



GST Start-Up
Assistance Office

Voluntary Treasurer's HANDBOOK

for small non-profit organisations

INCLUDES GST & TAXATION CHECKLISTS



The Institute of
Chartered Accountants
in Australia



Chapter

- 1 Finance – A team effort
- 2 Legal responsibilities
- 3 Record keeping
- 4 Classifying Information
- 5 Reporting
- 6 Financial Management
- 7 Planning
- 8 Cash Management
- 9 Shoe-box Accounting
- 10 Taxation Issues
- 11 The Australian Business Number
- 12 Goods & Services Tax
- 13 Fringe Benefits Tax
- 14 Pay As You Go System
- 15 Deductible Gift Recipients
- 16 Superannuation Guarantee
- 17 Other Taxes
- 18 Checklists for Treasurers

Introduction

The introduction of the *New Tax System* in July 2000 prompted The Institute of Chartered Accountants in Australia to cooperate with the Government's GST Start-Up Assistance Office in the production of *The Voluntary Treasurer's Handbook*.

This publication is intended to help small non-profit organisations. While the financial resources and skills of personnel will vary enormously, some principles are fundamental to all. Many small organisations have few, if any, paid staff and rely on the work of volunteers.

The handbook therefore has been written to help these small organisations and particularly the person carrying the financial responsibility. It attempts to cover, in broad terms, matters that honorary treasurers need to know about in order to keep their organisations on an even financial keel and out of trouble.

Most non-profit bodies depend on voluntary support to keep them going. Many talented and dedicated people sit on boards and committees and are responsible, on behalf of the community, for their welfare. Without this generous support, thousands of organisations would simply go out of existence.

A Checklist for Treasurers, with reminders of important matters to be considered at least every six months, can be found at the back of this handbook. A standard treasurer's report, providing ideas on format and the kind of information that might be covered in routine reports has also been included.

The handbook assumes that the treasurer has some knowledge of bookkeeping or accounting, and is familiar with contemporary accounting procedures and technologies. For this reason, there is little detail of procedures or examples of how they might be applied. Accounting is a complex discipline, requiring considerable skill and practical application, whether a manual or computer system is used.

An able treasurer understands accounting terms, and is therefore able to explain their meaning to non-financial people, as well as ensuring that adequate systems and procedures are in place to serve the organisation's needs.

Managing any community-based organisation is not a job for the faint-hearted, or for someone wanting a quiet life. The rewards, on the other hand, can be immense, as many long-serving treasurers of community organisations around the world will be only too willing to testify.

We express our appreciation to Kimberly Smith who undertook the task of revising Bob Taylor's original work. Both are long time Institute members and have been actively involved in the community sector in Australia.

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Important information concerning this material — please read

This material is provided under the Commonwealth's GST Start-Up Assistance Program, and is designed to provide general information for voluntary treasurers on bookkeeping and business skills, practices and processes necessary to operate within *Australia's New Tax System*, focussed on volunteer and community based organisations. Because circumstances vary greatly, the material is not designed to comprehensively cover all aspects of bookkeeping or all taxation requirements as they apply to the community sector. Furthermore, taxation laws implementing GST, and rulings and decisions under those laws, may change. Before you rely on this material for any important matter, you should:

- Make your own enquiries about whether the material is relevant and still current and whether it deals accurately and completely with that particular matter; and
- As appropriate, seek your own professional advice relevant to that particular matter.

This material is provided on the understanding that neither The Institute of Chartered Accountants in Australia ("the Institute"), the Commonwealth or their personnel, nor any other organisation or person involved in the preparation of this Handbook is thereby engaged in providing professional advice for a particular purpose.

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Finance *– A Team Effort*

A voluntary treasurer's role can be a rewarding one, as well as hard work at times. But you are not alone in managing the organisation's finances, and effective teamwork amongst all staff, paid and voluntary, makes for better all-round financial management.

Governing Bodies

Community organisations have a governing body - a committee or a board - to manage the organisation. The governing body has the final say and is responsible for the organisation's wellbeing. While various duties may be delegated to staff and others, its responsibilities cannot. A governing body normally:

- Sets policy for the organisation;
- Is responsible for employment issues;
- Monitors performance, particularly financial performance;
- Supports the chief executive and other staff;
- Sets clear goals and objectives; and
- Evaluates performance, at least annually.

The manager, coordinator or director is responsible for managing the organisation on a daily basis. Governing bodies, despite the temptation, should therefore be careful about interfering in, or impinging on, these responsibilities. However, in small organisations with few resources and no paid manager, members of the governing body (with help from members and supporters) often pitch in and do the work themselves.

Appointing the Treasurer

Anyone approached to be a treasurer should think carefully about the responsibilities and the time that it will take. Apart from attending regular board and committee meetings, treasurers need considerable time for reviewing, and sometimes actually preparing, financial reports.

Treasurers also need to help and advise others on accounting and financial matters, and may have to meet representatives from funding authorities, government agencies and external auditors. So, before accepting an appointment, a treasurer should carefully consider the important commitment they have been asked to make.

The criteria for selecting a treasurer might be along the following lines:

- Qualifications in accountancy;
- A strong empathy with the goals and aspirations of the organisation;
- A caring attitude to other people and a willingness to help;
- Experience with community groups;
- An ability to communicate financial information; and
- Enthusiasm about becoming involved.

Skills criteria for the appointment of other members of a governing body could follow a similar format, and take into account the specific skills identified for each position.

Sound Financial Management

Sound systems of management and control are fundamental in any organisation, especially those used to record and regulate financial transactions. They help everyone and ensure the regular flow of information to key people. Their importance cannot be underestimated. Without adequate systems, working conditions can become chaotic.

Most organisations operate with limited resources with members of governing bodies working in honorary, part-time capacities. Good systems help protect them as well as the organisation from potential dangers.

Many organisations cannot afford to hire a full-time accountant or even an experienced bookkeeper, which means the treasurer has to take on this role. This is usually in some kind of supervisory capacity, and may involve advising on systems, or even playing a major role in setting them up.

Legal Responsibilities

Many board and committee members have scant knowledge of their legal obligations, and even less understanding of financial obligations. Under various laws, all board and committee members, even those in part-time, honorary capacities, are expected to behave in a responsible manner.

In recent years, many new rules have been introduced, including that of being able to pay debts when they fall due. For example, one law that demands particular attention relates to PAYG tax withheld from employees' earnings and not remitted to the Australian Taxation Office. Board and committee members may become personally liable for any such unpaid tax.

The treasurer's prime role is to ensure that the organisation's financial affairs are conducted correctly and efficiently. Treasurers have a variety of responsibilities and, while many duties can be delegated to staff and selected volunteers, responsibility cannot be delegated.

Anybody taking on a Board or managerial role (especially treasurers) must have a basic understanding of accounting and a working knowledge of the many laws governing the organisation's operation. Without this the risks are considerable if the organisation fails, or gets into financial trouble.

Duty of Honesty, Due Care and Diligence

Company directors and other officers must comply with many obligations under the common law and the Corporations Law, as well as relevant State and Territory legislation. In particular, these people must act honestly, and with due care and diligence. All members of a governing body should be made aware of their obligations, since it is common for board and committee members to be unaware of their legal responsibilities. This is an important and complex area, and, if there is any doubt, legal advice should be obtained.

While the Corporations Law may not necessarily apply to all community groups, governing bodies handling money on behalf of the community should embrace its spirit.

Treasurers must take great care, especially when working with non-profit organisations. Failure to comply with any of the legal requirements could expose them to personal liability for negligence.

Constitution

Constitutions set the rules under which bodies operate. While they are not the only rules subject to compliance, they are the prime ones. Constitutions contain essential information that should be known and understood by every member of a governing body.

The treasurer must ensure that all areas of financial management abide by the organisation's rules. It's a good idea, therefore, to have a copy of the constitution handy for easy reference, since failure to comply with the rules could have legal ramifications for members.

Custody of Money

One of the most important responsibilities of any treasurer is to ensure the safe custody of all money. All funds must be dealt with in accordance with the constitution, relevant Acts of Parliament and the wishes of members through decisions of the governing body.

The absence of sound systems and effective internal controls leaves open the possibility of misappropriation of funds. That's why so much attention must be given to setting up effective internal control procedures.

Keeping Appropriate Records

Treasurers are trustees of money. Proper records and other supporting data must be kept to ensure that adequate audit trails are left to explain each transaction whether for the receipt or payment of money, purchase or sale of assets, or even hiring taxis.

Measuring & Recording Transactions

In today's environment it is important to keep track of every financial transaction. To keep control of your organisation you need to establish procedures that are appropriate and produce the reports you need.

Before setting up a system of financial record keeping, a treasurer should ask the following questions –

How do you track and measure transactions?

- How do you measure the value of each transaction?
- What system do you use to record transactions?

How do you classify and record transactions?

- Are source documents designed to make it easy to transfer information into the financial recordkeeping system?
- Who collects the information and puts it in the system?
- How do you check the information is recorded?
- What controls are there to ensure entries are complete, accurate and reliable?

What financial reports do you need to produce?

- Do systems give you the reports when needed?
- Can you replace or change the reports to make them more useful?
- How often do you need to produce reports?
- What information do you need to complete your tax obligations?

