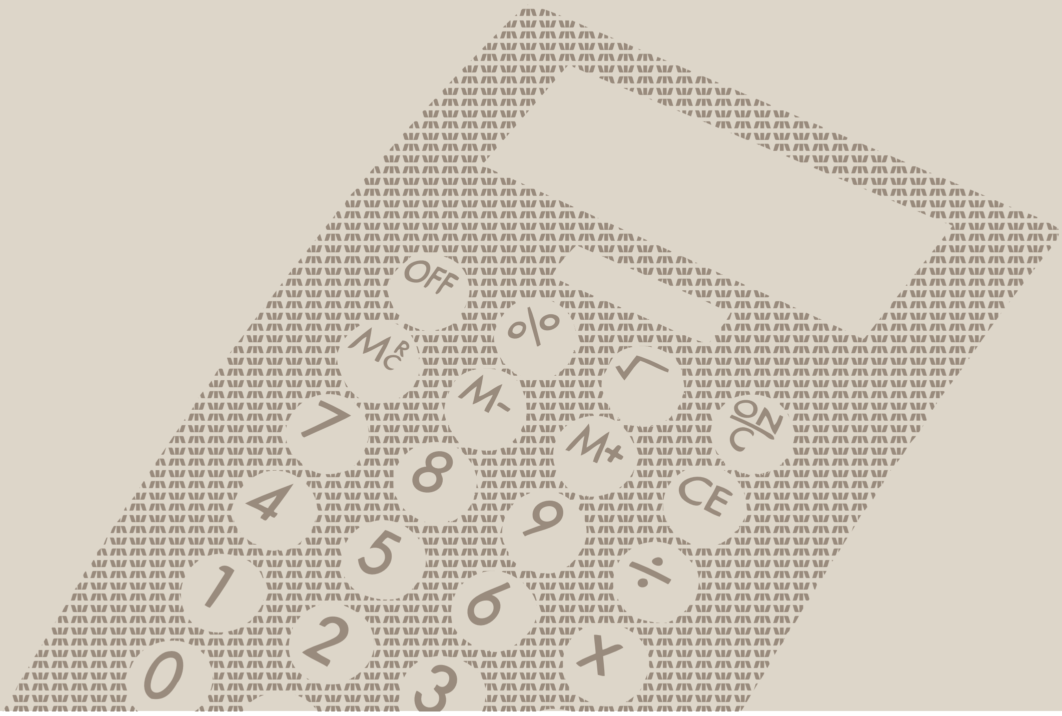
Guide for Community Treasurers.



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The Guide for Community series.

This Guide is the first in a series designed to help build the financial capacity of Australia's 600,000 community groups and not-for-profit organisations.

More than 65% of Australians belong to at least one community group – these organisations are absolutely vital for the development of a thriving and vibrant Australia.

Together with its companion volumes, the *Guide for Community Board Members* and the *Guide to Investing Money for Community Organisations*, this Guide is part of ongoing work by Westpac to make sure this important sector has ready access to the information it needs to operate effectively in our complex and changing financial environment.

Westpac Social Sector Banking.

Westpac has been working with community organisations of all sizes for years – and whether it be local sports clubs, schools or national aged care facilities, we've learned that the demands and opportunities of the not-for-profit sector are both unique and diverse.

So we offer more than just banking. We are committed to:

- understanding your unique day-to-day financial workings and requirements.
- designing and innovating our products and services to align with your needs.
- providing specialist bankers, who are dedicated to servicing the not-for-profit sector.
- connecting you with the education, training, resources and other areas beyond just banking that will help strengthen your organisation and achieve your long-term vision.

We want to provide you with the most beneficial banking partnership for your organisation.

For more information visit www.westpac.com.au/socialsectorbanking

So you're the Treasurer.

What makes people become Treasurers of community organisations? Some gravitate to the role because they're good with numbers. Others just want to 'put something back'.

What most treasurers have in common is a passion for the cause.

Nominations for the Westpac Community Treasurers' Awards each year reveal an army of highly passionate and committed Treasurers fanning out right across the country, with countless examples of innovation, leadership and finely honed teamwork.

In many cases, it is work that has literally saved organisations from going under. In others, it has helped to transform a group from ordinary to extraordinary.

Not every Treasurer has formal training in finance or accountancy, or work experience in those roles. But they're far from naive amateurs. These are people who saw a need in an organisation they were passionate about, got the training and advice they needed and put up their hand (or answered a tap on the shoulder), often going well above and beyond the call of duty.

The position of Treasurer is the key to keeping the organisation's finances in order. It requires time, dedication and financial expertise.

Most small not-for-profit organisations (self-help groups, playgroups, amateur dramatic societies, local sports clubs, etc.) do not employ staff. In these associations, the Treasurer is the person who does everything - organising bank accounts, depositing cash and cheques, paying the bills, keeping the books, drawing up the budgets, and keeping track of the outgoings and incomings so that the organisation knows how they are tracking in relation to the budget.

In larger organisations with a professional staff, the Treasurer may be supported by the CEO or a Finance Committee, providing a link between the staff and the Board on financial matters and ensuring appropriate policies and procedures are in place.

Sometimes a new Treasurer is thrown into the role without too much training or preparation, or too much knowledge of what's involved with overseeing the finances of a not-for-profit organisation.

That's why we've written this guide.

The Guide for Community Treasurers recognises the importance that Treasurers play in the lives of community groups and the influence they can have in ensuring the organisation survives and thrives.

It is designed to help Treasurers of community organisations of all shapes and sizes to take on the role with greater knowledge and confidence – and to help Board members to understand what is required of a Treasurer.

♦ Two imaginary organisations are used throughout this guide. ABC is an organisation run by volunteers with no staff and XYZ has six full-time staff and one part-time.

You're in good company.

The not-for-profit sector in Australia covers over 700,000 groups, ranging from the thousands and thousands of local groups – sporting clubs, recreational associations, social welfare groups, historical societies and cultural groups through to national organisations such as the Australian Football League and Opera Australia and international organisations such as Oxfam, Greenpeace and The Salvation Army.

What they all have in common is that they don't operate to make a profit for their owners or members. This does not mean they are not financially accountable – in fact they are often accountable to more stakeholders than most businesses. Your stakeholders may include Board members, staff, members, volunteers, donors and government.

Elected Boards, called 'Boards of management', run community organisations. They can also be called 'Boards of Directors', or 'Committees of Management', or a number of other names – but here we shall call them 'the Board'. The Board appoints a Chair (or President), a Secretary, and a Treasurer.

The Treasurer is usually appointed at the annual meeting and tasked with keeping the finances healthy so the organisation can achieve its mission.

Victorian psychologist Dr John Gora says that if a group finds someone who has the ability for critical appraisal, can contribute to strategic planning and be creative about generating funds, 'then they have probably found the perfect Treasurer'.

Anyone taking on the role of Treasurer in a not-for-profit organisation must have – or needs to learn – a basic understanding of accounting and a working knowledge of the laws governing the organisation's operation. This may sound daunting, but most accounting is commonsense once you understand the basics – it's about money coming in, and money going out.

Some people on the Board may not have well-developed financial skills and you need to be able to explain your reports simply and clearly. Remember that financial terms like 'accrual' and 'cash accounting' mean nothing to some people, so explain the financial jargon.

Being Treasurer of a community organisation is a great honour, and a great responsibility. An active and alert Treasurer can ensure their community group is able to extend its activities, resulting in greater benefits to the wider community. It's a big job – while you may be able to delegate some duties to staff and volunteers, you can't delegate the responsibility.

Role call – what's involved in being a Treasurer.

The main duties of a Treasurer are to oversee the financial administration of the organisation, review procedures and financial reporting, advise the Board on financial strategy, and advise on fundraising.

Let's look at what the Treasurer needs to do in each of these areas:

Financial administration.

- Keep up-to-date records as well as an audit trail for all transactions (consider setting up an audit committee and appointing an external auditor).
- Protect the organisation against fraud and theft, ensuring safe custody of money, and prompt banking.
- Make sure the Board understands its financial obligations.
- Make sure the organisation complies with tax regulations, such as GST, payroll tax and fringe benefits tax.
- Review all internal processes and reporting methods at least annually.

Often small not-for-profit organisations don't employ staff, so the Treasurer has to do the banking, depositing cash and cheques, paying the bills and tracking income and expenditure throughout the year. You need to be on top of your finances so the organisation knows how well it is tracking against the budget and how to respond if unexpected problems arise.

In larger organisations, professional staff manage the daily transactions and record-keeping and the Treasurer maintains a watching brief on the monthly accounts. Often the Treasurer can share this responsibility with a finance committee which can provide a link between staff and the Board.

If you're a medium-sized organisation, and either doing the books yourself or employing someone part-time, consider using an accountant once a month or every quarter to check your work. This will give you the security of knowing your procedures are working.

Whether you are using an Excel spreadsheet, software such as MYOB or Quicken or a simple paper-based book system, you will need to keep track of the money. You will need to compare actual financial performance against predicted financial performance so the Board understands the state of its finances. This analysis gives the Board the ability to make informed decisions about future income or expenditure.

You may have to lodge returns with authorities such as the Australian Securities and Investments Commission (ASIC), Office of Fair Trading and the Australian Tax Office (ATO). Find out what returns you have to lodge and the dates they are due.

Review procedures and financial reporting.

You will need policies and procedures to protect the organisation and its people. These will include:

1. Controls on expenditure, such as who can authorise spending, upper limits before Board approval is needed, and who can sign cheques.
2. Controls on income generation, including appropriate and inappropriate ways of raising money.
3. Systems for ensuring cash and cheque books are kept securely.

You need to track:

- How much your organisation owns.
- How much money you can easily access.
- Your main sources of income.
- What you are spending money on.
- How much you owe.

You also need to be aware of any risks that may arise.

You've been elected Treasurer - Now what?

Here is a checklist of all the things you need to do as soon as you get the job:

- Check details of all bank accounts and all signatories.
- If necessary, swap signatories straight away. Get the forms from the bank and take them to the annual meeting.
- Check details of credit card or spending authorisations and organise for the return of outstanding chequebooks or cards.
- Check who has the financial files and get all documents and budget information, including special events budgets and details of purchases.
- Make sure you have a master copy of your financial procedures manual.
- Organise for a detailed briefing from the outgoing Treasurer detailing any spending commitments or incomings not included in budget papers.
- Prepare a timeline of upcoming payments and dates when bills (insurance/rent/car) are due.
- Once you have done your first budget statement, see if you can check with the outgoing Treasurer that nothing is missing.

Advising the Board on financial strategy.

