

Factsheet

Reading a Profit & Loss Statement

Introduction

The Profit & Loss Statement (P&L Statement) is one of the three most valuable financial statements that reflect any Football Club's financial performance and position over a given time period. The other two statements that accompany the P&L Statement are the Cash Flow Statement and the Balance Sheet. The P&L Statement can be prepared monthly, quarterly, and annually to show the earning power and real strength of a Football Club.

What is a Profit & Loss Statement?

A P&L Statement, in the simplest of terms, displays your Club's income and expenses for a particular period, whether that be for the month or a year, or any other time period. This report shows you how much money is coming in and how much is flowing out of your Club. The general equation of a P&L Statement is that Income minus Expenses equals either Profit or Loss.



When there is more money being brought into the Club than is spent, the report will show the Club has made a profit which is a great thing, but the report can also show how much money your Club has lost if you potentially overspend, or revenue isn't what you expected.

Typically, these P&L statements will be completed monthly, quarterly and at the end of each financial year to adequately track your financial progress. This report is commonly paired with the Balance Sheet and Cash Flow Statement and then presented to the Club Committee and potentially the broader membership base, to provide an overall picture of your Club's financial position and security.

These documents together can offer a view of the financial strength of your Club and allow for targeted efforts and decisions to be made to strengthen your Club's situation in the future.

What are Income & Expenses?

Any basic P&L Statement can be split in to two distinct categories, Income and Expenses, which ultimately allow you to track the success of your finances.

Income

Income, or Revenue, is money that the Club receives, usually in exchange for providing a good or service. In the football context, a Club's main source of income is usually the registration fees paid by each player to play our game.

While registration fees would be where the majority of Club income would be sourced, there are many other ways to diversify your Club revenue streams and take the pressure off your club members and potentially even allow for lower registration fees in the first place.

Other sources of income can include money raised through the canteen or bar, donations from generous community members, or fundraisers you might run such as auctions, trivia nights and chocolate drives.

Additionally, a great way to lessen the burden on registration fees as your club's primary source of income is to bring in funds through grant applications for uniforms, equipment, and programs, or by marketing your club to potential sponsors within your club and the wider community.

Expenses

On the flip side, we have expenses, which is the cost incurred or the outflow of money for goods or services required to run your Club and generate revenue.

Common expenses incurred by Football Clubs can include insurance, canteen stock, fundraising expenses, and utilities such as electricity and gas.

There are also the common Football expenses incurred to actually get out on the pitch, which includes the FV/FFA component of player registration fees, team entry fees, as well as the cost for appointed referees, and coach payments (if applicable).

Outside of this there can be a plethora of other items that might be found in your Club's operating expenses, such as equipment purchases, line marking materials, uniforms, and trophies. It is important to monitor your Club's level of expenditure to ensure you don't start running with consistent losses and jeopardize your Club finances.

What to Look for When Comparing Year to Year?

A crucial element of reading your Club's P&L Statement is comparing performances and results year on year, this will highlight areas within the statement that provoke questions, explanations, or potential actions for the Club. By tracking your progress against previous years, you will be able to identify any strengths and weaknesses in your financial performance and make any necessary changes required.

The common question posed when viewing a P&L Statement is "What am I looking for?".

The side by side comparison allows you to highlight any increases or decreases in particular items and seek further explanations, for example grants may be up from zero dollars in the previous year if your Club was successful in an application.

You will also be able to monitor trends across years, for example you might notice your utility bills are climbing year to year and decide the Club needs to source a new provider to access cheaper rates.

Comparisons will also highlight if you need to address potential problem areas, like if your sponsorship income were to disappear meaning you need to gain new sponsors or potentially adjust your registration fees to compensate or minimize other expenses.

When reviewing your P&L Statement and comparing results from year to year it is important to not only notice any figures that stand out, but also understand the story behind these numbers. The report may show figures that are pure outliers, anomalies, or a one-off transaction (E.g. A facility development contribution payment) that won't repeat, or they might highlight you are actually overspending in a certain area and need to adjust your approach. By recognizing and acting on any items of concern the Club can maximize its profits and financial position.

What Are the Uses of the Profit & Loss Statement?

One of the all-important pieces of information surrounds the uses of the P&L Statement and why your Club should even bother to prepare and read these reports. The answer has multiple parts, but by being able to properly read and analyse your Club's P&L Statement you will be able to:

1. Determine Areas of Focus to Grow the Club

Figure out where you need to focus your efforts if you have some shortfalls or opportunities. For example, your registrations may be down, and you might want to go on a recruiting drive, or you might have to push for an extra fundraiser during the season to raise income. Alternatively, you might want to find a Club member to act as a grant writer to ensure you access all available opportunities to increase revenue and fund your activities.

2. Highlight Expenses That Need to Be Minimized or Removed

The P&L Statement will allow you to recognize expenses that are continuing to grow that you might want to nip in the bud or at least find a way to minimize them.

3. Accurately Set Fees to Allow for Desired Profit

Additionally, by judging how much money is left over after each season you will be able to reflect on whether the fee amounts you set are high enough to cover expenses, or too low and make you too reliant on other income streams such as sponsorships.

4. Grow Finances to Aid Facility Development Projects

These reports will allow you to effectively manage and grow your Club Finances, particularly if you have a Facility Development Project in mind that you need to build your bank account towards. This is one of the real benefits in the current climate as it becomes more



competitive to access funding streams to improve your facilities. Now this might mean you adjust your approach to how much profit you want to see each year as you work towards your contribution towards a project.

5. Effectively Manage Club Finances

By having a firm understanding of your Club's Financial Reports you will be perfectly placed to help your committee make all the difficult decisions that shape your club operations.

Consistently reviewing and analysing your Club's Financial Reports, and more specifically the P&L Statement, will not only allow you to take corrective measures to avoid any financial hiccups, but it will also help to set your Club up for great ongoing success.

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