Accurate and Timely Information

Another of the treasurer's important responsibilities is to ensure that accurate and timely financial information is regularly circulated to everyone responsible for managing the organisation. The treasurer's report, highlighting any significant matters in the financial statements, should be circulated well in advance of meetings to allow enough time for others to digest the information.

Accurate and regular recording will also be important if you have GST related transactions and need to send in a Business Activity Statement (BAS) or Instalment Activity Statement (IAS) to the Australian Taxation Office. The following checklist will help make sure you have the details needed if you are or should be a GST-registered organisation –

Recording routines

- Review your Chart of Accounts.
- Train yourself and staff to recognise a Tax Invoice.
- Establish a routine to check that all your suppliers' Tax Invoices are complete.
- Check if anyone will need Tax Invoices from you.

Source Documents

- Design valid Tax Invoices that suit your organisation.
- Check that your suppliers will give you valid Tax Invoices.

Reporting

- Decide what information/reports you need to complete your BAS/IAS without errors at the end of every tax period.
- Determine who will prepare the information/reports.
- Know the format (ie. manual or electronic) for the lodgement of your BAS/IAS and where it is stored.

Systems

- To fill in your BAS/IAS quickly and easily do you have to make changes to your recording system?
- Do you need to organise help to get ready in time?

Monitoring Performance

Monitoring performance - profits, cashflows and budgets - is vital. Permanent staff normally do this, but the treasurer has a particular responsibility to keep a close eye on this crucial area. Poor cashflow or running out of funds is the biggest threat to the survival of small non-profit organisations.

A whiteboard or overhead transparencies can be useful at meetings to help explain key information in financial reports. Important figures from reports can be highlighted on the board, with explanations from the treasurer on their significance. This practice encourages everyone to focus on the same figures at the same time.

Such a simple approach can help others grasp the issues involved. Questions are dealt with on the spot and consensus on key information is usually easier to achieve. There is little room for anyone to leave a meeting complaining that they didn't understand the figures.

The treasurer needs to explain the difference between budgeted and actual income and expenditure, since not everyone understands the relevance of comparing budgeted and actual numbers. These might be the first figures to be presented since they are always such key ones - often called the bottom line numbers.

The presentation of financial information can become even more confusing when cash or accrual accounting is mentioned. Considerable misunderstandings occur simply because most people have only a hazy idea of the detailed accounting terminologies used by accountants and others. Treasurers have a duty to explain these terms, and to make sure that everyone knows about them.

An updated estimate of the year-end result, after taking actual results to date into account, should be given at each meeting. This helps focus attention on a critical area of financial management since major changes in operations may have to be considered in the event of profits falling short of budget. Again, a careful explanation about the estimate and the basis on which it was calculated will help everyone.

Failure to brief members adequately on budgetary detail can lead to confusion, and necessitate repeating decisions at later meetings (see Chapter 7 for more information on Planning).

Considering New Accounting Systems

During the process of adapting to change, many organisations review their systems and procedures. It is important to upgrade your systems and procedures if those currently in use no longer meet the organisation's needs. The cost of purchasing new software and training staff will be balanced by an improvement in financial reporting and more effective use of staff time.

Some questions will help with your consideration of your existing and alternative available systems:

- What system would best suit your organisation's needs – paper, electronic, or a combination of both?
- Do you have the time and opportunity to put in a new system and train staff to use them?
- Do you plan to grow? If so, what system does your organisation need to support this growth?
- Can your current systems handle the record keeping for information that you need to give to the ATO?
- Will the advantages of a new system be worth the money invested?

Examples of systems you may use in your organisation:

- Cash book
- Cash register
- Receipt books
- Accounting software
- Wages
- Membership system
- Bank books
- Ledgers
- Paid voucher files
- Statutory records

Standard Financial Reports

The use of computer-prepared standard reports has many advantages. Using popular computer programs, staff can easily prepare accounting reports that provide basic information for each meeting. The treasurer can then complete the overview section of the treasurer's report and, if necessary, edit the remainder of the paper. Readers become familiar with the standard format and know what crucial figures to look for at each meeting.

Well designed financial reports can provide considerable information, and satisfy even the most discerning members of a governing body.

Computers take much of the drudgery out of preparing routine financial reports. Asking members of the governing body about the financial information they require can save considerable time later as your report will incorporate their specific requests.

Sub-Committees

A good way to manage financial responsibility in voluntary organisations can be to set up a Finance Committee as a sub-committee of the governing body. The committee can be delegated a certain level of responsibility and decision making on financial matters, and would report regularly to the governing body.

The advantage of having a Finance Committee is that a group of interested and financially knowledgeable people can do the ground work on the organisation's money matters, and the full board can feel confident that they are receiving sound and considered advice. Another advantage is that 'experts' can be co-opted to the committee, which extends the knowledge base of your committee, and can help to bring new people, and potential new board members, into the organisation.

Establishing an Audit Committee, composed of an office bearer and one or two other members of the governing body, is a worthwhile initiative towards improving the standard of financial management. The Audit Committee's role would be:

- To liaise with the external auditors - if any are appointed;
- To ensure that adequate systems of internal control exist;
- To ensure that adequate reporting is in place;
- To examine any deficiencies in the financial area, and report on those deficiencies directly to the governing body;
- To enquire about the effectiveness of internal control procedures; and
- To examine and report on any misappropriation of money or other irregularities.

External Audits

Although audits may not be required by law or by an organisation's constitution, treasurers should assume that one day an audit may be called for. The constitutions of most non-profit bodies allow members to appoint external auditors but when things are going smoothly there may be no call for them. However, should a scandal erupt, or financial difficulties arise, the chances of having to make an appointment with the auditor increase significantly.

Audits normally make everyone feel more comfortable about the reliability of the annual financial statements. Mistakes can occur when they are prepared by part-time members with little, if any, accounting qualifications and experience.

Minutes and Agendas

Minutes must be kept of meetings of the governing body and of all financial decisions. It is a good idea to include some background to each decision since it helps put the reasons for the decision in context.

Diligent minute-takers (often the treasurer) find that more accurate and informative records can be kept by circulating minutes of a meeting to participants a few days after a meeting takes place. Participants, at that time, still have clear memories of proceedings, and are able to correct or suggest amendments, to reflect what actually happened.

Decisions in the minutes should be acted on and not left for follow up at subsequent meetings. After each meeting the secretary or minute-taker should prepare an action sheet - a list of all things to be done and by whom. The list is then circulated to those concerned, and checked again before the next meeting to ensure that appropriate action has been taken. Often this is the role of the chairperson or president of the organisation.

Statutory and Other Reports

Returns have to be lodged with various authorities and treasurers should ensure that these tasks are properly carried out where there is a financial component. Penalties exist for failure to lodge returns on time. It is important therefore to be aware of the returns that have to be lodged and their lodgment dates.

Various taxes may also have to be paid. Income tax is payable unless organisations have been endorsed as exempt by the Australian Taxation Office. Most non-profit organisations usually have little trouble in securing this exemption.

Payroll tax, in excess of specified thresholds, is payable in all states and territories, while fringe benefits tax may be payable on certain benefits provided to employees. Some non-profit organisations, such as welfare and religious bodies, are exempt from payroll tax.

Workers compensation and superannuation contributions are also obligations for treasurers to consider when employees are involved.

Hints for Success

Apart from their assistance in complying with many legal obligations, voluntary treasurers are in an ideal position to help influence the way in which an organisation operates. The following list contains hints that may be helpful:

- Keep an eye on the organisation's mission statement. Remind those on the governing body that it reflects what the organisation is trying to do. If the organisation can no longer achieve these aims, perhaps it's time to think about revising them;
- Invest heavily in financial staff team building and training. Human resources are the most valuable asset of any organisation;
- Act immediately when any losses occur. Failure to act quickly usually leads to financial problems;
- Do not allow deficit budgeting for operating activities or capital expenditure, unless adequate funds are already in the bank or readily realisable reserves are available;
- Make sure that committee members understand which basis of accounting, cash or accrual, your organisation uses;
- Help set the right attitude for the entire organisation;
- Be wary of introducing new information systems without adequate technical support and training;
- Measure performance at least once annually against clearly stated objectives;

- Make sure the accounting system works (if it doesn't, change it!);
- Edit confusing and complex reports. People without accounting experience find financial information difficult to digest;
- Remember that popularity does not necessarily go hand-in-hand with responsible decision making;
- Respond to changing circumstances with vigour and enthusiasm. Turn negatives into positives.

Summary of Duties

The following list is not meant to be comprehensive but it can be taken as a guide. Treasurers would be wise to prepare their own lists to accompany the duty statements of other members of the governing body and senior staff.

- Act honestly, with due care and diligence;
- Understand the specific responsibilities of the position;
- Ensure the safe custody of all money;
- Keep the organisation out of financial trouble;
- Make sure that adequate records are kept and that audit trails are available for all transactions;
- Be sure about the accuracy and timeliness of financial information circulated to everyone in the organisation;
- Communicate key financial information in the best way possible - for example, by circulating regular reports - to everyone involved;
- Explain to board and committee members their duties and responsibilities under the laws governing their organisation;
- Make certain all tax regulations are complied with, especially payroll tax, fringe benefits tax, income tax and GST;
- Remember that colleagues may have little understanding of accounting and financial jargon;
- Consider the possibility of appointing external auditors and setting up an audit committee;
- Review all internal control procedures annually, or arrange for a qualified person to do this. In light of the review, implement any changes necessary to improve their effectiveness;
- Have fun - enjoy your work and benefit from it!