There is more to managing the finances than just good bookkeeping. You need to prepare reports for members, management and sponsors outlining the current financial situation, looking at possibilities for the future and drawing people's attention to tax implications, and potential risks or opportunities.

Financial accountability includes planning and budgeting. The budget will grow out of the strategic plan, so ideally a Treasurer would work with the Board to develop strategy and help set goals.

On the basis of the Treasurer's reports, the Board may have to modify the budget. Unfortunately, a blow–out in expenses is more common than an unexpected expansion in income.

If you have made an unexpected profit, you may wish to put it aside as a reserve to protect yourself against potential cash–flow problems or use the money to strengthen your current operations or programs.

Advising on fundraising.

As Treasurer you may be asked to prepare funding proposals for one–off grants, sponsorship and grants for special projects.

The Treasurer's duties will vary according to the organisation's size and culture, but financial management is a team responsibility. The Treasurer, the Chair, other members of the governing body and staff must work together to develop a budget, and monitor and evaluate financial progress.

Many organisations appoint finance committees, or sub–committees, to help the Treasurer. The advantage of having a finance committee is that a group of interested and financially knowledgeable people can share the load. Another advantage is that you can co-opt experts on to the finance committee and so bring new people into your organisation. Don't spread the team too thin – people may not feel the same sense of commitment or responsibility.

Some Boards also appoint an audit committee whose role is to liaise with external auditors, ensure the control systems are adequate, and examine any financial irregularities (if there's no audit committee, these duties fall on the Treasurer).

Keeping the books.

The terms 'bookkeeping' and 'accounting' are often used interchangeably, but they have different meanings, and these differences are significant.

Accounting refers to the whole process of financial recording and reporting, while bookkeeping, as its name suggests, is about keeping the books – recording your income and expenditure.

Organisations have different accounting and financial reporting needs, depending on their size and the volume of their transactions. But every organisation needs some kind of bookkeeping system.

You must be able to show how much was spent and received, what it was for and who authorised it. This should be recorded using invoices, receipts, bills, cheques and other financial records. Then you need to classify your records into meaningful categories so the information can be sorted and analysed.

The chart of accounts is a list of the different type of expenses and revenue. For example, you might have an account for program fees and another for fundraising income and expenses. In Australia, moves are under way to put in place a Standard Chart of Accounts (SCOA) across the country. Lots of information about the SCOA is available online.

Many people find the terms 'accrual' and 'cash' accounting confusing when they first start dealing with finances.

Accrual accounting.

In accrual accounting, revenue is recognised when it is earned rather than when it is received, and expenses are recognised when they are incurred, rather than when they are paid. So if you buy an item using your credit card, record the date you bought the item, rather than the date you paid your credit card bill.

Sample tax invoice.

ABC Organisation	
ABN:	
Address:	
Ph:	
www.websiteaddress	
Email: abc@emailaddress	
Date:	
Tax Invoice:	
To:	
Name:	
Address:	
Name of product or service:	
Total amount payable:	$xxxx (GST Incl.)
Payment terms: within seven days	

Cash accounting.

With cash accounting, you record entries according to the date you paid someone or someone paid you. So if you invoice someone, you record the date you receive the money, rather than the date you sent the invoice. At its simplest, cash accounting uses the receipt book and bank deposit details to track income and the cheque book to track expenditure.

Cash accounting is the simplest form of bookkeeping and small organisations may find it adequate. If your organisation operates largely on short-term transactions and you don't have long-term debts or commitments, cash accounting will work as long as your organisation stays small. If you start growing, you will need to switch to accrual accounting.

Accrual accounting is generally preferable because it gives a better idea of your organisation's overall medium-term financial status.

If your accounts only reflect the commitment once you have met the liability, there is a risk you'll wrongly assess how much money you have available. For example, your accounts will not include outstanding bills that have not been processed.

Some financial accounts include a mixture of cash and accrual accounting, which can lead to further confusion. When preparing and reading financial statements, it is important to understand what's included and what's not.

There is no one method of bookkeeping. Small organisations may use a paper-based system, but larger organisations will use a software package. Spreadsheet programs may not have the security of tailored packages, in that anyone can alter a figure.

Software or shoebox?

A computer system is not a substitute for paper records. Make sure you keep a hard copy audit trail of all your financial transactions, including receipts, cheque book stubs and tax invoices. You could be audited by the Australian Tax Office at any time.

Sample income and expenditure ledger.

Name of organisation Opening balance

Month

Income

Date	Receipt	From	Purpose	Amount

Expenses

Date	Receipt	From	Purpose	Amount

Also ensure you make regular back-ups of your computer records. Hard drives do crash, and data does get lost. Keep your back-ups offsite, so they are safe in the event of a fire or burglary.

Very small organisations can get by with what's called 'shoebox' accounting with all accounts kept in a box or filing cabinet. Try to organise your material into folders, large envelopes or separate compartments of a folder for separate items such as:

- Correspondence.
- Bank statements.
- Outstanding bills.
- Paid bills and receipts.
- Asset file with instructions and guarantees.
- Lease file for equipment and rental hire.
- Insurance.
- Cash book – record of your cash receipts and payments.
- Statutory information – constitution, budget and minutes.

One step up from shoebox accounts is a ledger or a journal of income and expenditure. You can use books for ledgers, develop your own spreadsheet or use commercial software. Information in ledgers will include:

- Date.
- Receipt number (if appropriate).
- Who was paid.
- Who paid the money.
- Purpose.
- Account.
- Amount.

Grappling with Growth.

Case Study 1.

Rapid growth can be a challenge for any organisation, but thanks to the stewardship of northern Victorian voluntary Treasurer Fran Galvin OAM, it has not proven troublesome for Community Living and Respite Services (CLRS).

The organisation works to provide quality, flexible, responsible and affordable services for carers, people with a disability, the aged and their families in the Shire of Campaspe, 200kms north of Melbourne.

Fran has been involved in the organisation since it began in 1979, signing up as a founding board member and Treasurer.

CEO of CLRS, Suzanna Barry, says one of Fran's greatest achievements has been to ensure financial stability for the organisation amid a period of rapid growth. Annual income has increased from around $700,000 per annum in 2001 to a budgeted income of $5 million for 2011-12.

"The Treasurer has shared her vast knowledge and experience and has contributed to systems development to keep ahead of growth," Suzanna says.

Another of Fran's great traits as Treasurer is an ability to look through the numbers to see the people, an attitude that has helped to ensure that service provision remains paramount for CLRS.

"The Treasurer has been an advocate for allocating resources to service provision, with less focus on the 'bricks and mortar' model that locks the organisation into inflexible supports," Suzanna says.

"Rather, she has been an advocate for a balance of leasing and ownership."

"The Treasurer has encouraged management to think broadly, to challenge government and to develop programs to meet the changing needs of our service users."

"Fran has listened to the voices of families and people with disabilities in the community, which have been translated into new models" – for example, a new program to support families impacted by Autism and Asperger's Syndrome.

Fran is clearly both a steadying and inspiring force on the board, and within the organisation. She promotes broad-thinking and an anything-is-possible attitude, Suzanna says.

"Her passion to assist people with disabilities and their families remains strong and focused."

Fran Galvin OAM was awarded the 2011 Westpac Community Treasurers' Award for Large Organisations

Categories of income and expenditure.

You will need to organise your income and expenditure by category. Let's look at the most common types of ledgers – assets, liabilities, equity, income and expenditure.

You may also have separate ledgers for large projects and fundraising events.

Assets – what you have.

There are two types of assets – current assets and non-current or fixed assets. If the asset is expected to remain in your organisation for more than one year, treat it as a fixed or non-current asset.

Current assets are assets you use in your everyday operations or assets you intend to dispose of within the next 12 months. They include:

- Money in the bank.
- Money owed to you within 12 months.
- Items you intend to sell or give away within 12 months.
- Cash.

You receive the benefits from your non-current assets over a longer period of time. These include assets you own or lease, such as cars or computers.

The wear and tear on these assets in daily use means their value declines. Your accounts need to show this depreciation; in other words, how much value your assets have lost.

Fixed assets can be further classified into tangible assets – land and buildings, plant and machinery, fixtures, fittings and vehicles, and intangible assets – investments, goodwill, patents, trademarks and royalties.

Liabilities – what you owe.

Your liabilities are what your organisation owes for goods or services. Again, there are two types – current or non-current.

Current liabilities, which need to be paid in the near future, include bank overdraft, suppliers who have provided goods or services, payments to employees, including superannuation and PAYG, taxation, finance leases and short-term loans.

Non-current or long-term liabilities are sources of finance supplied to your organisation, which are not due for repayment in the next 12 months. They include long-term loans and finance leases payable beyond one year.

Equity – your net worth.

Equity is your organisation's net worth. It is what your organisation would be worth if you cashed up today (Total assets – Total liabilities = Equity). It includes accumulated funds and reserves, which you have put aside as a backstop.

Revenue – what you get.

Revenue is the total income your organisation receives and includes membership fees, grants, donations, sale of products and services, special events, consulting fees and sponsorships.

Income and expenditure.

You need to distinguish between operating and capital expenditure.

Operating expenditure is money you use to run your organisation and includes overheads, salaries, supplier bills and maintenance.

Capital expenditure is money you spend on items that will last longer than one year, such as computers, furniture and equipment, cars, land and buildings.

Operating and capital expenditure are treated differently as the cost of the capital expenditure is spread over the expected life of the asset. If the whole cost was put into one year's accounts, you would have a distorted view of your profit and losses. So a depreciation charge is made against the income each year.

For example, if your organisation bought equipment for $40,000 and you expect it will last five years, you would have an annual depreciation charge of $8,000.

Income, such as grants that are received for future activities, is not taken into account in your profit for the current period. Even though it is shown as cash in your bank statement, you must treat it as a liability in your balance sheet.

If you are not registered for the goods and service tax (GST), you do not need to record GST separately in your accounts. If you are registered for GST, when you record your income it should not include GST. Likewise, your expenditure will not include the tax input credits you are entitled to.

The GST components should be recorded separately as amounts you will pay and receive from the Australian Taxation Office.

Tracking the cash.

When receiving cash, you will often provide people with receipts (standard receipt books are available from newsagents or stationery shops). While receipts are not always appropriate, you should count the money at the end of each event (or at regular intervals), and record how much you have collected and what it was for.

Here are some keys for tracking cash:

- Count and bank cash promptly (many ATMs take deposits after hours).
- Never pay wages or expenses from cash waiting to be deposited.
- Keep a petty cash box for small items such as stamps and parking (keep an upper limit on how much can be spent on any one item – above that figure, pay by cheque or online banking transfer so you have a record). Petty cash should last a month and needs to have enough so you don't run out, and not too much that it becomes a security risk. Document all petty cash spending through vouchers or a book, and get receipts if possible.

