

Peninsula Bridge Club Inc.

ABF Accredited Teaching Club

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Proposed Changes to Peninsula Bridge Club Operations in the GST Environment (28th May 2017)

Introduction and Overview

Peninsula Bridge Club has undergone a series of significant changes over the last 5-6 years. The growth in membership, the requirement to become a GST entity and the increasing reliance on technology has placed increasing strain on the ability for the Club to be well managed solely by the volunteer Committee, directors and helpers.

The Committee has the responsibility to manage the Club's financial and operational affairs. Over the last few months, the Committee has conducted an extensive review of the GST implications, the management of similar sized not-for-profit Clubs around the country, consulted with the ATO regarding the changes and evaluated the best next steps for Peninsula.

The Committee has identified that in order for the Club to be managed effectively, it needs to employ a part time or casual administration employee for 10 to 15 hours per week. This paid assistant would work in conjunction with the Treasurer and the two volunteers who have kindly offered to help with the finances and other Committee members.

Administration tasks would include: banking; some MYOB bookkeeping; answering of phone and email messages; ordering of and paying for Club supplies; membership database management; record keeping/cloud storage.

From 2017, in addition to the expense of paid staff (estimated at \$35k approx.), the Club will incur an approximate \$10K annual GST tax bill.

In response to these new expenses, the Committee has identified a need to make the following changes in order to maintain an Operating Surplus:

- From September 1st 2017:
 - Table money for members increases to \$7 or \$6.50 by purchasing 10 PPVs for \$65 using EFTPOS
 - Table money for visitors will be \$12
- From January 1st 2018
 - Annual subscription will be \$50
 - \$25 for holders of a Government Issued Pensioner Concession Card or Full Disability Pension
 - Honorary Life and Gold Members – no change - \$22

The proposed changes are based on a thorough evaluation of the circumstances of the Club, with the goal of ensuring that PBC continues to be well managed. The proposed increase in table money and annual subscriptions is a necessity for the ongoing well-being of the Club. The new fees remain highly competitive compared to other Clubs.

Peninsula Bridge Club will continue to be a not-for-profit organisation, with the identical goals and objectives that it has always been governed by. It will continue to be managed by the elected Committee, with the assistance of the many wonderful volunteer helpers and directors.

The Committee assures all members that the effectiveness and adequacy of the proposed changes will be closely monitored and that clear communication will continue, so that members remain informed of the operational health of the Club.

Information Sessions about Changes

The Committee wants all members to understand the reasons for these proposed changes and have the opportunity to clarify anything that is unclear.

There will be a short Information talk before most sessions in the week commencing Monday 29th May.

At 11.00 am Saturday 3rd June, there will be a longer Information Session which all members are encouraged to attend. This is an opportunity to ask any questions regarding the proposed changes.

In addition, this information will be emailed to all members, posted on the website and on the notice board at the Club, as well as copies being available at the Club.

As your representatives, the Committee encourages members to share their views on the proposed changes.

Summary of Key Information

a) Current Financial Situation of the Club

- The Club is in a strong and stable financial position
- Income from playing fees, membership and lessons are increasing each year
- Expenses increase accordingly, due to more members and inflation
- Operating Surplus has been \$15,000 p.a. on average
- The Club's strong balance sheet needs to be maintained to draw upon in the event of new premises being required after the current Council lease expiry

b) Changes Impacting the Club

The Club has experienced a number of significant changes over the last 5-6 years. The key changes are

- 1. Significant growth in Membership**
- 2. Requirement from September 2017 to pay and claim GST**
- 3. Increasing requirement for technology in the administration of the Club**
- 4. Essential administration tasks that ensure good management of the Club are increasingly large and complex**

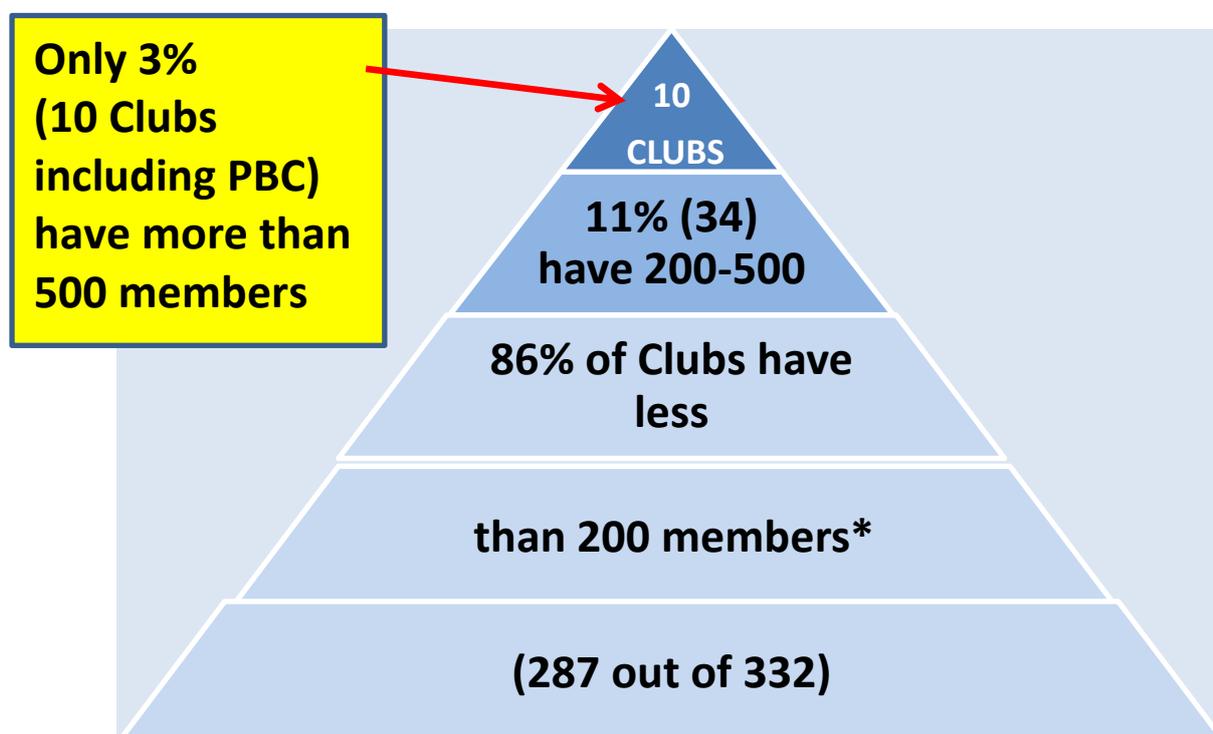
Background and implication of each of these changes

1. Significant growth in Membership

Peninsula Bridge Club is a large and successful club within the Australian Bridge Community.

It has achieved 10-15% growth each year over the last 5-6 years, with a current membership of 600, and playing numbers growing at over 30%.

We are a major Club within the Bridge world - 86% of Australian Clubs have less than 200 members.



(Source: ABF MASTER POINT CENTRE MAY 2017;

*= Home Club members - does not include Alternate Members)

Peninsula is currently the 10th biggest Club in Australia and the 4th largest in NSW. Within that sub group of Clubs with more than 500 members, we are one of the 5 Clubs which grew in numbers last year. The predominant trend within bridge is decline, and we are fortunate to be in a position of growth, which is essential to the long-term survival of the Club.

The Club's continued growth is due largely to our Bridge Education program, but also a response to our many competitions and events, our attractive premises, the friendly community, and the growing population density within the Northern Beaches.

	April 2017 Membership (home members)	Change in Members 2016-17
North Shore Bridge Club NSW	1,126	<u>Increased</u>
South Australian Bridge Association SA	1,090	<u>Increased</u>
West Australian Bridge Club WA	948	<u>Increased</u>
Waverley Bridge Club VIC	800	<u>Decreased</u>
Sydney Bridge Centre NSW	736	<u>Decreased</u>
Trumps Bridge Centre NSW	731	<u>Decreased</u>
Toowong Bridge Club QLD	698	<u>Decreased</u>
Canberra Bridge Club ACT	619	No growth
Northern Suburbs Bridge Club QLD	567	<u>Increased</u>
Peninsula Bridge Club - NSW	522	<u>Increased</u>