Record Keeping

Most people have some elementary idea about record keeping, after all, taxation law requires individuals to keep certain records. They know too that certain documents are important and that they have to be kept in safe custody - motor vehicle registration papers and passports for instance. However, many management committee members may not realise the record keeping responsibilities of the organisation they manage - that minute books detailing committee proceedings must be kept and the importance of an audit trail for expenditure, for example.

Treasurers have an important role to play, as it is often left to them to ensure that basic record keeping is established and properly maintained from then on. While the number and complexity of financial records will vary between organisations, the following might provide a helpful guide.

Keeping Accurate Records

Successful organisations use reliable standard systems. These systems rely on standard source documents and established routines that help them record the information that goes into their reports. These routines are your organisation's "controls".

Having routines, or controls, makes certain that only accurate information is input and recorded into your system. This is also good risk management. Examples of some controls are to:

- use standard Source Documents that suit your organisation;
- file and store the Source Documents in case you need to check details some time later;
- sign documents when you, or staff, receive or pay anything; and
- have a system where different people sign documents at different stages of the recording process.

Well designed standard source documents will assist your organisation maintain consistent and accurate information about transactions. Note that under Australian taxation law organisations must keep financial records for at least 5 years and under Corporations Law for 7 years.

As your organisation grows and the number of employees increases, it can become more difficult to keep track of everything that is happening. This is when it becomes really important to have checks, controls and routines that give you reports that you can rely on to make decisions.

Well controlled systems will also simplify the process of managing the GST. If you need help to establish appropriate controls and routines contact your local accounting professional body to help you locate a suitable person for advice.

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*. These 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.

Subsidiary Records and Audit Trails

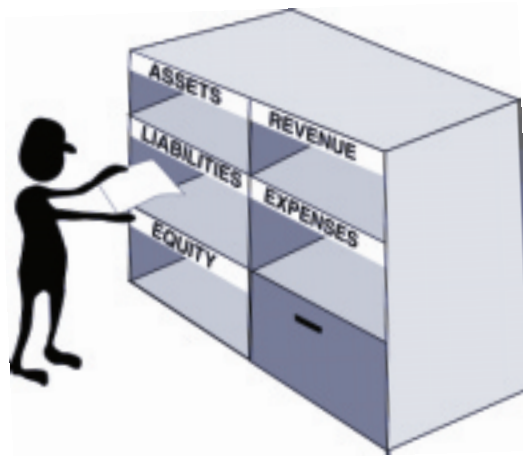
Apart from the primary records already discussed, the following subsidiary records and audit trails may be appropriate:

- *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 useful 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.

Appropriate records should be properly maintained and kept under close supervision. Some laws require that specific records be kept and impose penalties for non-compliance. The above listing should be taken only as a guide.

Classifying Information

Many transactions happen in your organisation in the course of a financial year and you need a system to make the information outputs or reports meaningful.



Controlling how you classify your transactions in the first place is the key to having useful reports. For quality reports you need to:

- have Source Documents that provide full and correct details;
- classify what happens in your business by their characteristics and purpose; and
- report in a way that supports your business decisions.

You can design your own bookkeeping systems and reports to best meet the needs of your organisation. Your Chart of Accounts should be designed to easily classify the transactions you make, but no matter what type of transactions your organisation makes, there are five broad types of accounts to describe transactions.

Financial Reports

The primary reason for classifying your accounts is to enable the preparation of concise and understandable financial reports. The three vital statements are the –

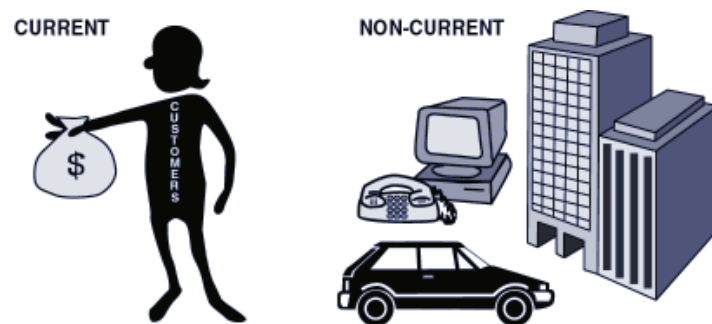
- Statement of Financial Position (historically called the "Balance Sheet")
- Operating Statement (historically called the "Profit & Loss Account")
- Statement of Cash Flows

Members of your organisation are entitled to understand the financial position of the entity (the Balance Sheet) at any given time and how it has operated financially over the recent period (the Operating Statement). Most members of your governing body will not appreciate a multitude of complex reports, but will welcome a "Snapshot" or "Bird's Eye View" of their organisation's financial position.

Classifying your financial ledger accounts into simple yet relevant segments will be the key to achieving a high standard of financial reporting for your organisation.

Five types of Ledger Accounts

Assets are things you control or own in your organisation. You receive benefits from these things in the future and it is this future benefit which is valued and put into your Balance Sheet – the Snapshot. Assets are divided into two types based on their characteristics and purpose:



What are current assets?

These are assets which are used up in day-to-day operations or are expected to be sold within 12 months of the date on your Balance Sheet. It is for this reason that banks and lenders pay so much attention to these assets before they agree to a loan or overdraft.

The main assets that they will want to know about are:

- money in your bank account(s)
- how much is owing to you by others
- things you intend to sell or give away - your inventory.

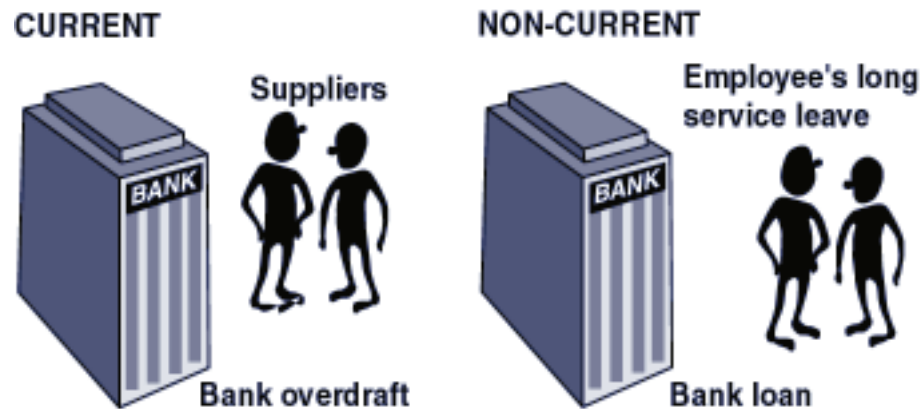
What are non-current assets?

Benefits from these assets are received over a long period of time. Non-current assets are owned or controlled for use in normal operations, eg a company car. This can be bought – you own it – or leased – you are responsible for maintaining it.

As you use the asset, the value it provides to you in the future is reduced, eg. the wear and tear on your company car make it less valuable to your organisation. Depreciation is the account that is used to show how much value your assets have lost.

Liabilities – money you owe

Liabilities are the money your organisation owes for the exchange of goods, services or work effort that has already taken place. You need to pay them in the future. Liabilities are also divided into two types, like assets, based on their characteristics and purpose:



What are current liabilities?

Many people and organisations expect you to pay them within 12 months of the date on your Balance Sheet.

The main types of current liabilities are the:

- amount of any bank overdraft(s)
- payments you owe to suppliers
- entitlements set aside to cover your legal obligations to any employees, eg. for annual leave
- payments you owe in relation to employees, eg. for PAYG withholding; superannuation.

What are non-current liabilities?

You can take more than 12 months from the date on your Balance Sheet to pay these people the money you owe them.

The most common examples are:

- bank loans
- entitlements to employees for long service leave.

Equity – the organisation's net worth

Equity is the net worth of your organisation. It is what is left if you were to cease operation tomorrow.

Assets	Liabilities	Equity
Where the money goes to	Where the money comes from	

Equity is made up of:

- accumulated funds
- reserves.

Accumulated funds and reserves are funds the governing body has decided to retain in the organisation. Retained earnings and accumulated losses are the most common reserves relevant to non-profit organisations. This is the sum of all surpluses or deficits made since the organisation started operating.

Revenue

Revenue is often referred to as your top line because it reflects the total value of the income received by your organisation. It shows what you do in terms of dollar value and includes:

- grants of funding that you received or used;
- donations and bequests;
- membership fees received; and
- sales of products.

Income and Expenditure

Unless you are working on a strictly Cash Basis of accounting, a distinction between income and expenditure which is of a 'capital' nature or of a 'revenue' nature is needed at the time a transaction is entered in your financial records.

Unless this is done, major mistakes may occur, since income and expense items may be wrongly capitalised, while capital expenditure may be offset against income. If this were to happen, wrong information would be circulated on which decisions would eventually be made.