Your bank statements are important financial records. Ask your bank for statements that finish at the end of a month as this will make it easier for you to reconcile your accounts. It sounds obvious, but unless you request it, you may find your bank statement starts according to the date you opened the account.

A bank reconciliation is a schedule that explains the differences between the bank statement balance and the company's cash balance. Your bank statement may not equal your cash records because of timing differences, unpresented cheques, and other information not in your cash records, such as interest paid or received.

Strategy makes the budget work, not vice versa.

Strategic planning comes before budgeting. The Treasurer should be involved in the overall business planning, which involves defining or clarifying future directions and setting medium and long-term goals.

Not-for-profit organisations need to be clear about why they exist and what they want to achieve. This may sound obvious, but it is easy to become driven by your budget, rather than your budget serving your organisation's mission. Your business plan – and your budget – should be living documents, frequently reviewed and updated if necessary.

Your planning could include a SWOT (strengths, weaknesses, opportunities and threats) analysis, which is a review of where you stand and what you face as an organisation.

This evaluation may identify issues of concern or highlight new areas for growth.

Once you have examined your own organisation, take a look at the environment in which your organisation operates. Are there any factors, such as interest rates, new legislation or changing demographics that will impact on your organisation, either positively or negatively? If your environment has changed, what can you do to adapt to these changes?

Now you have set your goals and objectives for the year, translate them into an action plan. This process includes:

- Determining priorities.
- Working out all the tasks necessary to achieve each goal.
- Allocating responsibilities for each task.
- Setting a timeframe and deadline for each task.

Deadlines need to be realistic or they will be ignored. Some organisations set an end date for a desired goal and plan backwards. Others work forward, assigning dates for the completion of a task, culminating in the end goal.

Questions to aid planning.

- Does your organisation have a defined organisation structure - and do your members, volunteers and staff understand it?
- Are your controls and procedures communicated and understood?
- What are your greatest internal and external threats?
- Have you undertaken a risk analysis?
- Do you have written procedures for all key areas?
- Do you circulate audits and reviews?
- What procedures do you have for reporting discrepancies?

Adapted from National Council of Volunteer Organisations, UK.

Where the money comes from, where it goes.

To prepare for your first budget planning session, you will need to study all your income sources and look at where your money goes.

Income sources may include:

Donations: Money from well-wishers will probably be among your top income sources. Your contact list of past donors and future prospects will become a valuable resource.

Special events: A significant proportion of many budgets comes from fundraising. Many organisations run the same fundraising events year after year, but you also need to watch for new opportunities as the success of your traditional fundraising activities may vary from year to year.

Membership: Many not-for-profit organisations get a high proportion of their income from membership fees, so it is important to keep a close eye on when memberships fall due, so you can remind your members to renew promptly.

Grants: Many not-for-profit organisations receive grants from philanthropic bodies or from federal, state or local governments. These grants are usually in the form of a contract with agreed outcomes.

A key responsibility in managing contracts is to be aware of the milestones and the reporting and delivery conditions under the contract. Also read the fine print and be aware of the legal and financial implications if you do not meet the contract's specifications.

Be sure to factor into the project budget your own contributions – your administrative costs, the time of your volunteers, the management required from your staff.

It's human nature not to factor in all the little costs, such as the time it takes to answer the phone, postage costs, and parking costs.

Remember when you are preparing a project budget for a grant, that unless you are careful your total costs may be larger than the grant request!

Bequests and investments: If your organisation has large bequests – money that needs to be invested, rather than just used in your annual budget – you will probably need to get advice on an investment strategy.

Other income which may need to be invested includes money from events, selling products or services, and sponsorship.

Expenditure sources are either fixed or variable:

- Fixed costs remain fairly constant and include items like rent, electricity, leases and wages.
- Variable costs may change from year to year and include items like publicity and advertising, and wages for special events.

Eight simple steps to a budget.

Budgeting is simply the process of planning your organisation's finances for a specified period, usually 12 months. It is made up of all the activities you plan to undertake in the next 12 months expressed in terms of money.

In other words, it is a statement of anticipated sales turnover, expenditure, profits and cash-flows.

A budget is a key management tool, as many not-for-profits operate without capital or reserves, so operating losses can have a devastating impact. Your budgeting will tell you whether your income is likely to exceed your expenditure, and if so by how much.

The Treasurer does not usually write the budget alone. It is prepared in consultation with the Board and staff. It may be tempting to hand over the budget to your accountant, but unless they are on your management team they may not be close enough to your organisation's goals and objectives to do a thorough job.

A common way of determining the budget is to refer to the past period as a baseline then adjust the revenues and costs by applying a percentage increase for inflation or making alterations for expected changes in prices and volume. Budgets prepared this way are called incremental budgets.

This method has its disadvantages as it does not consider whether activities and costs are still appropriate: if a mistake is made one year, it is likely to be repeated the following year.

With zero-based budgeting, you start from scratch each year and justify spending on a cost-benefit basis. It is not usually practical to use zero-based budgeting for all your activities as it would be too time-consuming, but you should review your activities regularly to see if the costs are still relevant.

One practical approach is to use the incremental approach for fixed costs and a zero-based approach for special projects.

Do some 'what if?' scenarios. What if you need another staff member? What if a crucial Board member resigns? What if you lose a grant?

Imagine the worst and the best that could happen financially, then look at how you would cope with it. It may seem odd to worry about the best case scenarios, but a sudden upsurge in demand for your services could place your organisation under financial stress.

Some budgets will be drawn up for the financial year of July to June and others will operate on a calendar year. Here are the eight steps that Organisation XYZ took to prepare its annual July to June budget:

1. Looked at last year's income.
2. Looked at the timing of last year's income.
3. Asked, 'What will happen this year?'
4. Worked out this year's overall figures.
5. Drew up the income side of the budget month by month.
6. Followed the same steps for expenditure.
7. Discussed the options.
8. Presented the budget for sign-off.

The organisation reviewed past records of revenue and income (membership, sales, grants, fundraising, consultancy, interest), looked at past records of expenditure (room hire, wages and telephone), assessed income and expenditure, predicted increases or decreases in the year ahead, studied timing, noticed when most income flowed in and when regular bills were paid, and lastly, looked at likely variations in the year ahead.

Step 1.
Last year's income

XYZ started by reviewing income received in the previous year.

Last year's income.

Government annual funding

	Last year
Federal government	20,000
State government	40,000
Local government	2,000
Other grants	3,000
Total grants income	65,000
Other income	
Community events/festivals	20,000
Sponsorship	22,000
Consultancy	48,000
Donations	57,000
Fundraising	29,500
Interest	500
Investment	0
Sales	0
Total other income	177,000
Total income	242,000

Step 2.
Timing of last year's income

XYZ looked at when it received various income in the previous year.

Timing of last year's income.

Government annual funding

Federal government	20,000	5,000 a quarter
State government	40,000	Lump sum in January
Local government	2,000	1,000 upfront, 1,000 on finish
Other grants	3,000	1,000 three times a year
Total grants income	65,000	
Other income		
Community events/festivals	20,000	Festival in March
Consultancy	48,000	8,000 every two months
Donations	57,000	10,000 annual Christmas campaign; 47,000 from six large donors
Fundraising	29,500	June car raffle, $25,000; chocolates/wine bottling/stall throughout the year, $4,500
Interest	500	Paid quarterly
Investments	0	
Sales	0	
Sponsorship	22,000	2,000 in July, 10,000 in January, 10,000 in March
Total other income	177,000	
Total income	242,000	

Step 3.
What will happen this year?

XYZ reviewed the organisation's plans for the year and factored in any changes in the pattern of activities from the previous year. It then estimated the effect of any likely changes in income sources or expenditure demands for the coming year.

What will happen this year.

Government annual funding		
Federal government	20,000	Lost
State government	40,000	Same
Local government	2,000	Same
Other grants	3,000	Raised to 5,000
Total grants income	65,000	
Other income		
Community events/festivals	20,000	Expect extra 5,000
Consultancy	48,000	Same
Donations	57,000	Add 5,000 for midyear campaign
Fundraising	29,500	Same
Interest	500	Same
Investments	0	
Sales	0	
Sponsorship	22,000	Down to 18,000
Total other income	177,000	
Total income	242,000	

Step 4.
This year's figures

XYZ looked at the likely figures for the year ahead. The most significant factor was that XYZ will no longer receive a Federal government grant ($20,000). Even with increased fundraising and raising more money from community events, XYZ will still have $12,000 less money this year.

XYZ's Board will have to look at ways of dealing with this impact.

This year's figures.

Government annual funding	Last year	This year
Federal government	20,000	0
State government	40,000	40,000
Local government	2,000	2,000
Other grants	3,000	5,000
Total grants income	65,000	47,000
Other income		
Community events/festivals	20,000	25,000
Consultancy	48,000	48,000
Donations	57,000	62,000
Fundraising	29,500	29,500
Interest	500	500
Investments	0	0
Sales	0	0
Sponsorship	22,000	18,000
Total other income	177,000	183,000
Total income	242,000	230,000

Step 5. Month–by–month income budget

XYZ drew up the income side of its budget by predicting the timing of each income stream.

Step 6. Month–by–month expenditure budget

XYZ followed the same steps for its predicted expenditure, analysing previous expenditure and asking themselves if future costs are likely to remain the same.

Month-by-month income budget.

Sample annual budget

Budget for XYZ Community group

Income	July	Aug	Sept	Oct
Government annual funding				
Federal government				
State government				
Local government				
Other grants				
Total grants income				
Other income				
Community events/festivals				
Consultancy				
Donations				
Fundraising				
Interest				
Investments				
Sales				

Step 7. Discuss options

If your revenue declines or costs increase, options may be:

- Reduce programs or activities.
- Reduce costs (you must be realistic).
- Run a deficit (Can you do it? Is this sustainable?).
- Raise alternative funds.

By having a realistic budget you will have a rational base to make decisions and to ensure you meet your obligations.

Sample Budget.

