ONTARIO TENNIS ASSOCIATION

GENERAL POLICIES & PROCEDURES

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Internal Financial Reporting	**September 18, 2021**	**1 of 4**
Policy Number	Updates and Replaces	
AC 1	**February 11, 2017**	
	Next Review Date	
	September 2024	

POLICY STATEMENT

This policy defines and describes the principles used to prepare all internal financial reports including (a) the monthly balance sheet and summary revenue and expense statement, (b) quarterly financial report (c) all program operations reports, and, (d) annual budget.

The primary purpose of internal financial reporting is to report on the essential activities of the Association in such a manner that their readers (staff, officers, directors) can quickly assess the financial result; either on a stand-alone basis or in comparison to plan and prior periods. *The essential activities of the Association for financial reporting purposes consist of programs and the cost of the central office*. Because these reports are strictly internal, accounting conventions designed for external reporting purposes can be disregarded where they conflict with operational clarity. Examples of this would be the segregated fund accounting required for "development fund" revenues and expenses, the need to match revenues with costs over reporting periods of less than one year, and the allocation of grants and sponsorship revenues to specific programs.

GUIDELINES

1. The default basic unit of reporting is the program rather than the department and the general ledger will reflect this fact so that program reporting can be effected in an efficient manner. Departments are defined as groups of programs. A department may consist of different groups of programs from year to year as the Association's activities and perspectives change. Therefore the general ledger will not define departments permanently. As departmental reporting (as in Marketing & Communications, Player Development, and Marketing & Regional Development) is used infrequently, this need is best met by other means such as manual summarization on an annual or as-needed basis.

2. The guidelines for program definition are as follows:
   a. programs are "activity based"
   b. all programs use Association resources in some manner; either financial resources (cash) or human resources (staff time)
   c. *It is essential that program reporting clearly show the gross financial costs required independent of any external grant and sponsorship funding.*
   d. Programs which consume primarily human resources rather than monetary resources, should receive equal prominence and recognition. To support this, procedures are necessary to ensure that time reporting is reasonably accurate. Quarterly reporting must be in hours, and is to be reviewed by the President to ensure reasonableness.

e. Although many programs will expend monetary resources, the definition of a program can and should include activities which are designed to generate revenues (eg. time spent on grant applications, securing sponsorships or meetings with clubs in an effort to increase membership base) or on administrative and information system programs designed to reduce costs or improve effectiveness.

3. Only direct financial resources (revenue and expense dollars) are to be allocated to programs in the general ledger. Subject to the following, Human resources (staff time) are to be accounted for outside the general ledger and only in terms of hours or days. All internal reports are to be designed to show the direct net financial resources consumed by the specific program.

   The allocation of staff resources in dollar terms is not suitable at the Program level because:
   a. it distorts (tends to overstate) the cost of the program since those staff dollars would be still incurred regardless of the program,
   b. it distorts (tends to understate) the cost of the Association central office staff, as some of the costs of employees are allocated throughout various programs.
   c. human resources in time units are sufficiently meaningful in their own right and should not be imbedded in program expenses.

   However, for the purposes of internal reporting to the Executive Committee and Board of Directors, allocations of the cost of staff time on specific program activities may be made in appropriate program categories.

4. As the largest fixed cost centre, the central office merits clear undiluted cost reporting. The cost of the Association's central office should reflect all *non-direct program* costs.

5. Payroll costs should include salaries, staff bonuses, RRSP contributions and the Association's share of normal payroll deductions and benefits such as WSIB and OHIP, and should be allocated out at the department level, based on the program groupings under those departments. The costs of seasonal or part-time staff employed for a specific program are to be treated as direct expenses of the program and not as part of central office cost.

6. By virtue of its legal status as the recognized body in Ontario for the promotion of the tennis, the Association generally as a practical matter receives a government grant regardless of the quality, extent and number of programs it operates. Commercial

organizations commit sponsorship funds for the maximum promotional impact. In most instances the quantum of funding received will not be affected by the available programs because of the natural coherence between the majority of our activities and the goals of the external organization. If the Association is going to receive the grant in any case or if several programs would have been equally acceptable, there is no justification to consider the grant to be anything but general revenue. *To apply such revenues to programs would render meaningless both comparability between programs, and comparability of the same program over more than one accounting period*. Reflecting these revenues as a separate item (not to be spread out over the number of programs it "supports") both preserves the essential economic facts and maintains the clarity of our internal financial reporting system. Therefore, the revenue received from government grants and non-special purpose sponsorships is to be recorded as a lump sum, separately in all internal financial reports. In the unusual case where a grantor requires a financial report to reflect "their" specifically supported programs and a separate presentation of funding by project, this will be prepared on an as-needed basis (see policy guideline regarding external reporting).

7. In some cases, particularly with sponsorship products received in kind, it may be difficult to determine the financial resources used or expended in a program. They must be recorded in the general ledger because they have economic value to the Association. For **internal** financial reporting purposes, the key principle in quantifying this economic value is **the degree to which they defray costs that would otherwise be incurred.** Examples are tennis balls and warm-up suits. Items used as prizes can also qualify but only at valuations that meet the defrayed cost test. Regardless of their accounting treatment, all items of economic value are to be the subject of strict physical inventory control.
   Items received in kind **for a specific program** (e.g. track suits for the Team Ontario program) are to be entirely expensed and charged to that program when received. If, after the program is over for that year and remaining items still have economic value (e.g. surplus track suits can be used again in another program or in the following year), the items previously expensed can be credited to the program and either inventoried for future use or charged to another program. Items received in kind **for general use** (e.g. tennis balls) are to be inventoried and charged to particular programs as consumed.

8. The annual Ontario Base grant covers the government fiscal year of April 1 - March 31 and not the Association's Jan 1 - Dec 31 fiscal year. The timing of its final determination and receipt is variable. For budgeting and financial reporting purposes it is to be allocated on an accrual basis evenly throughout the year based on the April 1 - March 31 twelve month period. For reporting periods during which the amount has not been determined, the budget amount should be used.

9. All forms of membership revenues are to be presented for financial reporting purposes, on a "cash receipts" basis except when they are received in advance for a subsequent fiscal year in which case they are to be considered as deferred revenues. Membership fees invoiced and accordingly recorded as accounts receivable on the balance sheet are to be considered deferred revenues until received. Membership fees collected as the fiscal year progresses is a very meaningful number which deserves prominence on every financial report.

REFERENCE POLICIES
None

PROCEDURE DEVELOPMENT
N/A

APPROVALS

Chair of the Board		
		Date:
on behalf of the Board of Directors		
		Date: