



Financial Guidelines
v.v. Harambee



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Financial guidelines of v.v. Harambee

To ensure a strong and healthy financial position of v.v. Harambee, it is important to establish clear guidelines regarding equity. Here, special attention should be paid to the level of the general reserve and work capital.

This document therefore sets guidelines on how to determine and the amount of the general reserve and work capital. Moreover, it lays down further agreements regarding the financial operations of v.v. Harambee so that they are not forgotten by the passage of time.

History of the Financial Guidelines

At the 1997 annual meeting, following the statement of accounts and the balance sheet, a discussion arose once again about the financial position of the association. It was therefore decided to set up further guidelines for the future in the following year so that the age-old discussion would no longer have to take place and there would naturally be more certainty about the association's position. For this purpose, discussions included Ir. Hen Kroon, lecturer in Financial Management at Technical Business Administration. He also plays volleyball himself and was treasurer at a civic association for several years. He gave us various pieces of advice, the main one being that you should not so much use business figures, but rather work with rules of thumb.

In 2011, the financial guidelines were updated as they were no longer up to date. Furthermore, it was decided with effect from 2011-2012 that there should be no stock of merchandise. The current stock of polo shirts will be phased out.

A liquidity problem arose in the year 2015-16. This was because the guideline included an amount of work capital that was not sufficient. This was partly due to the way the amount of the maximum debtor balance was determined. Following this event, the financial guideline was revised in that year. In this revision, the main discussion was the level of work capital to ensure Harambee's liquidity position. In addition, a change was made to the method of determining the General Reserve, for this, the items for which a reserve should be created were changed and are no longer directly stated as an amount, but first, a handle is given on the basis of which an amount can be calculated.

In the year 2022/2023, the general reserve and work capital have been reviewed again. Over the years, certain items no longer affect the general reserve and work capital. On top of that, the total amounts of the items (that still affect it) have changed over the years. The items have been changed to the current state of affairs.

Balance building Harambee

Harambee identifies the following assets on its balance sheet:

- Fixed Assets: Balls, match shirts and all other materials owned by Harambee for more than one year on average.
- Current Assets: This includes all inventory, accruals and accounts receivable of Harambee.
- Cash: These are all physical funds held by Harambee in its bank or in its treasury. To fund these assets, a distinction is made between the following liabilities:
- Long-term liabilities: These are all debts that Harambee takes on for a longer period of time to improve its financial position, Harambee strives not to use long-term liabilities.
- Current liabilities: These are all accounts payable and other short-term (max 1 year) debts.
- Equity: This is the main component of liabilities and is the capital owned by Harambee. This



equity is normally divided into the following three components:

- Reservations
- Work capital
- General Reserve

In this build-up, several things need to be considered for a healthy financial situation. First, a general reserve must be created for unexpected setbacks. In addition, sufficient work capital must be available to ensure that Harambee can meet its payment obligations without having to tap reserves or use already reserved funds for this purpose.

General reserve

An important (discussion) point is the level of the general reserve. A reserve is an amount put away in case there is an incidental setback. In that case, it should not be the case that the association can no longer cover its expenses, but there should be cash available to absorb it.

To estimate the level of the reserve, it is necessary to determine which items should be buffered to what extent. Here, it is useful to divide revenues and costs into different categories. Then, for each category, we can look at how the level of the reserve can be determined for this category. This is done on past experience. However, it is not the case that the biggest possible setback on each item should be taken as a reserve, it is sufficient to take a (partial) contribution that covers the risk. After all, it is not likely that the maximum setback of all items will take place in one year.

The following categories are distinguished for this purpose:

- Membership fees (incl. contributors)
- Canteen revenue
- Commission turnovers
- Trainers' contribution reimbursement

Membership fees (incl. contributors)

Membership fees may fluctuate annually due to a decrease or increase in the number of members and donors. As this can lead to less revenue while costs do not fall by the same amount, a reserve will have to be created for this. A good percentage for this is 5% of the total amount.

Canteen revenue

Canteen revenue fluctuates significantly over the years. These fluctuations cannot be predicted when making the budget. Hence, a buffer is needed to absorb fluctuations. A good percentage for the reserve for canteen income is 20% of the total amount.

Commission turnovers

Only the committee results appear on Harambee's income statement, however, the committees have a much higher turnover. Think of the gala, weekend away, excursion, etc. To accommodate fluctuations in committee results, a reserve of 10% of committee turnover will be used.

Trainers' contribution reimbursement

The trainers of indoor and beach get their contribution reimbursed. Since the number of trainers may vary from year to year, the amount which will be reimbursed can fluctuate. To accommodate fluctuations in trainers' contribution reimbursement, a reserve of 15% of the total amount will be used.

Level of General Reserve

With the aforementioned handles, the contribution to the reserve can be determined for each of the categories. These are as follows:

Category	Directive	Total amount	Contribution Reserve
Membership fees (incl. contributors)	5%	€42.000,-	€2.100,-
Canteen revenue	20%	€10.000,-	€2.000,-
Commission turnovers	10%	€33.000,-	€3.300,-
Trainers' contribution reimbursement	15%	€4.000,-	€600,-
Total			€8.000,-

Maintenance General Reserve

The general reserve guideline should be reviewed annually. This should look at whether the guideline is still realistic and whether the total amounts still correspond to reality. Should this not be the case, the general reserve guideline will have to be adjusted.