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	Total
Government annual funding													
Federal government grants	0			0			0			0			0
State government grants							40,000						40,000
Local government	1,000										1,000		2,000
Other grants	1,500				1,500				2,000				5,000
Total grants income	2,500	0	0	0	1,500	0	40,000	0	2,000	0	1,000	0	47,000
Other income													
Community events/festivals									25,000				25,000
Consultancy		8,000		8,000		8,000		8,000		8,000		8,000	48,000
Donations						10,000					5,000	47,000	62,000
Fundraising							2,500		2,000			25,000	29,500
Interest			125			125			125			125	500
Investments	0	0											
Sales	0	0											
Sponsorship							9,000		9,000				18,000
Total other income	0	8,000	125	8,000	0	18,125	11,500	8,000	36,125	8,000	5,000	80,125	183,000
Total income	2,500	8,000	125	8,000	1,500	18,125	51,500	8,000	38,125	8,000	6,000	80,125	230,000
Expenditure													
Salaries & Wages (inc. Super)	16,583	16,583	16,583	19,083	19,083	19,083	19,083	19,083	19,083	19,083	19,083	19,083	221,496
Rent	0	0	0	0	0	0	0	0	0	0	0	0	0
Equipment						4000							4,000
Other expenses				700	700	700	700	700	700	700	700	700	6,300
Total expenses	16,583	16,583	16,583	19,783	19,783	23,783	19,783	19,783	19,783	19,783	19,783	19,783	231,796
Profit/loss	−14,083	−8,583	−16,458	−11,783	−18,283	−5,658	31,717	−11,783	18,342	−11,783	−13,783	60,342	−1,796

Step 8. Get budget sign-off

Once you have prepared your budget, present it to the Board for discussion and sign-off. Record the discussion and ask someone to move that the budget be accepted. Once it has been seconded, the Board can vote to accept the budget. Once the Board approves the budget, the Treasurer is responsible for keeping track of how closely the actual figures match budget expectations.

Last year's income.

Agenda Item 8. Board approval for XYZ's budget

XYZ's budget was tabled and discussed. Areas of concern included the loss of our federal grant. We hope to make up some of this deficit by increased fundraising and will also decrease spending on one of our programs, which is now receiving more support from the local community. XXX as Treasurer moved that the budget be accepted. YYY seconded the motion and the budget was accepted unanimously.

A Strategic Approach.

Case Study 2.

Sometimes you need an old hand but at other times, it's fresh eyes that are required. That was the situation for Melbourne-based dance theatre company KAGE when Carol Ross joined the Board.

"Carol has brought to our attention numerous ways in which to improve our financial situation and it's largely thanks to her, and the support of the Board, that our next show is going ahead and I am getting paid!" says KAGE General Manager Simone Collins.

Among the financial innovations that have emerged under Carol's watchful eye have been the introduction of a direct ticket payment system, an online donations facility and a soon-to-be-launched crowd-source-funded project.

Carol's instigation of a more holistic approach to fundraising has seen KAGE move from almost total reliance on precarious government arts funding to a situation where their most recent dance-theatre work had no government arts funding at all.

The premiere season was instead financed by contributions from the philanthropic sector, corporate sponsors, matched giving, in-kind support, private donors, earned income and a grant from the Department of Health and Ageing.

"We raised over $100,000 cash from new sources, plus even more in the form of in-kind support," Simone says.

"Working closely with KAGE's General Manager, Carol has established a private giving program for KAGE that reaches out to our strong supporter base with regular communication through social media.

"In addition, KAGE has undertaken a more strategic approach to developing potential donor relationships, with Carol taking the front foot by organising meetings with key stakeholders."

Carol's first task when she took up the role of Treasurer was to cast a critical eye over the organisation's internal processes and financial procedures.

"This was a well-needed shake-up for the association and took bold leadership skills from Carol, especially as she was brand new to both the committee and to the role of Treasurer. Carol threw herself in head-first," Simone says.

Carol overhauled the organisation's reporting framework and introduced systems that provide a clearer view of KAGE's true financial position, both current and projected. This has laid the foundations for a vastly improved system of planning and resource allocation.

The result of Carol's work, a stronger and more vibrant dance-theatre company, demonstrates the transformative potential of a confident, engaged Treasurer who has won the support of staff and board colleagues.

Carol Ross was awarded the 2011 Westpac Community Treasurers' Award for Medium Organisations

Crucial importance of cash-flow.

All not-for-profit organisations need to manage their cash-flow so they have enough money to pay the bills. These bills include day-to-day running expenses and large sums predicted and planned for in your annual budget.

In cash-flow management, timing is critical. You must have money available to pay the bills when they come in. If you run out of cash you can't pay your bills on time and unless arrangements are made to cover shortfalls, you may end up in financial difficulty.

This could be as trivial as paying the phone bill late. But if you are not in control of your cash-flow, minor problems can escalate and you could have to lay off staff or, in the worst-case scenario, wind up your organisation.

Even profitable organisations have gone under because of cash-flow problems.

It is the responsibility of every Board member (and especially the Treasurer) to ensure that systems are in place that will prevent the organisation from trading while insolvent. Any breach of this requirement can create financial risks for individual Board members.

What exactly is a cash-flow forecast (sometimes called a cash budget)?

A cash-flow forecast has the following crucial characteristics:

- It is a numerical picture of your predicted flow of funds for a particular period, usually month-by-month for the year ahead. Some organisations find it helpful to look at shorter periods, such as weeks or fortnights, but although useful this is more time consuming.
- It allows you to predict what cash you think will come in and how much will go out over that period.
- It is an extension of your budget and you should do it at the same time as you prepare your budget for the year ahead.
- It is also an extension of your overall budgeting, but income and expenditure are allocated against a timeframe and the forecast does not follow accrual accounting. This means cash is recorded as it comes in and as it goes out, not when the financial commitment was made (e.g. invoices sent or supplies ordered).

Creating a cash-flow forecast is not difficult once you've got the figures, but getting accurate figures is the challenge. The easier way to do it is to start with previous budgets, cash-flow statements or cash-flow forecasts to see if there are clear patterns of income and expenditure – then consult your current strategy and budget to see if any major income or expenditure is expected and when this is likely to occur.

If you have staff or sub-committees responsible for their own budgets, ask them to contribute or your forecast risks will bear little resemblance to reality.

Draft the forecast so that the actual figures can be inserted next to the forecasted figures. This will allow you to analyse the data quickly to identify any significant variations.

If you don't do this, there's a risk you won't notice minor discrepancies and lose the management value of the forecast. There's an added danger that the forecast will be used as the basis for the following year, so you'll perpetuate your errors. The point of the exercise is to make sure that you know at any time exactly where you stand.

Your cash-flow forecast must also include estimated bank balances for easy comparison with your actual bank balances. The closing balance for each period is the opening balance for the next period.

How to improve your cash-flow management.

You can improve your cash-flow management by:

- Developing an accurate cash-flow forecast linked to your budget and strategic plan.
- Separating the recording and handling of cash.
- Banking cash promptly.
- Paying most expenses by cheque so you have a record.
- Having all cheques countersigned.
- Keeping cash in a safe place.
- Reconciling bank statements regularly.
- Collecting money from debtors as quickly as possible.
- Centralising payment procedures.
- Developing close relationships with suppliers to negotiate mutually beneficial payment policies.
- Reviewing your cash situation regularly and analysing significant discrepancies from your budget.
- Having appropriate authorisation and risk management policies.

Common elements of a cash-flow forecast are:

Cash in – Grants, sale of goods and services, subscriptions, return on investments, donations, fundraising activities, sale of assets, tax refunds.

Cash out – Operating activities, (such as staff, telephone bills, power bills, rental, travel, stationery, printing and copying, and postage) as well as servicing finance, tax, cash used to buy assets, equipment purchases and special project costs.

Sample cash-flow forecast for one month.

Estimated income	Total budget	January			
		Forecast	Actual	Variance	
Grants	40,000				
Subscriptions	16,000	2,000	1,300	–700	
Interest on investments	6,000	500	515	15	
Sales	12,000	500	700	200	
Donations	22,000	2,000	1200	–800	
	96,000	5000	3715	–1285	
Estimated expenditure					
Rent	12,000	1,000	1,000	0	
Supplies	11,000	1,200	1,200	0	
Telephone	4,000	400	650	–250	
Computer equipment	3,000	3,000	2,750	250	
Staff	50,000	4,166	4,166	0	
Postage	2,500	200	150	50	
		82,500	9,966	9,916	50
Net income/loss	13,500				
Cash at start of month	1,200				
Cash at the end of month	14,700				

Auditors and assets – who watches the watchers?

In most Australian states, incorporated associations are required to have their accounts audited once a year if their turnover is above a certain level.

Even if your organisation doesn't have to be audited, it is a good idea to have an audit to provide some reassurance that your accounts are complete and accurate. This is especially important if you're fundraising or receiving government grants.

The auditor must be a member of the Institute of Chartered Accountants, CPA or another prescribed body, must hold a recognised tertiary qualification majoring in accounting, with an auditing component, and must be registered with the Australian Securities and Investments Commission.

When preparing your material for the auditor, review the previous year's accounts and ask yourself the following questions with which to brief your auditor:

- Have there been any significant changes in your activities or management?
- Have you made any significant changes in your accounting procedures?
- Has any new legislation affected your accounting procedures?
- Are there any matters arising out of the previous year's audit?

The auditor will perform tests on your accounting systems, review your internal accounting controls, examine corroborating documents, analyse your procedures, and check your cash accounts and other balances.

The auditor may want to see petty cash records and receipts, cheque books, financial statements, asset register, bank statements and reconciliations and GST records.

Once the auditor has reviewed your accounting principles and financial statements, you will receive a report which will include a statement of financial position, a statement of activities, a statement of cash-flows, and footnotes. The footnotes include information such as the nature of your organisation's operations, a summary of significant policies or events, and information on your organisation's commitments and risks.

The auditor may also discover weaknesses in your internal financial systems and in their report or covering letter recommend changes to your processes and procedures.

The below shows the types of records you should have available.

Principal accounting records.

Computers have virtually taken over manual bookkeeping records, but the underlying components are worth mentioning here:

- Cash books to record all cash receipts and payments. All transactions in the cash book should be reconciled monthly with bank statements. Today, internet banking allows speedy and accurate reconciliations.
- A general ledger to record all assets and liabilities, income and expenditure. It contains summaries of all transactions for a given period, and keeps a running total of all assets and liabilities.
- A general journal to record one-off transactions, especially at balance date. This is used mostly at year end when many adjustments may have to be made.
- A register of members to record names, addresses and other information about members. This is required under constitutions and various laws.
- A petty cash book to record small payments from petty cash, such as for pens, pencils and taxi fares.
- Payroll records are required under taxation and various employment legislation.
- Statutory records, including minutes of all meetings. Various laws stipulate the records that must be maintained.
- Asset register – depending on the size and complexity of the organisation to record specific details of major assets.

Source: *The Institute of Chartered Accountants of Australia, Voluntary Treasurer's Handbook, 2000.*

The subsidiary records and audit trails on the following page may also be appropriate.

Asset register.