Operating expenditure includes such things as wages, fees, routine maintenance - in fact any expenditure attributed to carrying on a business. Capital expenditure, on the other hand, relates to such things as land, buildings, motor vehicles and equipment, the useful life of which extends beyond a year.

When calculating the surplus, these capital expenditure assets have to be taken into account since they represent a cost of generating profit. However, most assets used in an enterprise or business have useful lives extending beyond one year, and to charge the total cost in one year would result in distorted profits. Their cost therefore has to be amortised over their expected useful life.

To do this, a notional charge called depreciation is made against income for the period. For example an item of equipment costing \$20,000 with a useful life of five years, would have an annual charge of \$4,000 for depreciation.

Income must also be classified in a similar way. Income received for future activities is not taken into account in determining profit for the current period but it is shown as income received in advance and classified as a liability in the balance sheet. It would also still appear in cash at bank at the end of the accounting period, reflecting the double entry accounting principle.

Note that there will be a GST effect on your Income & Expenditure Statement depending on whether your organisation is registered (or is required to be registered) for GST.

GST registered: If your organisation is registered for GST, or required to be registered, your income should not include the GST charged on any revenue you receive. Your expenditure should not include the input tax credits to which your organisation is entitled. GST should be recorded as either an amount receivable (by the ATO to you) or an amount payable (by you to the ATO).

Not registered: if your organisation is not registered for GST and is not required to be registered, no separate adjustment or recording of GST is needed in reporting your income or expenditure.

Reporting

It is much easier to make effective decisions about your organisation if you have reliable reports that you can confidently interpret. To prepare useful reports you need to have processes in place that can:

- identify what events happen in your organisation;
- measure the result or effect of what happens;
- collect details about what happens – financial and non-financial;
- summarise details into standard formats, by hand or computer; and
- produce regular reports that are easy to read and interpret.

Treasurer's Monthly Report

Distilling financial information into simple language is often a daunting task. Yet it has to be done, if members of governing bodies and others interested in the organisation are to understand essential information. In this regard, the treasurer should prepare financial reports that:

- Are readable and informative. Consistent headings for different topics in the report promote better understanding;
- Capture the essential points;
- Are not too long - perhaps limited to three pages;
- Give an unambiguous overview of the organisation's financial position including reasons for any major budget variations. This section of the report should be limited to no more than a page, and should be carefully written to explain what the financial statements mean;
- Predict financial outcomes to year end;
- Recommend any action that should be taken in operations, in the light of results to date;
- Provide information on bank accounts and cash flows to year end. While the income and expenditure statement might show that the organisation is making profits, cash might be drying up, because of capital expenditure or for other reasons. Unless debts can be paid when they fall due the organisation could soon get into trouble; and
- Provide any other information considered relevant.

The financial statements that the report covers should be attached, although any complex and lengthy schedules might be kept by the treasurer and made available at meetings, if required.

The treasurer might invite members of the governing body - or anyone else to whom the financial report is circulated - to make contact before meetings to resolve any uncertainties or clarify any points in the report.

Putting questions on notice helps save valuable time during discussions since the treasurer can get information and carry out research if necessary in advance of meetings. This informal contact also helps develop a better working relationship between members of the governing body and generally improves financial awareness among the group.

Annual Reports

Most organisations issue annual reports to members. Constitutions require them, while various laws govern their content and circulation. Treasurers should ensure that reports are distributed in the required time and that all relevant financial information is included.

Well presented annual reports can be useful in promoting and disseminating information about community organisations. As they have to be prepared anyway, the extra time taken improving their content and appearance is usually well worth the effort. Sponsors and government agencies usually ask for them when considering funding applications, and considerable information on an organisation's achievements can be conveyed to a much wider audience.

In preparing financial reports, it may be useful to refer to the Statements of Accounting Concepts and the various Accounting Standards promulgated by the Australian Accounting Standards Board.

The contents of the Statements and Standards will not usually be mandatory (unless the organisation is what accountants call a "reporting entity"). The Corporations Law prescribes the format and contents of a financial report of a corporate "reporting entity". In any event, Australian Accounting Standards provide useful guidance on preparing and presenting financial information that may assist the treasurer in fulfilling the reporting obligations referred to above.

Financial Management

Financial management means managing money. It means keeping an eye on cash coming in and going out and particularly over anything bought or sold on credit. It may be hard to believe, but management reports are often prepared without taking into account invoices filed in top drawers. Financial management also involves carefully monitoring budgets and actual results, apart from those involving transactions for selling or purchasing assets.

Understanding Money

Coming to terms with financial matters requires a basic understanding of money. What is it? Is it simply cash in the bank or invested? Or is it funds advanced by creditors or for goods that are bought on credit?

In fact, it represents them all – cash at the bank, what's bought on credit, the cost of electricity and telephone calls, just to mention a few. It is complex, yet with a little training, most people can learn important terms and gain confidence in understanding elementary financial reports.

Transactions involve the exchange of money, not only cash in the bank, but money that has been borrowed, or is owed to others for supplies and other items.

Accounting simply records these transactions. It should bring order to what would otherwise be chaos. Imagine trying to comprehend lists of hundreds of deposits and withdrawals for a month without having some kind of analysis. All accounting does is to classify like transactions with like and to show how money has moved over a particular period.

Time Frame

All financial transactions take place in time frames – for example from 1 July to 30 June for a normal financial year. It is done this way to show the movement in resources from one period to another and is similar to comparing two snapshots taken at different times.

Financial statements help to explain what has gone on in between. There has to be a beginning and an end: the statements tell the story.

Financial statements normally include a statement of financial position (Balance Sheet) and operating (Income & Expenditure) statement.

Balance Sheets – snapshots are a good way of describing them, one at the beginning and another at the end of an accounting period – are a listing of all assets and liabilities at a particular date. Income and Expenditure (or Profit and Loss) Statements tell what's happened in between.

Knowing the time frame in which financial information relates is therefore important in any understanding of financial matters.

Cash and Accrual Accounting

Confusion often arises when readers of financial statements do not understand accounting terminology. Among the many terms used perhaps the two most important to understand are cash accounting and accrual accounting.

Cash accounting only reports cash transactions. It does not take into account any business deals involving credit purchase of goods or services, for example, or sales made on credit to customers. Accrual accounting takes all transactions into account and should be insisted on, unless few credit transactions take place.

If statements have been prepared under cash accounting what about -

- The money that may be owing from patrons who have bought tickets for a big event to take place in three months but who have yet to pay for the tickets?
- The outstanding bills that haven't been processed?
- The money received in advance and already in the bank from sponsors for projects to take place next year?

Exclusion of these transactions would certainly give a distorted view of the financial affairs of the organisation. Everyone should know if credit transactions have been excluded, since their exclusion will show a significantly different financial position than if they were included.

For example, cash accounting would include the acquisition of an expensive computer during the year, whereas accrual accounting would "write it off" over its useful life (perhaps three years).

Financial statements are sometimes prepared with elements of both cash and accrual accounting, leading to even more confusion. For this reason, when reading financial statements it is important to know what has been included and - more importantly - what has been excluded.

Notwithstanding the importance of accrual accounting, the need to regularly monitor your cash position and compare it with your budget estimates, cannot be overstated.

The following questions should be asked, to remove all uncertainties:

- Have all outstanding liabilities, especially for rent, electricity, telephone and any unpaid accounts been included? If not, how does their exclusion affect the results?
- Have all debts owing to the organisation been included? If not, how does their exclusion affect the accounts?
- Have any subsidies or other income for specific events or activities been received? Have they been properly apportioned to the time frame to which they relate? If not, what effect does this have on the accounts?
- Have any assets been sold or acquired? Do the accounts correctly reflect those transactions?
- Are there any other transactions during the period which might require special consideration?

Planning

Financial planning is an important factor in financial management, but the two are not the same. Sound financial planning is important in any business or non-profit organisation. Boundaries have to be set to establish a financial framework in which costs and income may be estimated. For effective monitoring to take place, the same code numbers (in the chart of accounts) must be used for both estimating and actual outcomes. Without this consistency comparisons between the two - budget numbers and actual outcomes - may be meaningless.

Before estimating begins, those involved must have a clear idea of the organisation's purpose. Aims and objectives in the mission statement must be understood, as figures only convey information about events or items. If these are incorrect, the subsequent estimating may be a waste of time.

Most businesses engage in some kind of business and strategic planning, although it is not always understood what this actually means. In simple terms, it means that certain individuals set aside some time from routine administration to re-examine such basic issues as why the organisation exists, its ethos, and where it is going.

One of the most basic questions to consider is whether an organisation is achieving the goals and aspirations of those it represents. Should it be in the business at all, or could those goals and aspirations be achieved in another way? Asking these questions will certainly focus attention on the big picture and set the parameters for financial planning.

Budgeting

Budgeting is an itemised listing of estimated income and expenditure for a specified period. Effective budgeting is necessary for several reasons:

- It disciplines everyone to think about what the income and expenditure ought to be;
- It helps in the control and management of an organisation;
- It helps predict likely outcomes before plans are set in concrete;
- Actual outcomes can be measured against reliable performance indicators;
- It allows sound planning, particularly for cash flow analysis;
- It shows where savings might be made;
- Individuals can be held accountable for performance against budgets that they have prepared and for which they are fully responsible;
- It improves efficiency; and
- It helps generate higher profits.