Work capital

Work capital should ensure that sufficient cash is available at all times. In doing so, the following condition must be met at any time of the year:

$$\text{Cash at the bank} > \text{Reservations} + \text{General Reserve} + \text{Harambee Extensive Investment Fund}$$

This way, Harambee never has to draw on its reserves to meet its payment obligations.

Level of work capital

The level of work capital can be determined by looking at the "effective liquid assets" (ELM) during the year. These effective liquid assets can be calculated as follows:

$$\text{ELM} = \text{liquid assets} - \text{General reserve} - \text{Reservations} - \text{Harambee Extensive Investment Fund}$$

Next, look at the time when the ELM is lowest. If the ELM is negative at this time, then this is the work capital deficit, if the ELM is positive at this time, then this is the work capital surplus. The work capital requirement can then be calculated as follows:

$$\text{Required work capital} = \text{Current Work Capital} - \text{Lowest position ELM}$$

Besides determining the required work capital, it is also good to look at where this required work capital comes from. First of all, this is caused by all fixed and current assets. The amount that then remains in the required work capital is caused by the turnover of payments.

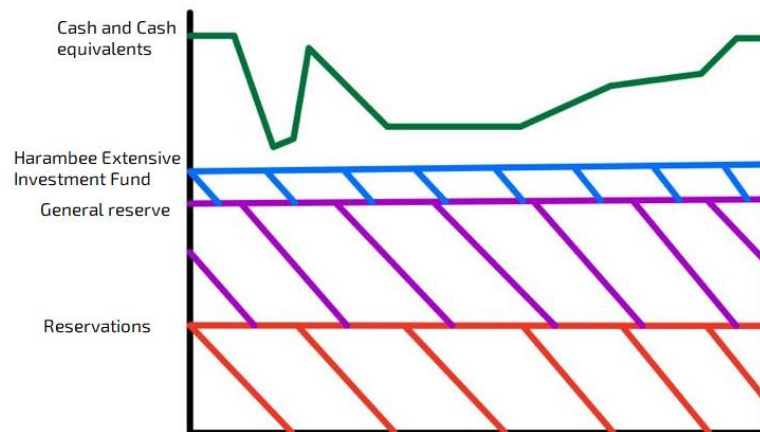
Harambee thus arrives at a required work capital of €25.000,-, which is structured as shown in the table below.

	Required work capital
Match balls	€3.500,-
Training balls	€5.000,-
Match shirts	€5.000,-
Server	€1.500,-
Evolution of payments	€10.000,-
Total	€25.000,-



Maintenance Work Capital

Should cash nevertheless become lower than the total amount of reserves and the general reserve, the level of work capital should be reconsidered. It should then grow so that it again exceeds the general reserve plus reserves in the following year. A convenient way to check whether this is the case is to plot a figure as shown below. If the line of cash becomes lower than the total of reserves and general reserve, it means that there is a deficit in work capital.



Should the work capital need to be increased, part of the general reserve will be moved to the work capital so that the work capital is again at the right level. If this causes the general reserve to fall below the target amount, it will be rebuilt as indicated in this guideline.

Maintenance of equity

Every year, using proposed guidelines, the size of the work capital and reserve should be reviewed. Based on these, a positive or negative result should appear in the budget. To avoid large fluctuations in contribution, a ½ damping system is used. This means that in case of a surplus, half of that surplus should be budgeted as a negative result in the following year. In case of a deficit, half of that deficit should be budgeted as a positive result.

Other Agreements & Guidelines

Besides guidelines for the general reserve and work capital, Harambee has set certain agreements and guidelines over the years regarding finances.

Control of treasurer

To ensure that a treasurer cannot imperceptibly jeopardise Harambee's liquid position, an amount equal to all reserves and the general reserve will be placed in Harambee's savings account. Both the treasurer and the president should have partial authority on this account. That is, all transactions from this savings account must be authenticated by both the chairman and the treasurer. This makes it impossible for the treasurer to simply tap capital intended for other purposes without the cooperation of the chairman, only the work capital is at its disposal, after all. This way, financial problems will come to light earlier so that action can be taken in time. When money is withdrawn from this savings account, the KasCo will also have to be informed.

The KasCo is authorised to make a temporary exception to this, allowing the treasurer to make transactions from the savings account without the chairman's intervention. It must also ensure that the powers are set correctly and that the amount of the savings account corresponds to the total amount of the reserves and the general reserve.

The treasurer will also have to provide a monthly report regarding the level of cash to the board and the KasCo. This should include an explanation should the board or the KasCo request it.

Merchandise stock

Due to financial risks, no stockpiling of merchandise is allowed.

Board expenses

The board is trusted by the General Assembly to make expenditures for the benefit of Harambee. When these expenses are known in advance, they are approved in the budget by the General Assembly. If these expenses are not in the budget, the board may spend a maximum of €1000 per financial year without asking permission from the General Assembly, provided the financial position of the association allows it. There is a maximum of €500 per expenditure. For expenditures exceeding this, permission must first be sought from the General Assembly