An asset register allows you to keep track of your assets and provides a fair estimate of their worth. It meets your taxation, statutory and sale–of–business obligations. It is also an appropriate place to record serial numbers, make, model, etc.

You need an asset register to:

- Process the purchase of fixed assets in accordance with your organisation's authorisation and record keeping procedures.
- Maintain adequate accounting records of assets – cost, description, and where they are kept in the organisation.
- Maintain accurate records for depreciation.
- Provide management with information to help plan future asset investments.
- Record the retirement and disposal of assets.

You can start your asset register by recording all physical assets, regardless of the funding source.

The types of physical assets that need to be recorded include:

- Office equipment.
- Motor vehicles.
- Furniture.
- Computers.
- Communications systems.
- Other equipment.

After that, check each asset item at least once a year.

As a general rule, record each asset separately. The exception is multiple assets that combine to perform one function if the value of the individual components is less than $3,000 but the total value of the asset is more than $3,000. Examples are personal computers consisting of a monitor, keyboard and central processing unit, or a set of books and periodicals.

You should treat assets needing replacement as a maintenance cost.

When the purchase cost is not known, record the asset at the cost of a comparable item at current prices.

Record assets in the register in the month they are bought. The cost should include installation costs, computer cabling, transportation and other associated costs incurred to make the asset usable. Use purchase orders, invoices and delivery dockets to provide the detail.

You also need to record leased assets. There are two types of leasing arrangements: operating lease and finance lease. A finance lease finances the cost of a leased asset. These finance leases must be recorded in the assets register. An operating lease is when the leased item is 'given back' at the end of the lease period.

Subsidiary records and audit trails.

- **Receipt books for collecting all money.** Tax deductible funds should always issue receipts showing their Deductible Gift Recipient (DGR) number. Duplicate copies of receipt books provide a sound audit trail.
- **Bank deposit books.** Used to record details of cash and cheques deposited in banks, deposit books provide a necessary audit trail for both manual and computer-based systems.
- **Cheque books.** One of the most frequently used documents in any enterprise, since nearly all payments are made by cheque.
- **Documentary evidence (vouchers etc) to support payments, including any petty cash disbursements.** This is a necessary audit trail that must be retained for several years.
- **Tax invoices.** Vital if the entity is registered for GST and wishes to claim input tax credits. May be examined by a tax inspector one day.
- **Stock sheets.** Usually prepared at the end of accounting periods to record all stock on hand, such as books held for resale.
- **Supplementary daily or weekly cash or sales journals.** Used by small organisations with no staff. Usually participants do the record keeping. Can be an important audit trail.
- **Working papers to support amounts shown in financial statements circulated to Board and committee members.** These are important, since they explain how figures have been compiled and assumptions used in their compilation. Vital audit trail, and may be used in any legal processes.
- **Budget papers for all income and expenditure and other activities.** These papers show how figures have been compiled, and are useful when comparing actual results against budget. Important planning documents which help estimating in future years.
- **Treasurer's report.** A crucial document, since it deals with the organisation's detailed financial report. Attempts to give a clear and concise overview of the organisation's financial health and likely outcomes for the year.

The Institute of Chartered Accountants of Australia, Voluntary Treasurer's Handbook, 2000.

Disposal of assets.

When you dispose of an asset – sell, give away or throw away – update your asset register to include the date of disposal, the disposal amount and the method of disposal. Cease depreciation at the end of the month you disposed of the asset.

Treat trade-in of an asset as a disposal. When you sell an asset, record the proceeds in your financial records as well as your assets register.

Do not delete assets from your assets register until after the end of the financial year as the information needs to be incorporated into the annual statement of your financial position. At the beginning of the next financial year, record disposed-of assets separately.

Basic asset register.

ID No	Description	Brand	Model No.	Serial No.	Purchase $	Current $	Location
1.	2.4Ghz, Intel2.66 DDR memory 80Gb HDD	Dell	Dimension 2400	Xyz1234-d	2,400	1,200	Patrick
2.	2.2Ghz, Intel2.66 DDR Memory 80Gb HDD	Dell	Dimension 2000	Xyz1234-d	2,000	1,000	Peter

Watch your weakest links.

A risk is any event or action that harms your organisation's reputation or your ability to achieve your objectives and carry out your operations.

The risk of anything going wrong is usually small, but it can have disastrous consequences. If you do have a financial crisis, face facts immediately, be honest, and keep the information flowing.

Your people are your greatest strength – and your weakest link. The risks include:

- **Lack of financial skills.** People often volunteer or work for not–for–profit organisations because they feel strongly about the organisation's mission and want to be of service. They may not have strong financial skills. You can overcome this weakness by having clear processes and procedures for all financial transactions and training staff and volunteers to follow them.

10-point risk management plan.

Risk assessment

1. Develop/review your strategy
2. Highlight the potential risks
3. Research the evidence

Risk analysis

4. Categorise the risk
5. Score and prioritise the risks

Risk management

6. Devise a risk management strategy
7. Agree on a plan of action
8. Communicate about the risk
9. Monitor and evaluate the risk
10. Review policies and procedures

Source: *National Council of Volunteer Organisations, UK.*

- **Introducing too much change too quickly.** Some Treasurers come in with a new broom approach and want to make major changes. While often these changes will be for the better, you need to remember that volunteers and staff who have been with the organisation for many years may resent these changes. Consulting with staff and providing training will go a long way.
- **The power of thank you.** It is important to recognise the contribution that staff, volunteers and members make to your organisation. Sometimes a 'thank you' phone call or letter is all it takes. Occasional social gatherings also help.
- **Theft and fraud.** While theft and fraud only happens occasionally, there are plenty of cautionary tales about employees or volunteers who've stolen money or taken the laptop when they've left. If you suspect fraud, notify your Chairperson and Board, contact a lawyer, involve police if necessary, evaluate and change your procedures, ask the person to leave your organisation and consider legal action.
- **Conflicts of interest.** Conflicts of interest can occur when people stand to gain financially or they (or their families) are involved in an organisation with competing or contradicting objectives. Consider asking Board members to sign a statement stating they have no conflicts of interest. Use 'the tabloid test' – how would the situation look if it was reported in a tabloid newspaper?

Have a brainstorming session to identify any potential risks. Questions to ask are:

- What risks would prevent us meeting our objectives or carrying out our operations?
- What controls could we adopt to minimise risks to an acceptable level?
- Is your strategy realistic and achievable?
- Could a failure in operations prevent you achieving your objectives?
- Are you losing money or not maximising your financial returns?
- Are you failing to meet your regulatory or taxation obligations?
- Are your people failing to perform?

Once you have identified the risks, analyse and rank them in terms of their likelihood, potential impact and priority.

Develop strategies and methods to prevent or minimise risk. Proactive risk management involves identifying risks and taking action to prevent or minimise the risk.

One way of managing your risks is through internal systems and checks and balances. For example, ideally no financial transaction should be handled by the same person from beginning to the end – including internet banking transactions.

You need to decide who can authorise spending, and how much each person can spend before they need to use banking tokens or have the spending agreed to by their manager or the Board. This information must be recorded in your procedures manual and included in training programs.

Even if people have spending limits, it is common practice and common sense to have all transactions authorised by one or two office bearers. Often one of these people will be the Treasurer.

This can be inconvenient, but it is important to have someone responsible for monitoring expenditure to keep a watchful eye on cash-flow and prevent any opportunity for fraudulent behaviour.

Some organisations allow any two out of three or four people to sign cheques. While this is a practical and flexible arrangement, it does weaken the monitoring function.

Your bank may ask for a list of office bearers who have signing authority and request that they fill out a form for security purposes so their signature can be checked against future cheques. Remember to advise the bank when your office bearers change.

Your financial recording systems should ensure that all expenditure is accurately recorded and directly linked to an item in your budget.

Your organisation needs a minimum level of reserves to fund working capital and provide a safety net for cash–flow fluctuations.

Many small organisations find it hard to build reserves, but it is worth doing. You can ask your funders and supporters for more money specifically to establish reserves, or budget to put aside an amount each year so reserves accumulate slowly over time.

Insurance.

Certain insurances are mandatory, such as worker's compensation if you employ staff, and third party insurance if you have vehicles.

In addition to mandatory insurances, you may want to consider:

- Public liability insurance.
- Professional indemnity insurance for Directors.
- Property insurance if you own properties.
- Contents insurance.

Look at what payment options are available. Can you pay monthly or quarterly rather than a year in advance? Could you get a better deal with a long–term agreement?

Common causes of failure of community organisations.

- **Growing programs too fast.** A larger organisation can mean that management and supervision resources are spread too thinly.
- **Income erosion.** Fewer paying clients, fewer customers, and fewer consultancies can all lead to revenue being below expectations.
- **The big project.** Tendering for a large project in an area where your expertise is limited can expose your organisation to new risks.
- **Inappropriate borrowing.** It is possible to borrow money to relieve cash-flow problems and then find that expected income does not eventuate.
- **Organisation inertia.** An organisation can become so rigid its ability to react to new demands is too slow for proper functioning.
- **Decline in service standards.** Unless an organisation can continue to meet the needs of its clients, customers and stakeholders more efficiently than its competitors it may find itself sidelined.
- **Decline in employee development.** Unless the organisation provides its staff with the opportunity to extend themselves the organisation will stagnate and fall behind.
- **Poor cost control.** If you are optimistic about your projections of income and conservative on your forecast of expenses, rather than vice versa, disaster is always near.
- **Neglecting appropriate ratios.** In financial matters gross figures are not everything – the ratios are also important. What is your assets-to-liabilities ratio? Income-to-debt? Cost per client? Marginal cost per client?
- **Poor cash-flow forecasting.** If your debts become due before your revenues come in, you're in trouble. People will sometimes wait for their money, but don't count on it.
- **Insufficient information.** If your system of reporting is either too slow or too scrappy, people will not know what they need to know. As Treasurer, it is your responsibility to amass the necessary information and pass it on to the Board.
- **Fraud.** Fraud in not-for-profit groups does happen - and unfortunately it's not that uncommon. Without being paranoid, don't leave yourself open. Have two people sign cheques, and don't give one person total authority over both spending and bookkeeping. Put in place appropriate internet banking security procedures.
- **Decline in membership.** If you can't keep your members engaged either by the cause you're pushing or the fun you provide, they'll go elsewhere. The loss of membership dues is the least of your worries; you lose volunteer labour until the work falls on fewer and fewer shoulders, so they resign, and you're into a vicious circle.
- **Reliance on a single form of funding.** An organisation that has most of its funding from one source (Government grant, one donor, special event etc) is particularly vulnerable to decisions taken elsewhere. Unless you have a fallback funding source you could be taken out completely.