Budgeting is a necessary tool in any business but in non-profit organisations it is absolutely essential. Because most organisations operate without capital - and usually without reserves - operating losses can be devastating. Disciplined budgeting enables managers to tell whether likely income for a particular period will exceed expenditure and by how much.

There is nothing hard about budgeting. It is simply a way of planning the organisation's finances for a specified period.

Budgets help you to monitor progress and give regular reports to those involved as well as to predict if things are not going to plan and to take action.

When preparing budgets it is necessary to have a clear idea of the organisation's planned activities and the money value of those activities.

Without some kind of backing, plain money values may be quite meaningless. If budgeting for wages, for example, the figure \$30,000 has little relevance without some explanation about what it represents:

- One person? Two people? Who, for instance? For what period?
Six months? One year?
- Basic salary? Basic salary with overtime includes all on-costs?
What are they?
- Includes any expected cost increases?

In practice, activities or projects have to be planned and managed within specified financial limits, otherwise considerable time may be wasted working on possibilities that the organisation cannot afford.

Break-Even Analysis

Costs and income can usually be classified as either fixed or variable. Both fixed costs and fixed income remain fairly constant throughout an accounting period, regardless of financial activity.

Fixed costs include rent, electricity, salaries of permanent staff and leasing costs of motor vehicles. Fixed income, with some qualification, includes recurring government grants and sponsorship income from an agreed arrangement over several years.

Variable costs and variable income, on the other hand, vary according to the level of activity in the organisation. Variable costs include wages of staff employed for extra projects above the normal level of activity, raw materials used in the manufacture of goods and any extra costs associated with one-off projects. Variable income includes sales of manufactured goods, proceeds from fundraising activities and any client or member fees.

Once costs and income have been identified and classified as either fixed or variable, it is possible to calculate a break-even point - a handy reference for determining many 'what if' decisions. The calculation simply shows the sales required in order to generate enough profit to cover all fixed costs.

Cash Flow Budgeting

Cash flow is absolutely vital, especially for small organisations. Cash flow budgeting is an extension of the normal budgeting process, which allocates income and expenses against a timeframe.

Even though an organisation may be generating profits, more cash might be going out than coming in. Unless arrangements are to cover any shortfalls (an overdraft facility, for example), bills may not be able to be paid. This could be as trivial as deferring payment on the phone bill but without effective management can also lead to financial difficulty. For small non-profit organisations with little or no reserves, a cash flow situation like this can mean having to lay off staff or, in the worst case scenario, wind up the organisation. Cash flow budgeting takes the budget figures you have already devised as part of your normal planning process and allocates them against the months in which they fall within the financial year. This will help you to identify if expenditure will exceed income at any point and allow you to make arrangements to cover any temporary shortfall.

Project Management

Many voluntary treasurers have to deal with government grants. Increasingly, these are in the form of government contracts, rather than the old style untied grants. A specific person or perhaps a special committee needs to project manage the task and understand the conditions of the contract.

A key responsibility in managing contracts is to be aware of milestones and of the reporting and delivery conditions under the contract.

Often payments to community organisations are no longer grants, but rather a contract to deliver a service or product. Treasurers and governing bodies must remain alert to these changes and the legal and financial implications for organisations if they are not complied with.

Cash Management

Banking

Cash and cheques should be deposited in full with a bank soon after collection. Payments for wages or other expenses should never be made from cash awaiting deposit. Funds should be kept under tight security until banked.

Make regular trips to the bank, even for small deposits, to reduce the risk of theft. The security of the person going to the bank must also be considered.

Bank Reconciliations

A monthly reconciliation of bank statements with the cash book should be carried out.

This means that all debits and credits on a bank statement are checked against individual entries in the cash book, to ensure they are accurate.

Obviously payments in the cash book for which cheques have yet to be banked will not appear on bank statements. Conversely, bank charges appearing on statements will not appear in the cash book. They all have to be taken into account when completing a bank reconciliation.

The actual bank reconciliation statement should be made in writing (or printed out) and filed. It should be presented, on occasions, at regular board or committee meetings.

Cash Transactions

Cash transactions are common in retail and service organisations, but limited in other areas. Charities known to deal in cash and to carry large sums are frequently burgled. Cash must therefore be kept under tight security. If your organisation handles cash, or receives funds and donations through the mail, make sure you have a written policy to cover the procedures.

Receipt Books

Under a manual system, receipts are issued from books containing carbon copies of the original. Standard receipt books are readily obtainable, and can easily be stamped with an organisation's name and, if applicable, its ABN or incorporated association number.

Serial numbers of all new books should be carefully noted, recorded in a register, and kept under lock and key until required. They should be issued by someone independent of the person using them to reduce the risk of fraud.

If receipts are not issued, another system should be devised to make sure that all money is properly accounted for.

Sometimes large numbers of people are admitted to, or participate in, events and activities for which tickets are not issued eg. games, plays, church functions and so on. If it is impractical to issue individual receipts, an alternative system should be devised. Two examples best describe how this might be done.

- A bowling club might have an attendance book with columns for players, green fees, afternoon tea levies, tournament fees and so on. It could also be used for making up teams for play. A separate page could be used for each day and after the money column has been added, a report issued for the total.
- Church collections should be counted by at least two people, with the amounts entered in a service book and then initialled by those responsible.

Regardless of the system used, the basic design should ensure that all cash is properly accounted for and that a proper audit trail is left. Appropriate internal control is important in any business. The Institute of Chartered Accountants in Australia has publications on this important subject if further information is required (www.icaa.org.au).

Cheques and Cash Payments

In the absence of electronic banking facilities (eg. BPay), all payments should be made by cheque. Small out-of-pocket expenses (under \$20) may of course be paid from petty cash.

Most transactions involve cheques for the payment of goods and services. Even in organisations that predominantly deal in cash, cheques are used to make payments. It is important to have sound internal control procedures in place, since cash is so negotiable and fraud can easily occur.

Cheque books must always be kept under lock and key. They should be imprinted with the organisation's name and ABN number. Cheques should always be crossed "Not Negotiable".

Approval to sign cheques must be given to cheque signatories by formal resolution of the governing body before any cheques can be drawn. Banks follow strict procedures to ensure that only authorised personnel are able to sign cheques.

Cheque signatories operate with considerable trust, so before anyone is approved, organisations need to make certain that signatories warrant that trust.

Two signatories are normally required. Sole signatories should be avoided, as this weakens internal control and invites fraud. As well as signing cheques, signatories should initial a cheque requisition, to signify they have inspected all the attached documentation before approving payment.

Documenting Payments

Cheques awaiting signature must be supported by documentary evidence to validate payment. A cheque requisition should be attached to each cheque. Supporting documents consisting of invoices and statements from suppliers must accompany the requisition. A rubber stamp must be used to show that invoices have been properly processed and checked to prevent their use a second time to support fraudulent payment. Some such stamps are simply marked "PAID".

This procedure of validating payment provides a complete audit trail. Before signing cheques, cheque signatories have a duty to satisfy themselves by inspecting all documents, including the cheque requisition, that payments are legitimate.

Once the cheque has been signed, documents attached to the requisition should never be removed. For easy reference, requisitions and supporting documentation should be filed in cheque number order.

Cheque Requisitions

Specific information should be included on the requisition. This includes -

- to whom the payment is to be made
- details of the payment
- the amount to be paid
- by whom the payment is requested and approved
- the cheque number, and
- the date payment is requested.

Provision is also made for cheque signatories to initial the form, thus completing the audit trail. The following example shows how the form might look.

CHEQUE REQUISITION

Name of organisation:

.....

Amount: \$

Cheque number:

Payee:

Details of payment:

Requested by:

Approved by:

Initials of cheque signatories: Date:

On some occasions payments have to be made for which there is little or no documentary evidence. Nevertheless cheque requisitions should be prepared in the normal way with proper endorsement and with as many details of the proposed payment as are available. This may include references to minutes, wage records or a number of other organisational records kept. But whatever the payment a complete audit trail must be left to prove it is a legitimate operating cost.

Capital Expenditure Approval

The governing body should approve all capital expenditure payments. Organisations usually set guidelines for paying accounts and especially for incurring expenditure on buildings, plant and equipment. Sometimes only expenditure in excess of \$500 on individual items is treated as "capital" (a Balance Sheet item), while anything under \$500 is written off as a cost (a Profit & Loss or Income & Expenditure item).

A sound practice is to restrict any commitments - placing orders or entering into any binding agreements - until they are fully approved by the governing body.

Significant capital expenditure for buildings and new equipment must be carefully considered to make absolutely certain that payments will not adversely affect the financial (especially cash) resources.

If money has to be borrowed, it should be on a long-term basis, otherwise cash problems may develop when short-term loans have to be repaid.

Remittance Advice Slips

Remittance advice slips are usually prepared and attached to cheques before they are sent. The person receiving the cheque then knows what the payment is for and the organisation making the payments is able to retain all invoices and other documentary evidence to complete the audit trail.