2. Requirement from 2017 to pay and claim GST

The main impacts of GST on the Club's expenses are:

- a. Advice from the ATO confirms we need to include GST in our annual subs and table money. A benefit is that we will be able to claim credit for GST included in our expenses.
- b. The values of the yellow and pink vouchers issued are liable for the new expense of a GST component. In 2016, their value was \$36K.
- c. As a GST entity, PBC will be subject to the scrutiny of the ATO. The Club needs to ensure that the financial management is both constitutional and best practice, which includes the division of duties and cross checking of the handling of the Club's assets, especially cash.
- d. The GST rebate on expenses will be lower than GST incurred on revenues, resulting in a net payment of GST to the ATO.
- e. Another result of GST is that the Club needs to maximise the making of purchases directly from the Club rather than the current practice of members making purchases and then claiming costs from the Club. The current process means the ability to claim the credit for the GST component of expenses would be lost as the member making the purchases cannot pass on the GST to the Club in a way that is claimable.

The estimated impact of GST will be an increase of Club expenses by approximately \$10K in the first full year. This will be in addition to the annual price increases from our suppliers.

3. Increasing use of technology in the administration of the Club

Over the last 10 years an increasing amount of Club transactions and communications take place via the internet. This trend will continue and impacts on the way the Club needs to be run to ensure efficiency and good management.

Records need to be stored in the cloud, to supplement hard copies and other digital back up.

Online payments and entries to events and competitions will become increasingly popular.

We require the skills and continuity of a paid administrative staff member to coordinate the technological side of the Club.

4. Administration tasks that ensure good management of the Club are increasingly large and complex

The bookkeeping and administration of the Club has become too onerous a task to be managed by a volunteer. Management of the membership database in particular has become a large, complex and important role. Collection of Subs each year is another significant task.

Bridge Clubs of our size and structure mostly have either part-time or fulltime help to ensure smooth operations.

Not for Profit Clubs	Membership	Session fee member	Ann fee	Staff?
North Shore	1,126	\$12	\$60	Club Manager
South Aust Bridge Club	1,223	\$10	\$60	Club Manager
Waverley VIC	800	\$9	\$50	Full time Office manager
Canberra Bridge Club	619	\$10	\$75	Full time Office manager
Queensland Contract Bridge Club	429	\$7	\$71	Part time Office manager

5. Proposed Change in Table Money and Annual Subscription fees.

In order to cover the new GST and administration expenses, the following changes need to occur:

- Annual subs
 - \$50 for members
 - \$25 for holders of a Government Issued Pensioner Concession Card or Full Disability Pension
 - Honorary Life and Gold Members - NO CHANGE - \$22

- Member table money
 - increase to \$7
 - or \$6.50 if 10 PPVs purchased by EFTPOS for \$65

 - If the anticipated 80% of table money is purchased via discount PPVs, with the remaining at \$7, **the average will be \$6.60**, which after GST will be \$6.00 net to the Club, an increase of \$1.00 net income to the Club

- Visitor Table Money - \$12

Our subs and fees will remain significantly lower than most nearby clubs.

Club	Not for Profit	Session fee member	Non-member	Annual fee
Turrumurra		\$12	\$15	\$75
Killara		\$12	\$15	\$75
Thornleigh		\$12	\$15	\$75
Narrabeen		\$12	\$15	\$75
Sydney Bridge Centre		\$12	\$15	
North Shore	NFP	\$12	\$15	\$60
Long Reef		\$10	\$10	
Peninsula	NFP	\$7/\$6.50	\$12	\$50
Dee Why	NFP	\$5	\$10	
Manly Leagues	NFP	\$5	\$7	

6. Peninsula Bridge Club Projected Financial Position with Proposed Changes

Impact of Changes to Annual Operating Surplus (2018 estimate)	
Current Average Annual Surplus	\$15,000
Increase in Table Money and Subs*	\$55,000
Less GST (approx.)	\$10,000
Less cost of Administrative Support	\$35,000
Less annual increase in operating expenses	\$15,000
Estimated Revised Annual Surplus	\$10,000

*Increase in Table money and Subs is a combination of increased membership base, increased member activity (i.e. more sessions played per person) plus increased Table Money Fee and Subscription