***For 2015, without action we will lose over €1.75K, barely covering our operating expenses***

**2015 Estimated P&L (2015€)**



***We require €181/ senior game (~€9/player) revenue to cover direct costs, and €265 (€12/player) to cover full costs***

**Costs per home senior game (20 game season) (2015 €)**



## ***Potential actions raise the required 1750 a year – dues sharing represents a potential win-win with the Club***

<b>Lever</b>	<b>Proposal</b>	<b>Annual value</b>	<b>Discussion</b>
<b>Raise match fees to cover true cost</b>	<ul style="list-style-type: none"> <li>Raise match fees to €10/game</li> </ul>	€1600	<ul style="list-style-type: none"> <li>Move to €10 for 2016 season; interim move to €8 for remainder of this season</li> </ul>
<b>Approach Club for split of seasonal membership fees</b>	<ul style="list-style-type: none"> <li>Fees collected by Section; 50% of all Seasonal fees to be retained by Section as <i>quid pro quo</i> for taking responsibility for financing maintenance of asset base</li> </ul>	€1200	<ul style="list-style-type: none"> <li>Seasonal members represent incremental bar revenue to Club, and zero cost</li> <li>Moreover, Club has struggled to collect --- revenue sharing would give Section incentive to attract Seasonal Members</li> </ul>
<b>Sponsored event</b>	<ul style="list-style-type: none"> <li>Sponsored quality match; e.g., against quality opposition, with trophy. Sponsor to pay for balls and trophy; increased match fee</li> </ul>	€200	<ul style="list-style-type: none"> <li>Bank mentioned potential interest in sponsoring; may combine with event for non-members</li> </ul>
<b>Fixture card</b>	<ul style="list-style-type: none"> <li>Assess alternative sources for 2016 season</li> </ul>	€150	<ul style="list-style-type: none"> <li>Current cost of €484 appears well above market rate. Committee to explore alternative options for 2016</li> </ul>
<b>Raise junior cricket fees</b>	<ul style="list-style-type: none"> <li>U11 <ul style="list-style-type: none"> <li>€60/95 (2 children) non-members (+ 24%)</li> <li>€20/30 member (0% raise)</li> </ul> </li> <li>U16 <ul style="list-style-type: none"> <li>€135/€195 (2 children) non-members (+ ~10%)</li> <li>€50/€75 members (0% raise)</li> </ul> </li> </ul>	€100	<ul style="list-style-type: none"> <li>Need to avoid risk of discouraging junior cricket, which makes major contribution to image of Section; proposed increased focused on non-members</li> </ul>

## *We should move to staged implementation, while clarifying how to fund imminent wicket replacement with the Club*

- While not in a “cash flow” crunch, the Section faces 2 deficits
  - Overhang: we have €10 000 less in the bank than required for the imminent replacement of the match wicket
  - Ongoing: We need at least ~€2000 incremental annual revenue if we are to be able to renew our asset base and ensure high quality experience
- Recommended actions
  - Approach the Club for a transparent discussion about the imminent need for pitch replacement
  - 2 possible outcomes
    - **Club takes full responsibility for core capital outlays, based on full and seasonal dues**
      - Plan for wicket replacement before May 2016
      - No change in current Club-Section arrangements required
      - Section to move to build revenue to ensure we can cover the discretionary investments required for SACC to be #1 in terms of cricket experience in France
    - **Club is not able to meet core capital responsibilities (i.e., wicket)**
      - Explore shift to Section retaining Seasonal memberships, while also taking responsibility for asset base
      - Section to assess means to raise necessary funds to replace wicket by April 2017
  - Other ongoing actions should continue to demonstrate the positive impact of the Section on the Club (e.g., game for non-members, potentially with sponsorship as discussed above)
- Immediately implement a €2 per person per game increase in match fees; this should raise **~€500 over the remainder of the season**. Increase to €10 per person next season, which will raise **€1600 over the full season**
- Implement increase in junior cricket dues for next season; **€100 impact**
- Dispose of oldest bowling machine (which has inconsistent performance) via e-bay; estimated **one-off proceeds of €200-€400** while freeing up pavilion space