REMITTANCE ADVICE SLIP

Name of organisation:

ABN 12 345 678 912

Payee's name:

Brief details of payment:

Signature of person completing slip:

Details of payment:

Date:

Board or Committee Approval

The rules or constitutions of some organisations require that all payments be approved by the governing body. Organisations operating under these rules should prepare listings for submission to meetings before any payments are made. Approvals are then recorded in minutes and relevant details shown on cheque requisitions.

In small organisations even where the governing body's approval is not required, treasurers might arrange for statements showing details of payments to be prepared for noting at meetings. This could be included in routine financial reports of cash receipts and payments.

Honoraria and Payments to Members of Governing Body

Payments for honoraria, travel and accommodation of board or committee members should always be approved by the governing body before incurring expenditure to ensure there is no conflict of interest. A fundamental rule of internal control is that no one should ever approve his or her own expenditure.

Petty Cash

A petty cash fund - possibly about \$100 - is normally maintained for small payments. It works on an imprest basis which means that an advance is made to commence a fund and then reimbursed back to the original amount when all the money has been spent. Details of all payments are entered on cheque requisitions and cross referenced to relevant page numbers in the petty cash book.

The person who looks after petty cash should retain whatever evidence is available to support payments. It is good practice to provide receipts to document petty cash items, but a voucher or docket can be completed if receipts aren't available. Documentary evidence can then be attached to cheque requisitions to support the reimbursement.

Employment Records

Apart from basic information to enable salaries to be calculated, records have to be kept to satisfy legal and other requirements. Note that employment records, including employees' personal details and tax file numbers are confidential and should be kept in a secure place.

Information about each employee should be kept in confidential and secure files. Such information might include:

- Employees' full names, addresses and phone numbers;
- Tax file numbers;
- Names and addresses of next of kin and their phone numbers;
- Date employment began;
- Days off, including dates, for sickness and other reasons;
- Holiday leave and dates;
- Rates of pay and other entitlements, with provision for changes;
- The name of their superannuation fund;
- Any other relevant information.

Shoe-box Accounting

Many small clubs and associations have run their bookkeeping on what is often referred to as the "*Shoe-Box*" accounting system. So called because the basic books and records are maintained in a shoe-box – or something similar.

This chapter seeks to make some suggestions on how best to organise a shoe-box accounting system. After all, if the treasurer is totally organised, who is going to criticise the system?

Small Organisations

Shoe-box accounting is only suitable for very small organisations. Small in revenue, small in expenditure, small number of members, and of course small in the number of financial transactions. If your entity does not fit this description, shoe-box accounting is most likely to be inadequate and inappropriate.

But for small organisations, keeping your records in a cardboard box, a briefcase, or even a small filing cabinet might be all that is needed to responsibly store the basic records required. Since we are advocating an organised shoebox/briefcase approach, we will for now refer to them as your *filing cabinet*.

Basic Records for a Very Small Entity

While circumstances will vary from organisation to organisation, most will need to maintain certain basic records. For purposes of your filing cabinet, you will need to store your financial records logically and efficiently. Whatever you do, never mix them up with your personal and private financial records.

Basic records will include –

- Cash Book – recording your receipts and payments
- Bank Statements – a folder containing them
- Paid Accounts – bills you have paid or copies thereof
- Receipts Issued – particularly for donations & memberships
- Asset Register – recording any office equipment
- Insurance File – containing details of any insurances
- Statutory File – containing Constitution, Minutes, etc.

Essential Folders for your *Filing Cabinet*

Whether you choose to maintain a shoe-box, a briefcase or a four-drawer filing cabinet, you will need to decide the tab names for the folders you keep therein.

Here are some suggestions –

- Correspondence File
- Bank Statements
- Bills to be Paid
- Paid Accounts (Bills which have been paid)
- Asset File – copies of original purchase
- Leasing File – for equipment rental, etc
- Insurance File – containing details of any insurances
- Statutory File – containing Constitution, Minutes, etc.

It is a good idea to file your Paid Accounts in cheque number order, or at least in chronological (date) order. They are easier to find that way.

Taxation Issues

Income Tax

Income tax law provides that certain types of non-profit organisations are exempt from paying income tax.

However, non-profit organisations are not automatically exempt from income tax. In fact, organisations that are charities need to meet special requirements to be income tax exempt and must go through a process of endorsement with the ATO.

However, most non-profit organisations are not charities. You cannot be a charity if:

- your primary purposes are not charitable;
- your purpose is not for the public benefit or the relief of poverty;
- your objects are primarily for sporting, recreational or social purposes; or
- your objects are primarily for political, lobbying or promotional purposes.

Non-profit organisations that are not charities do not need to apply to the ATO for income tax exemption, because their tax position is determined by self-assessment. The self-assessment tax system allows organisations to work out for themselves what their income tax status is. You should ask the Australian Taxation Office for their requirements if you are not certain of the tax status or tax-exempt category of your organisation.

The Non-profit Requirement

Many tax-exempt categories require the organisation to be a non-profit organisation. You will be non-profit if you are not carried on for the profit or gain of your individual members.

Organisations can satisfy the non-profit requirement if their constituent or governing documents prevent them from distributing profits or assets for the benefit of particular persons, both while they are operating and on winding up. The organisation's actions must, of course, be consistent with this requirement.

Here is a non-profit clause acceptable to the ATO –

The assets and income of the association shall be applied solely in furtherance of its above-mentioned objects and no portion shall be distributed directly or indirectly to the members of the association except as bona fide compensation for services rendered or expenses incurred on behalf of the association.

Here is a dissolution clause acceptable to the ATO –

In the event of the association being dissolved, the amount that remains after such dissolution and the satisfaction of all debts and liabilities shall be transferred to any association with similar purposes which is not carried on for the profit or gain of its individual members.

A non-profit organisation can still make a profit. However, any profits it makes must be used to carry out its purposes. The profits must not be distributed to owners, members or other private persons.

Non-profit organisations are generally treated as companies for income tax purposes, but there may be situations where, due to the relationship between the members, the organisation is more correctly treated as a partnership. An organisation that is exempt from income tax will be exempt whether it is a partnership or a company.

Also, a non-profit company can make payments to its members as bona fide remuneration for services they have provided to it, and as reasonable compensation for expenses incurred on behalf of the organisation.

Organisations carried on for the joint or common benefit of their members can qualify as non-profit companies. An example would be a professional association established to advance the professional interests of its members. However, the association must not be carried on for the profit or gain of its individual members.

Taxable threshold

Non-profit companies with taxable income of \$416 or less a year that are resident in Australia are not required to lodge an income tax return because their income is below the taxable threshold.

Non-profit companies with taxable income of more than \$416 a year are required to lodge an income tax return for that year. Two particular concessions are available to many non-profit organisations. These are:

- the exclusion from income tax of the effect of mutual dealings with members; and
- exemption from charging the goods and services tax (GST), if the entity qualifies for the various concessions.

Apportioning non-mutual expenses

In most situations it is easy to identify and separate the expenditure into allowable and non-allowable deductions. For example, the costs of buying badges for members (not an allowable deduction) could be separated easily from the costs of buying promotional buttons sold to the public as part of a fundraising drive (an allowable deduction). However, there may be situations where the identification and separation is not possible or where the expenditure may relate to earning both assessable income and mutual receipts. In such situations, the Australian Taxation Office will accept the most practical and suitable method of apportioning the expenses, provided –

- there is a reason for apportioning the expenditure
- the method chosen is suitable for that type of expenditure
- the method chosen is reasonable and is not arbitrary
- it gives a correct reflection of the expenditure incurred.

The Australian Business Number

The Australian Business Number (ABN) is the single identifier that businesses and non-profit organisations use in their dealings with the Australian Taxation Office (ATO). Commercial and non-profit entities need an ABN to register for GST and other elements of The New Tax System.

[Chapter 3 – Other taxes and obligations](#)

An ABN is useful for all non-profit entities, because even organisations that are income tax exempt can have obligations for other taxes.

These include –

- To register for GST and claim input tax credits
- To register for Pay As You Go (PAYG)
- To deal with investment bodies
- To apply to the ATO for endorsement as a deductible gift recipient (DGR) if they operate a gift deductible fund or institution
- To avoid having tax withheld from your income
- To interact in future with other government departments and agencies
- To interact with the ATO on other taxes.

ABN registration details will become part of the Australian Business Register (ABR) which the ATO maintains for all Commonwealth purposes. The publicly available information on the ABR will allow people to find out whether the entities they are dealing with have an ABN, are registered for GST or are endorsed as deductible gift recipients.

Non-profit organisations that are registered for GST have the option of treating their small independent sub-entities (branches or units) as if they were separate entities for GST purposes and not part of the main organisation. Note that if a non-profit sub-entity registers for an ABN, the ABN can be used for GST purposes only.

Goods and Services Tax

Goods and Services Tax

- The Goods and Services Tax is a broad-based tax of 10 per cent on the supply of most goods and services consumed in Australia.
- Non-profit bodies must register for GST if their annual turnover is \$100,000 or more and they may choose to register if their annual turnover is lower.
- Other organisations must register for GST if their annual turnover is \$50,000 or more and they may choose to register if their annual turnover is lower.
- No organisation is exempt from GST – it is a transaction based tax.
- GST registered organisations can claim credits for the GST included in the price of goods and services they buy.