Matrix of risk probability against impact.

Impact	Very low probability 1	Low probability 2	Medium probability 3	High probability 4	Very high probability 5
Very high 5	Low score	Low score	Medium score	High score	High score
High 4	Low score	Low score	Medium score	Medium score	High score
Medium 3	Low score	Low score	Low score	Medium score	Medium score
Low 2	Low score	Low score	Low score	Low score	Medium score
Very low 1	Low score	Low score	Low score	Low score	Low score

Reporting to the Board.

Here's an example of a typical report, which has been adapted from a case study in the Chartered Accountants of Australia Voluntary Treasurer's Handbook. It consists of a summary, a statement of budget differences for the year, a cash report, personnel record, and capital expenditure and approvals.

ABC's Treasurer's monthly report for March.

We would have had a pleasing result for March if we hadn't had to buy a new computer and a printer, costing $4,000. This was an unpredicted, but necessary expense, as the old computer died and wasn't worth repairing. This unbudgeted expense will place considerable pressure on our cash-flow over the next few months.

However, we are planning to sell some of our paintings in June and they should realise in excess of $4,000. This sale was not anticipated in our budget.

If we hadn't had that unexpected expense, our net surplus of $200, on an accrual basis of accounting, would've been $575 ahead of budget. Our gala came out ahead of budget in spite of the bad weather on the day.

1. Summary

The summary should provide a brief overview of the accounts and your interpretation of the organisation's current financial position. You need to highlight any significant matters to draw the Board's attention to these issues.

2. Statement of budget differences of the year

ABC August Budget.

	Budget this month	Actual this month	Budget Variance this month	Budget YTD	Actual YTD	Budget Variance YTD	Revised Budget for year	Official Budget for year
Income								
Sales	0	0	0	0	0	0	4,500	0
Earned	2,100	2,550	450	2,100	2,550	450	5,450	5,000
Donations	250	375	125	750	875	125	4,625	4,500
Sponsorship	120	120	0	360	360	0	1,440	1,440
Grants	0	0	0	0	0	0	0	0
Total income	2,470	3,045	575	3,210	3,785	575	16,015	10,940
Expenditure								
Wages (inc. tax, super, etc)	0	0	0	0	0	0	0	0
Equipment	0	4,000	4,000	0	4,000	4,000	4,000	0
Other	2,845	2,845	0	3,100	3,100	0	9,940	9,940
Total expenditure	2,845	6,845	4,000	3,100	7,100	4,000	13,940	9,940
Net surplus	–375	–3,800	–3,425	110	–3,315	–3,425	2,075	1,000

3. Cash report

Carry out a bank reconciliation each month and look ahead to make sure there are no cash-flow problems likely to arise. If you know in advance about cash–flow shortfalls, you can act to counter them.

4. Personnel report

Where there are staff, the Treasurer or administrator should provide a staff update.

5. Capital expenditure

Include a statement on capital expenditure requiring Board's approval.

6. Name and date

Your report should always show your name and the date the report was prepared. The report should be circulated to Board members before the Board meeting and within 10 to 14 days after the end of each month.

If you are receiving grants from state or federal government, you will have to make regular (milestone) reports to the granting bodies – often quarterly – and an end–of–project report.

The milestone reports will probably include client statistics and a financial statement. The end of term report will include:

- An audited financial statement.
- A copy of your annual report.
- A report on your performance against each agreed measure.
- Client service statistics.

The key reporting tool for annual meeting time is a balance sheet of assets, liabilities and equity. It is structured around the accounting equation:

- Assets = liabilities + equity, or Equity = assets – liabilities.

ABC's report.

Prepared by:
Fiona Day (Honorary Treasurer)
Date: April xxxx

ABC's cash report.

At the end of March, ABC had $4,500 in the bank – after the payment of $4,000 for the new equipment. A bank reconciliation confirms this figure.

ABC's capital expenditure.

As already reported, we have bought a new computer. We discussed this matter last meeting and as directed, we sought advice from one of our members, Greg Jones, who runs an IT department. His opinion confirmed our suspicion that it wasn't worth fixing the computer as it was eight years old.

The Board approved capital expenditure of up to $5,000, providing funds could be found to meet the cash shortfall. To meet the shortfall, the Board proposed that we sell some paintings which were donated to us five years ago.

Board member Jo Prince has agreed to arrange for the sale of the paintings by placing them into a local auction. The paintings should fetch in excess of $4,000.

Neither the purchase of the computers nor the sale of paintings was in our budget, which we now need to amend.

Balance sheet (as at 30 June xxxx).

Assets	
Cash	5,000
Accounts receivable	1,000
Inventory	5,000
Property, plant and equipment	100,000
Total assets	111,000
Liabilities	
Accounts payable	14,000
Wages payable	2,000
Provision for employee entitlements	3,000
Long-term debt	25,000
Total liabilities	44,000

Profit and loss statement.

The profit and loss statement (P&L) is a financial measure of your organisation's performance over a given period (often a year). It is a summary of the expenses and income in that period and shows the level of profit or loss from the activities of your organisation during that period.

The profit or loss figure is calculated by offsetting income against expenses in this period. The difference between the income and expenses is the profit or loss.

Income/revenue – (costs of sales + expenses) = profit or loss

Income includes sales, fees earned, rent paid and interest earned.

Expenses include wages, interest, costs of goods sold and advertising.

Cash versus profit

Unless all your transactions are cash, it is most unlikely that the profit or loss shown in this period will equal the 'cash received' minus the 'cash paid' in the same period.

Reasons for the differences include:

- Some of your debtors may not yet have paid your invoices.
- You may have paid for some goods and services with credit, rather than cash.
- It is not appropriate to charge the entire cost of a capital expenditure in one year. The cost is depreciated (or written off) over the life-span of the item, rather than treated as a one-off charge at the time of purchase.

Constructing a profit and loss statement

Construct the profit and loss statement using the accounting-matching principle – in other words, match profit and loss items against each other in categories. Include the figures from the end of the previous year as a comparison.

Profit & Loss.

Profit and Loss

	This year		Last year	
	Jan-Dec $		Jan-Dec $	
Sales		500,000		425,000
Cost of sales				
Opening stock	75,000		57,000	
Purchases	235,000		215,000	
	310,000		272,000	
Closing stock	(65,000)		(75,000)	
Cost of goods sold		245,000		197,000
Gross profit		255,000		228,000
		51%		53.6%
Expenses				
Wages and salaries		101,230		95,000
Rent		13,740		13,740
Rates		6,400		6,400
Heat and light		2,350		2,420
Communications		4,400		3,980
Insurance		1,200		1,100
Depreciation		4,100		3,500
Legal & professional fees		2,500		2,300
Accounting & auditing fees		5,000		4,500
Travel expenses		12,000		11,800
Advertising and PR		24,350		24,220
Repairs		3,720		2,790
Printing & stationery		6,240		5,950
Sundry expenses		940		800
Bank interest & charges		1,110		1,200
Total operation expenses		189,280		179,700
		37.9%		42.3%
Net profit		65,720		48,300
		131.1%		11.4%

How to write good reports.

Minutes and agenda are usually the responsibility of the Chairperson and Secretary in consultation with the Treasurer.

The Treasurer needs to provide monthly and often quarterly reports to the Board. If your organisation has staff, they can prepare much of the detail of the reports well in advance of the meeting. It is good practice to circulate these reports before the meeting so people have time to read and understand them.

At each meeting, you should give an updated estimate of the year-end result, after taking into account actual results to date. As well as providing an overview of your organisation's finances, you need to separate the accounts for specific programs and projects.

It is your responsibility to make sure your fellow Board members understand the budget and your monthly reports. Your reports must communicate complex financial information to people who don't necessarily understand figures. You must be able to explain in everyday language the meaning behind the figures. If people don't understand, they will either switch off or you will have unnecessary discussions at each meeting about the same information.

Effective reports

- Are comprehensive and concise.
- Are easy to understand.
- Are up-to-date.
- Are broken down into programs and projects.
- Compare actual figures to date with budgeted figures.
- Highlight discrepancies.

Your reports should be as detailed as possible so you can answer questions such as:

- How much money goes into particular aspects of a program (for example, how much goes into advertising and how much into administration?).
- Are there any unbudgeted or unusual revenue or expenses?
- What is the cash balance and are there any cash-flow problems?
- Are we meeting our financial commitments on time; for example, payroll taxes, GST returns and superannuation?
- Are we having to dip into reserves or restricted funds?
- Are we relying on credit too much?
- Is Board approval needed for any major purchases?
- Do we have many unpaid bills? Who is chasing them up?

Case Study 3.

Connection with the Cause.

No voluntary Treasurer's job is easy – but the job of the Treasurer of an entirely volunteer-based organisation is perhaps the toughest of all.

There's no staff member to prepare the budgets or write the reports; no one else to write the cheques, take the deposits to the bank, file the receipts or acquit the grant – it's all down to you.

Not that anyone's complaining; at least, Peter Stevens isn't.

"Peter never grumbles or sighs when you hand him a bunch of receipts," says Ulrike Schnabel, who is a colleague of Peter's serving as Vice-President on the Wolli Creek Preservation Society (WCPS) committee.

Formed in 1984, the Society works to keep the Wolli and Bardwell Creek valleys in a natural condition. The organisation was formed with the aim of saving the Wolli Valley from motorway development. While remaining a volunteer-based organisation, the Society's emphasis has since changed to bush regeneration, education and recreational activities.

As well as his core work as the Treasurer – ordering, invoicing, banking, receipting, preparing cheques for signature and maintaining records and archives – Peter also organises fundraisers, oversees the membership list, instigates partnerships and alliances, and is helping to spearhead the group's move onto the internet and into the world of social media.

In fact, the Society's level of activity – and success – is staggering.

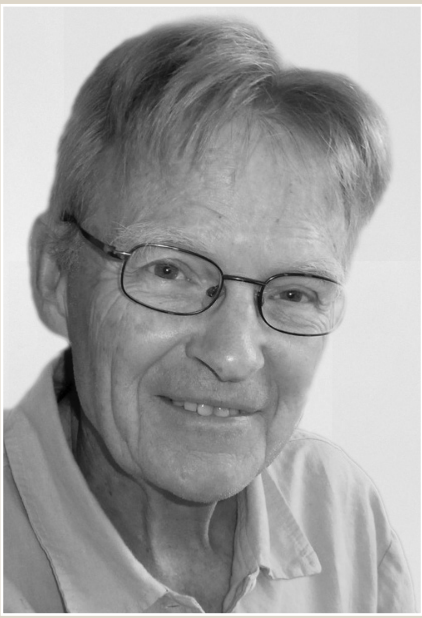
"Over the past six years, Wolli Creek Preservation Society has more than doubled its membership to 430," Ulrike says. "In the same period, WCPS has expanded its financial activity enormously, from a balance of around $5000 and an annual income of about $3000 to a balance of over $136,000 and an income of over $70,000."

A total of nine separate grants were being administered by the Society in 2010.

In the end, though, it all comes back to the connection with the cause.

"While Peter handles the administrative tasks around various bushcare sites and flora and fauna-related issues in the valley, he enjoys his own hands-on time during bushcare sessions which take him up close to the real thing, the native plants in the Wolli Valley," Ulrike says. "Peter always has time to explain bushcare techniques to the volunteers and helps them identify plants to make sure that only the weeds come out of the ground and the native plants thrive."

Thanks to Peter's contribution, it's not only the plants that are thriving.



Peter Stevens was awarded the 2011 Westpac Community Treasurers' Award for Small Organisations

Tax facts and legal structures.

The not-for-profit sector is extremely diverse. Some organisations are incorporated, some have their own acts of parliament, some are mutual societies, and others are branches of church-based organisations.

If you don't have a legal structure, your organisation is a group of individuals with no independent legal identity. Your members, and, in particular, the Board members, are personally liable for your organisation and any debts it might incur.

Incorporation is one possible structure for your organisation. If your organisation is incorporated, it is recognised as a separate body by law and exists separately from its members.

Incorporation offers some protection for those in decision–making roles from debts or liabilities incurred by the organisation, but if an individual member acts illegally or negligently they can still be personally sued for losses and damages.

An incorporated organisation can hold property, enter into contracts, sue or be sued, and be left property in a will.

To become incorporated, a not-for-profit organisation must observe the requirements for the State in which you operate.

Not–for–profit organisations may have to pay income tax, Goods and Services Tax (GST), fringe benefits tax, and payroll tax. This will have implications for the way you keep your accounts and your transaction records.

You have to make decisions about how you want to approach the GST and may need to consult an accountant.

Are you tax-exempt?

Organisations that can be exempt from income tax include:

- Charities (with Tax Office endorsement).
- Community service organisations.
- Cultural organisations.
- Educational organisations.
- Employment organisations.
- Friendly societies.
- Health organisations.
- Religious organisations.
- Resource development organisations.
- Scientific organisations.
- Sporting organisations.

www.ato.gov.au

Tax concessions.

Many community organisations are exempt from paying income tax, but this is not an automatic right.

If you are a charity, you can apply to the Australian Taxation Office (ATO) to become income tax exempt. Not–for–profit organisations that are not charities can self-assess their income tax status and exemption.

Ask the ATO for their requirements if you're not certain whether your organisation is tax exempt. Material for not–for–profits is also available on–line at
www.ato.gov.au/nonprofit/

To qualify for a tax exemption your activities must not be carried out for the profit or gain of individual members. Organisations such as professional associations, which operate for the common benefit of members, can qualify as not–for–profit organisations.

Your not–for–profit organisation can still make a profit, but these profits must be used to carry out your organisation's objectives, not distributed for personal gain to members, owners or other individuals.

Although not–for–profits can't operate for the financial gain of individual members, they can pay their members for their services or compensate them for expenses they incur on behalf of the organisation.

Not–for–profit organisations are generally treated as companies for income tax purposes, but some organisations are more correctly treated as partnerships. An organisation that is exempt from income tax will be exempt whether it is a company or a partnership.

Taxable threshold.

Not-for-profit organisations with taxable income of $416 or less a year do not have to lodge an income tax return. If your organisation's taxable income is more than $416 a year, you have to lodge an income tax return.

Concessions.

Two concessions available to many not-for-profit organisations are:

- The exclusion from income tax of the effect of mutual dealings with members.
- Exemption from charging GST if your organisation qualifies.

Allowable and non-allowable deductions.

It is usually easy to identify allowable and non-allowable deductions. For example, buying bags for members is not an allowable deduction, but buying bags to sell to the public as part of a fundraising drive is an allowable deduction.

Sometimes separating expenses is not possible and in these instances, the ATO will usually accept the most practical and appropriate method of apportioning expenses.

Salary-packaging your committed staff.

If you are classified as a charity, your staff can salary-package up to $30,000 worth of benefits before triggering the Fringe Benefits Tax (FBT).

Charities survive on a shoestring budget which can prevent them from matching the salaries offered by commercial employees. But the FBT breaks allow them to attract good quality staff by offering packages. Effectively, the staff get more for their salary dollar.

For example, Julie Smith, an administration manager with a medium-sized organisation, has mortgage and credit card repayments paid out of her gross (before-tax) salary.

The payments Ms Smith packages would normally attract a 48.5 per cent FBT bill if she worked for a run-of-the-mill business. The ability to re-package her mortgage and credit card bills was a significant drawcard.

The cap of $30,000 of grossed-up taxable value per employee does not apply in some instances, such as housing provided to a minister of religion.

Fringe benefits tax (FBT) is tax payable by employers which provide fringe benefits to employees.

Fringe benefits include:

- Allowing the employee to use the work car for private use.
- Providing a cheap loan.
- Paying an employee's private health insurance.

You need to distinguish between volunteers and employees. Volunteers are not paid in either cash or fringe benefits, though they may be reimbursed for out of pocket expenses. When you provide more than reimbursement, the person is generally regarded as an employee.

When the total taxable value of an employee's fringe benefit exceeds $2,000 in a financial year, it must be reported on the employee's annual payment summary. The employee doesn't have to pay income tax on the reportable fringe benefits.

Fringe benefits exempt from FBT include some minor benefits less than $300, some taxi travel, certain work-related items, such as mobile phones and work-related preventive health care.

The following organisations can also provide some exempt benefits. They are:

- Public benevolent institutions.
- Religious institutions for certain employees.
- Not-for-profit institutions whose activities include caring for elderly or disadvantaged people and who provide benefits to live-in carers.

You need to keep employment records about employees, including personal details and tax file numbers. These records must be kept in a secure place. Records should include:

- Full name.
- Contact details – address, phone and email address.
- Emergency contacts.
- Tax file number.
- Date employment started.
- Holiday leave.
- Sick leave.
- Superannuation fund.

Note: Check the ATO website (www.ato.gov.au/nonprofit) for updates.

Australian Business Number.

Even if your organisation is tax exempt, you need an Australian Business Number (ABN) for other tax obligations.

These tax obligations stipulate that your organisation must:

- Register for GST and claim tax input credits.
- Register for Pay As You Go (PAYG).
- Have an ABN to deal with investment bodies.
- Apply to the ATO for endorsement as a deductible gift recipient (DGR) if you operate a gift deductible fund or institution.
- Avoid having tax withheld from your income.
- Deal with the ATO on other taxes.

If your organisation has independent branches or units, these can be treated as separate entities for GST purposes. If the sub-entity applies for an ABN, it can only be used for GST.

Goods and Services Tax.

Goods and Services Tax (GST) is a broad-based tax of 10 per cent on most goods and services. It is a transaction-based tax, so no organisation is exempt.

Not-for-profit organisations must register for GST if their annual turnover is $150,000 or more and they may choose to register if it is lower. Other organisations must register for GST if their annual turnover is $75,000 or more and they may choose to register if it is lower.

If your organisation is not registered for GST, you cannot charge GST on your supplies or claim a GST refund on goods and services you've bought.

If you are registered for GST, you must add 10 per cent to the price of your taxable goods and services and pay the ATO 1/11th of the price you charge for them.

GST is included in the purchase price of many things you buy for your organisation. If you're registered for GST, you can claim a credit for the GST you've paid – this is called an input tax credit. You must have a tax invoice for your purchase in order to claim input tax credits.

Some goods and services are GST-free; for example, basic food, exports and some health services. However, if you make GST-free supplies, you can claim an input tax credit for the GST component of the goods and services you bought to make the GST-free supplies.

Some goods and services, such as financial services, are input taxed and so do not include GST in the price. You can't claim input tax credits for GST for anything you acquired to make an input taxed supply.

The ATO gives the example of a bank buying a calculator to calculate interest on its housing loans. GST is included in the price of the calculator, but the bank can't claim an input tax credit for this GST.

Another example is charity fundraising events such as fetes, balls, galas and dinners. These can be input taxed, which means that no GST is charged on the fundraising revenue and you can't claim any input tax credits for the expenses of running the events.

Pay As You Go system.

The Pay As You Go (PAYG) tax system covers taxes payable to the ATO. For not-for-profit organisations, this will probably include:

- Income tax.
- Tax withheld from employees' remuneration.

PAYG consists of PAYG instalments and PAYG withholding. PAYG instalments allow you to pay tax instalments throughout the year.

PAYG withholding.

With the PAYG system you withhold tax from payments you make. Even if you are a tax-exempt organisation, you are not exempt from PAYG withholding.

Under PAYG withholding, if you make certain listed payments you must withhold an amount from the payment and send it to the ATO.

Your organisation has PAYG withholding obligations if you make any of the following types of payment:

- Salary, wages, commissions, bonuses or allowances to an employee.
- Remuneration to a Director or member of a Committee of Management.
- Salary, wages, commission, bonuses or allowances to an office holder.
- Eligible termination payments, pensions and annuities.
- Social security and compensation payments.
- Payments for work or services under labour hire arrangements.
- Payments for work or services where your organisation and an individual have a voluntary agreement to withhold payments for a supply (services or goods) to another business which does not have an ABN.

As an employer, you must withhold the correct amount from your employees' salary or wages and send this to the ATO. Tax tables show you how much to withhold. At the end of the financial year, you must give employees a payment summary to include in their tax returns.

Other common circumstances requiring PAYG withholding obligations are:

- Payment for work under voluntary withholding agreements (rates are in the ATO tax tables).
- Payments to a business which does not quote an ABN (highest marginal tax rate).

Exemptions.

You do not need to withhold an amount if:

- The whole of the payment is exempt income of the supplier.
- The payer is an individual paying for a supply of a private or domestic nature.
- The payment does not exceed $75.
- The supply is made by a member of a local governing body under a State or Territory law.
- The payee has made a written, signed statement that the supply is private or domestic in nature, or relates to a hobby.
- The supplier is a non-resident carrying on an enterprise in Australia.
- The supplier has no reasonable expectation of profit or gain from the activity.

Business Activity Statements.

You will need to lodge a Business Activity Statement (BAS) monthly if your annual turnover is greater than $20 million. Otherwise, you have the option of lodging your BAS monthly or quarterly.

You use your activity statement to report and pay PAYG (instalments and withholding), FBT instalments, GST and related tax obligations, and deferred company instalments.