Entities which are not registered for GST cannot charge GST on their supplies, nor can they claim a refund on any of their input tax credits.

The ATO has produced GST resources for most industry sectors detailing basic issues and addressing common queries.

GST registered organisations

Non-profit entities, their branches and sub-entities that are registered, or required to be registered, should include 10 per cent GST on all their taxable supplies. Many non-profits are entitled to claim a credit for GST they have paid for acquisitions used in making taxable and GST-free supplies. This is called an input tax credit.

However, no GST is payable on the GST-free or input taxed supplies they make. There is no entitlement for an input tax credit for anything acquired to make an input taxed supply.

Non-profit sub-entities

Most non-profit entities that are income tax exempt with small independent activities or units have the option of treating these units as if they were separate entities for GST purposes and not part of the main organisation.

The main organisation must itself be registered for GST to be able to use this option. A sub-entity will be considered to be independent if it:

- maintains an independent system of accounting;
- can be separately identifiable because of its activities or location; and
- is referred to in the entity's records as a separate sub-entity.

For example, sub-entities could include a branch, a bookshop, fete, lamington drive or fundraising dinner. This means that where the sub-entity's turnover is less than \$100,000, it can choose whether it registers for GST or not. Where the sub-entity has a turnover of \$100,000 or more, it will have to register separately for GST and will have the same rights and obligations as other GST-registered entities.

(Note that donations are not included in the turnover threshold.)

GST Exemption Flexibility – Fundraising Activities Treated as Input Taxed

Fundraising events of charities such as fetes, balls, gala shows, dinners and similar events can be input taxed. The result of this is that whilst no GST is chargeable on the fundraising revenue, charities are not able to claim any input tax credits on the expenses used in holding these events.

Note that raffles and bingo run by charities are GST-free.

Religious Groups

Charitable bodies that belong to the same religious organisation have the ability to eliminate internal transactions within their religious organisation for GST purposes. This is achieved by allowing certain members of the same religious organisation to utilise the benefits of grouping while alleviating some of the administrative difficulties that these organisations may experience in relation to the otherwise complex GST grouping rules.

Fringe Benefits Tax

Fringe Benefits Tax (FBT) is a tax payable by employers who provide fringe benefits to their employees. It operates to provide comparable tax treatment of fringe benefits and cash benefits.

FBT is a separate tax from income tax. Even if an organisation is exempt from income tax, it may still have to pay FBT. The amount of FBT is calculated on the taxable value of the fringe benefits provided.

Fringe benefits defined

A fringe benefit is an employment-related benefit provided to an employee or an associate of the employee (typically a family member). Benefits may be rights, privileges or services. For example, a fringe benefit is provided when an employer:

- allows an employee to use a work car for private purposes;
- gives an employee a cheap loan; or
- pays an employee's private health insurance costs.

Volunteers

It is important to distinguish between employees and volunteers. A volunteer is a person who is not paid for work in either cash or fringe benefits. Volunteers may be reimbursed for out-of-pocket expenses. Where more than this reimbursement is provided, the recipient is generally regarded as an employee. This has implications under industrial and workers' compensation legislation, as well as taxation.

Reportable benefits

Where the total taxable value of an employee's fringe benefits exceeds \$1000 in an FBT year, an amount must be reported on the employee's annual payment summary (formerly 'group certificate'). The employee does not have to pay income tax on the reportable fringe benefits.

Exempt benefits

Some benefits are exempt from FBT. Examples of exempt benefits are certain minor benefits valued at less than \$100, some taxi travel, certain work-related items (such as mobile phones and laptop computers primarily for use in employment) and work-related preventative health care.

Certain other benefits are exempt when provided by the following organisations:

- public benevolent institutions (PBIs);
- religious institutions for certain employees; and
- non-profit entities whose activities include caring for elderly or disadvantaged people and who provide benefits to live-in carers.

Rebateable employers

Most non-government organisations that are income tax exempt will qualify for an FBT rebate. Eligible rebateable employers are entitled to have their FBT liability reduced by a rebate equal to 48 per cent of the gross FBT payable.

Limits to concessions

The government has placed limits on the concessional FBT treatment available to public benevolent institutions and certain other non-profit organisations. Effective from 1 April 2001, the cap applicable to charities and certain other non-profit organisations is \$30,000 of grossed-up taxable value per employee, and amounts of fringe benefits above these caps are subject to normal FBT treatment. FBT exempt benefits and some fringe benefits are not subject to capping (for example housing provided to a minister of religion).

Pay As You Go System

The Pay-As-You-Go (PAYG) tax payment system is designed to cover the taxes which are payable to the Australian Taxation Office. For non-profit entities these payments will probably be made up of one or more of the following taxes -

- income tax
- tax withheld from employees remuneration

PAYG consists of two arms: PAYG instalments and PAYG withholding.

PAYG instalments enable an organisation to provide for its final taxation liability by paying tax in instalments throughout the year.

PAYG withholding is the system through which an organisation withholds tax from payments it makes. It encompasses the former Pay As You Earn (PAYE) and tax file number (TFN) withholding obligations and has three new withholding categories –

- voluntary agreements with contractors
- no-ABN withholding
- labour hire arrangements.

Non-profit and income tax exempt organisations are not exempt from PAYG withholding.

Withholding from employees

Under PAYG withholding, if you make certain listed payments you will be required to withhold an amount from the payment and send this to the ATO.

Your organisation has PAYG withholding obligations as a payer if it makes one of the following common types of payments:

- salary, wages, commission, bonuses or allowances to an employee;
- remuneration to a director or member of 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; and
- 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 quote an ABN.

As an employer, you withhold the correct amount from your employees' salary or wages and send it to the ATO. Tax tables tell you how much to withhold. At the end of the financial year, you give each employee a payment summary which shows how much they were paid during the year and how much was withheld. The payment summary is then included in their tax returns.

Withholding from others

The most common circumstances that could arise where an organisation may have PAYG withholding obligations other than for employees would be payments for work under voluntary withholding agreements, and payments to a business which does not quote an ABN. The 'no ABN quoted' withholding rate is the highest marginal tax rate plus the Medicare levy, while the rate for a voluntary withholding agreement is in the ATO tax tables.

Exemptions from withholding

An amount need not be withheld where:

- 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 \$50;
- 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 who is not carrying on an enterprise in Australia; or
- the supplier has no reasonable expectation of profit or gain from the activity.

Reporting tax withheld

Withheld taxes must be reported on your BAS Statement along with any GST, PAYG instalments or FBT amounts. Any credits you are entitled to (such as input tax credits for GST) will be offset against any amount of PAYG withholding and other taxation liabilities you are required to report on your BAS Statement.

At the end of the year, you will be required to submit to the ATO an annual report which reconciles all withholding payments you have made to the ATO during the financial year.

Deductible Gift Recipients

Some types of organisations and funds are entitled to receive income tax deductible gifts. They are called deductible gift recipients (DGR). Examples include many welfare, overseas aid and cultural organisations.

To be a Deductible Gift Recipient, an organisation must be:

- listed by name in the income tax law as a DGR; or
- endorsed as a DGR by the ATO.

To be endorsed as a Deductible Gift Recipient, an organisation must:

- have an Australian Business Number (ABN);
- be covered by one of the categories of DGR set out in the tax law;
- maintain a special fund to receive gifts;
- be in Australia; and
- apply to the ATO for endorsement.

To receive income tax deductible gifts, an organisation (or a fund they operate) must be either endorsed as a DGR or listed by name as tax deductible in the tax legislation.

Superannuation Guarantee

All non-profit organisations who are employers are subject to the government's Superannuation Guarantee Levy (SGL).

As treasurer of a non-profit organisation which has employees, you should examine whether it may be affected by the SGL. Under this law, an employer is required to provide a prescribed minimum level of superannuation support for most of its employees.

Employers who do not provide enough superannuation support are liable to pay a Superannuation Guarantee Charge, which is not a tax deductible expense.

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

Exceptions include employees who are:

- paid less than \$450 in any calendar month (superannuation does not have to be provided for that month);
- aged 70 or over;
- non-resident employees who are paid solely for work undertaken outside Australia;
- under 18 years old and employed part-time (that is, for no more than 30 hours a week); or
- employed for no more than 30 hours a week to do work that is primarily of a private or domestic nature.

All organisations that are employers are subject to the SGL legislation. Even organisations that are exempt from income tax have obligations under the Superannuation Guarantee legislation.

Other Taxes

This brief overview is included to remind the voluntary treasurer of various State and Territory taxes which might affect their organisation.

Stamp duty

Stamp duty is a tax on written documents ('instruments') and certain transactions including motor vehicle registrations and transfers, insurance policies, leases, mortgages, hire purchase agreements and transfers of property (such as businesses, real estate or shares). The rate of stamp duty varies according to the type and value of the transaction involved. Depending on the nature of the transaction, certain concessions and exemptions may be available. Stamp duty on quoted marketable securities will be repealed from 1 July 2001. By 2005, the need for retention of a range of other inefficient stamp duties will be reviewed by the Commonwealth, States and Territories.