The ATO will send you a personalised activity statement for you to lodge, with some parts already filled in. Your activity statement will generally only show the obligations that relate to you. For example, if you do not have a PAYG withholding obligation, this section will not appear on your activity statement.

You must complete an activity statement at the end of each reporting period (month or quarter) if you have any PAYG, fringe benefits tax or GST and related obligations, even if the amount for that period is nil.

Deductible gift recipients.

Some organisations, called deductible gift recipients (DGR), are entitled to receive income tax deductible gifts. You can become a DGR if you are:

- Listed by name in the income tax law as a DGR, or
- Endorsed as a DGR by the ATO.

To apply to the ATO for endorsement, your organisation must:

- Have an ABN.
- Be covered by one of the categories of DGR set out in the tax law.
- Maintain a special fund to receive gifts.

Superannuation Guarantee Levy.

If your organisation employs staff, you are subject to the Superannuation Guarantee Levy (SGL).

Under this law, employers are required to pay a prescribed minimum level of superannuation support for most employees even if you are exempt from income tax. If your organisation does not provide enough superannuation support, you must pay a Superannuation Guarantee Charge, which is not a tax-deductible expense.

Most employees, whether full-time, part-time or casual, are covered by this legislation.

Your organisation does not need to pay SGL for employees who are:

- Paid less than $450 in any calendar month.
- Aged 70 or over.
- Non-resident employees paid solely for work outside Australia.
- Under 18 and employed part-time (i.e. no more than 30 hours a week).
- Employed no more than 30 hours a week for work primarily of a private or domestic nature.

Taxes you may avoid.

You may be able to claim exemptions, concessions and rebates for some of the following taxes. As requirements vary between states and territories, you will need to seek clarification for your local State or Territory revenue office.

Stamp duty

Stamp duty is a tax on written documents and certain transactions including motor vehicle registrations and transfers, insurance policies, leases, mortgages, hire purchase agreements and transfers of property, such as real estate or shares.

Payroll tax

Payroll tax is the tax on wages paid by employers. Your organisation is liable for payroll tax when your total Australian wages exceed a certain level. This level varies from State to State.

Land tax

Land tax is a tax imposed everywhere except the Northern Territory. It is a tax levied on landowners, except in ACT, where it is levied on lessees under a Crown lease. Landowners are generally liable for land tax when the unimproved value of taxable land exceeds certain thresholds.

Capital gains tax

If your not-for-profit organisation is exempt from income tax, it is also exempt from capital gains tax.

Capital gains tax applies to not-for-profit clubs, societies and associations that are treated as companies for income tax purposes. It is the tax an organisation pays on any capital gain it makes and includes in its annual income tax return.

Note: Tax rules change all the time – check the ATO website (www.ato.gov.au/nonprofit) for updates.

Write it up – it's a manual process.

All community organisations, large and small, need sound systems for regulating and recording financial transactions. There should be an audit trail for every financial event.

Your job will be easier with written policies and guidelines that everyone understands and follows. Staff, Board members and volunteers will then operate safely within your specifications.

Your systems must be appropriate for your organisation and are more likely to be followed if you've written – or updated them – yourself with input from other Board members and staff. As you work through what processes are right for your organisation's financial management system, record them in a Financial Procedures Manual.

Your manual should describe all of your organisation's financial administrative tasks and specify who is responsible for each one. It should include clear descriptions of how functions such as paying bills, depositing cash, and transferring money between funds are handled.

Documenting your financial procedures is also a good opportunity to check your processes and see if you have adequate controls. As you work through your processes, imagine you are doing the task for the first time and ask yourself questions like:

- How do we record transactions?
- How to we classify transactions?
- Who collects the information?
- Who records the information into our bookkeeping system?
- How do we check that the information is correct?
- What financial reports do we produce from this information?

Responsibilities.

Your manual will include responsibilities of key members in your organisation. For example, the Board's financial responsibilities may be to:

- Develop a strategic plan.
- Approve the budget.
- Set a reserves policy.
- Handle potential conflicts of interest.
- Determine control procedures.
- Apply for grants.
- Handle bad debts.

Write a similar list of responsibilities for your own role as Treasurer, your Finance Subcommittee and staff.

Areas of financial management.

As well as looking at your financial management in terms of responsibilities, you will need to look at your systems for each financial area.

Expenditure

Document your procedures for:

- Estimates and tendering.
- Purchase orders and invoices.
- Cheque signatories.
- Credit cards.
- Petty cash.

Recording and reconciling finances

Record procedures for:

- Reconciling the cash book with your bank statements.
- Reconciling your purchase and sales ledgers.
- Keeping your asset register up to date.
- Reporting and making payments to the ATO.
- Managing your payroll systems.
- Managing investments.

Human resources

Document your staff policies and procedures for:

- Systems for paying salaries and superannuation.
- Contracts of employment.
- Reimbursing travel and expenses.

Assets

Develop a system for:

- Recording assets in the asset register.
- Working out depreciation.
- Keeping your asset register up to date.

XYZ's procedures

On the following pages we have provided an example of XYZ's guidelines for Board and Treasurer financial responsibilities (XYZ is an example of a community organisation with six full-time staff and one part-timer).

The information is adapted from Mim Carlson & Margaret Donohoe, The Executive Director's Survival Guidepages 184–6.

Note: Some sample policies and procedures can be downloaded from the Community Financial Centre – visit www.ourcommunity.com.au/financial

Overall financial management

Goal: To ensure XYZ has appropriate financial processes and systems.

Process: The Board and staff will create a partnership with clearly defined roles and responsibilities.

Tasks	Manager	Board delegated staff
Appoint a Treasurer		Lead
Form a Finance Subcommittee		Lead
Form an Audit Subcommittee		Lead
Communicate with staff & committees	Shared	Shared
Set salary ranges for each job category	Shared	Shared
Prepare an annual salary schedule	Lead	

Budgeting and planning

Goal: To ensure the organisation's budget reflects its mission, values and goals.

Process: The Board and staff will work together to develop a realistic, program–centred budget.

Tasks	Manager	Board delegated staff
Develop a long–term strategic plan with annual goals		Lead
Develop an annual program plan & estimate costs	Lead	
Set revenue & fundraising projections	Shared	Shared
Develop a budget for approval	Lead	
Approve the budget		Lead

An example of ABC's money handling procedures.

(ABC is a smaller group run by volunteers)

Steps to follow when handling cash:

- Give receipts to people who give you cash – record the date, the name of person, and what the money is for.
- Record this information in your income ledger.
- Keep cash you receive separate from cash you pay out (apart from change).
- Bank cash as soon as possible (within the next two days).
- Keep cash secure until it is banked.

On some occasions, it is not practical to give receipts (for example, selling ice creams). In these instances, count the money when you have finished your sales, record the date, the total amount of money collected and what it was for.

Steps to follow when handling cheques:

- Make all payments (except petty cash) by cheque or over the internet.
- Make sure all cheques are countersigned.
- Get authority from the Board for expenditure over $100.
- Reconcile bank accounts monthly.

Record–keeping

Goal: To record all financial transactions appropriately.

Process: The Board and staff will establish internal procedures and controls and ensure that all financial records are accurate and complete.

Tasks	Manager	Board delegated staff
Develop a written set of policies for handling deposits & payments that all staff, Board members & volunteers must follow	Lead	
Review and approve accounting policies	Lead	
Authorise bills and invoices over $50 for payment		Lead
Determine appropriate revenue coding for deposits & payments	Lead	

Reporting

Goal: To summarise and present information about XYZ's financial position in an accurate, complete and timely manner.

Process: The staff will regularly produce financial reports that contain all the relevant information for the period and can be easily understood. The Board will appoint an external auditor to undertake an annual audit.

Tasks	Manager	Board delegated staff
Create monthly financial reports	Lead	
Distribute your financial statement the week before Board & committee meetings	Lead	
Prepare a brief, written analysis to accompany the financial reports	Lead	
Appoint an auditor		Lead
Prepare a response to the auditor's report	Lead	
Complete legal and taxation requirements (or verifythat they are completed) accurately and on time	Shared	Shared

Monitoring

Goal: To ensure finances are on track with the budget.

Process: The staff and Board will regularly review, analyse and discuss the financial reports.

Tasks	Manager	Board delegated staff
Review organisation's financial information at least monthly	Shared	Shared
Compare actual results with the budget and, if necessary, make changes to the budget	Lead	
Propose items for investigation	Shared	Shared

Your last checklist.

Now you have been through the pain, and written it up into a manual, it may be time to hand over to the next incumbent – confident in the knowledge that your organisation has procedures in place to take it to the next level of professional operation.

Ask yourself some final questions. Do you have processes and procedures for the following?

- Budgeting processes.
- Financial statements and reports (timing and responsibility).
- Tax procedures.
- Bank account reconciliation procedures.
- Investment policies.
- Cheque–signing procedures.
- Petty cash policies.
- Travel–expense procedures.
- Revenue collection and recording procedures.
- Payroll policies.
- Superannuation procedures.
- Authorisation procedures.
- Controls over fixed assets.
- Donor records.

If you are able to put in place the appropriate processes that are listed above you are well on your way to running a financially sustainable organisation.

Being Treasurer of any community organisation will always have its challenges but with the right systems in place to identify and overcome those challenges it will make it far easier to monitor the money coming in and going out of your organisation.

Almost everything that a community group does depends on a level of funding. The better the financial management, the more money is there to do the job your group was established to do in the first place.

Community Solutions for the not-for-profit sector.

Westpac has developed a unique suite of products specifically for community organisations. We also have a dedicated team of not-for-profit specialist bankers who can ensure that Westpac and your organisation create the most beneficial banking partnership for your needs.

Day-to-day banking solutions.

Westpac offer everyday banking solutions, including the Community Solutions Account, with no monthly service fee and interest calculated daily, plus a host of other products and services that can help you make the right choices to get the most out of your not-for-profit status.

Customised solutions.

Our PayWay payment facility provides secure online collection of donations and membership fees and our prepaid cards ensure your staff, volunteers, members and clients have access to money easily and quickly.

Managing your cash.

Managing cash flow is crucial to running your organisation smoothly. Whether it is the convenience of reconciling your costs online or the potential to maximise your earnings, we have solutions to help you get on top of your earnings.

Investment solutions.

Make the most of your cash reserves with our secure investment solutions. They offer high interest, similar to a term deposit with the added flexibility of a day-to-day account so you can maximise your organisation's resources. We can also help you to make the most of your organisation's wealth with specialised portfolio management and advice on wealth and risk strategies.

Beyond banking.

Our free financial education guides make understanding accounting and financial management easier, so you can better manage your cash flow.

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