Payroll tax

Payroll tax is a tax on the wages paid by employers. Employers are liable for payroll tax when their total Australian wages exceed a certain level called the exemption threshold. Exemption thresholds vary between States.

Payroll tax is payable to the State by an employer, based on the total wages paid to all employees. PAYG is the tax deducted from an individual's income and forwarded to the ATO. Certain organisations may be exempt from payroll tax provided specific qualifying conditions are satisfied. These organisations may include religious institutions, public benevolent institutions, public or non-profit hospitals, non-profit non-government schools or colleges providing education at secondary level or below, municipal councils and charitable organisations. As requirements vary between the States and Territories, employers should seek clarification from their local State or Territory revenue office.

Payroll tax should not be confused with PAYG withholding tax, collected by the Australian Taxation Office.

Land tax

Land tax is imposed in all States and the ACT, but not in the Northern Territory. It is a tax levied on landowners, except in the 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. In some States there are deductions and rebates available, depending on the use of the land. Principal places of residence are usually exempt from land tax although this is subject to certain qualifying criteria which vary between jurisdictions.

Financial institutions duty (FID)

Under Australia's New Tax System, Financial Institutions Duty (FID) applies in all States and Territories, except Queensland, until 1 July 2001.

FID is a tax on the receipt of money by a financial institution. The receipt may involve the physical receipt of money (for example, a deposit by a customer into a bank account) or the crediting of an account (for example, the credit of interest earned or the transfer of money from another bank account). While liability for the payment of FID rests with financial institutions, legislation allows for the charge to be recouped from customers.

There are limited exemptions from FID and eligibility for exemption varies across jurisdictions. Bodies which may be eligible to conduct an account exempt from FID include registered financial institutions, charitable or public benevolent institutions, public hospitals, public schools and certain government departments.

Debits tax

Debits tax is charged on debit transactions (for example withdrawals, account keeping fees etc) to accounts with cheque drawing or payment order facilities. Debits tax is not charged on reversals of credit transactions or deductions for debits tax.

The date for abolition of the Debits tax is 1 July 2005, subject to review by the Commonwealth, States and Territories. Debits tax was previously known as Bank Account Debits Tax or the BAD Tax. Financial institutions and account holders are jointly liable for debits tax, however it is usually paid by the financial institution and recouped from the account holder. There are limited exemptions from debits tax and eligibility differs between jurisdictions.

Debits made to accounts held by bodies such as public benevolent institutions, religious institutions, public hospitals and government schools are generally not taxable. As requirements vary between States, treasurers should seek clarification from their local State or Territory revenue office.

Workers' Compensation and Health & Safety

There are two forms of legislation in effect: workers' compensation and occupational health and safety. Both are under the jurisdiction of State and Territory governments.

Workers' compensation legislation requires employers to insure against injury, and provides a safety net system in case of work related injuries or illnesses. Workers' compensation premiums are based on an industry "risk rating" so it is in the whole sector's interest to prevent workplace accidents in the first place, or to make sure

injured workers return to work as soon as possible after an injury.

Occupational health and safety legislation requires employers to provide a safe and healthy workplace, and this duty of care extends to all who come onto your premises, whether paid staff, volunteers, contractors, clients or visitors.

Responsibility for workplace safety rests with the management committee or board, as the committee is legally considered to be the employer.

By law, you must provide a safe and healthy workplace for your workers and contractors. This includes:

- Maintaining the safe condition of the workplace (such as ensuring fire exits are not blocked, emergency equipment is serviceable, and general housekeeping).
- Making sure workers have adequate information, instruction, training and supervision to work in a safe and healthy manner.
- Providing and maintaining safe equipment and systems of work.
- Providing workers and contractors with adequate facilities (such as clean toilets, cool and clean drinking water, and hygienic eating areas).
- Controlling hazards that can arise in the work environment.

In some circumstances, you must also:

- Adequately monitor your workers' health.
- Keep information and records relevant to your workers' health and safety.
- Employ or engage people with the necessary qualifications or expertise to advise you on health and safety issues affecting your workers.
- Provide your workers with information in the appropriate language about your workplace health and safety arrangements, including the names of those to whom the workers can make an inquiry or complaint.

Checklists for Treasurers

Annual Reporting Checklist

- Are financial statements prepared and circulated regularly?
- Are regular financial statements circulated, with a covering treasurer's report to all members of the governing body?
- Do both documents give an accurate assessment of the organisation's financial position?
- Is an updated estimate of profit to year end, based on actual results in those statements, provided to the governing body?
- If not, have the consequences, especially non-compliance with the principles of accrual accounting, been reported to the governing body and senior management?
- Are regular cash reports provided to the governing body and senior management?
- Are you concerned about any potential danger spots in those projections that should be discussed with the governing body senior management and possibly the bank?
- Are standard reports used to convey information to the governing body and senior management?
- Do you personally edit financial reports circulated to the governing body to make sure that they are easily read and cannot be misunderstood?
- Are work-papers kept to support all calculations and assumptions made in the preparation of the monthly treasurer's report?

Board Meetings Checklist

- Do you have regular meetings with finance staff, especially the person responsible for financial administration?
- Do you invite members of the governing body and senior management to contact you before meetings, to discuss any issues arising in your regular monthly report before meetings?
- Have you considered using a whiteboard at meetings to explain information in the financial reports?

Avoiding Financial Trouble Checklist

- Do you see any sign of financial trouble on the horizon? Have you raised your concerns with the governing body and senior management?
- Does the board approve any capital expenditure over the designated threshold?

Legal, Taxation and Financial Obligations Checklist

Have you explained to members of the governing body and senior management:

- Their legal and financial obligations under various laws?
- The accounting terminologies used in the financial reports?
- The conclusions that can be drawn from information in the financial statements?
- Their obligations to remit group tax deductions to the Tax Office?
- The principles of double entry bookkeeping?

Have you examined compliance with the following taxes:

- Income tax?
- GST?
- Payroll tax?
- Fringe benefits tax?
- PAYG?
- Capital gains tax?
- Land tax?

Employment Issues Checklist

- Have you reviewed employee records to ensure that all information required under various laws is being recorded?
- Are payments being properly made under the Superannuation Guarantee Levy Scheme?
- Are PAYG deductions regularly reconciled with employee records to reduce bottlenecks at year end?
- Is adequate training undertaken for all staff, particularly those in key positions?
- Has a regular safety check been made of the premises and equipment?

Internal Control Checklist

- Are you satisfied that internal systems and procedures are in place to ensure that all money is kept in safe custody at all times?
- Are you satisfied that all appropriate records are being kept?
- Has the establishment of an audit committee been considered?
- Do you meet with the external auditors at least once annually to discuss any shortcomings in the organisation's internal control procedures?
- Is the substance of those meetings reported to the governing body?
- Are proper minutes kept of all meetings and especially for important financial decisions?
- Do you physically check at regular intervals the bank reconciliation statements to make sure that they are accurate?
- Are you sure that adequate internal control procedures are in place for the collection and payment of all money?
- Are you satisfied about the quality and extent of audit trails within the organisation?
- Are all important documents kept in safe custody?
- Have all insurance policies been reviewed within the last 12 months?

General

- Do you believe your governing body understand your financial reports?
- Are you satisfied your Board acts upon the information and advice you provide?
- Are you enjoying being treasurer? What might be done to make your time with the organisation more enjoyable?

SAMPLE TREASURER'S MONTHLY REPORT

XYZ Organisation

Monthly Treasurer's Report

Overview (See Note 1)

Our association did better than expected for the month of March, and is in a healthy financial condition. The net surplus of \$200, on an accrual basis of accounting, was \$700 ahead of budget.

For the three months the net surplus of \$3,000 was \$1,000 ahead of budget. This was a particularly pleasing result, considering the bad weather that plagued our activities for the third function.

If revised estimates of income and expenditure for the next nine months are realised, the association will end the financial year with a surplus of \$3,000, or \$2,000 ahead of the official budget of \$1,000. The following table provides a synopsis of results to date and possible outcomes for the full year:

(Note 2)

	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								
Earned Income	\$2,500	\$3,000	\$500	\$11,000	\$12,000	\$1,000	\$50,000	\$48,000
Sponsorship	\$800	\$1,000	\$200	\$2,600	\$3,000	\$400	\$8,000	\$7,000
Total Income	\$3,300	\$4,000	\$700	\$13,600	\$15,000	\$1,400	\$58,000	\$55,000
Expenditure								
Wages	\$3,100	\$3,000	-\$100	\$9,900	\$10,000	\$100	\$45,000	\$46,000
Other	\$700	\$800	\$100	\$1,700	\$2,000	\$300	\$10,000	\$8,000
Total Expenditure	\$3,800	\$3,800	\$0	\$11,600	\$12,000	\$400	\$55,000	\$54,000
Net Surplus	-\$500	\$200	\$700	\$2,000	\$3,000	\$1,000	\$3,000	\$1,000

Despite the better than budgeted result for the three months, careful attention will have to be given to cashflow. Two new computers and a printer costing \$7,000 - not included in the official budget since at the time of its preparation there was no indication that the old ones would fail - were purchased in late March.

The non-budgeted payment would have placed considerable pressure on cash resources over coming months.

Our auditor, Roslyn Schnerring, has written about her review of internal control procedures. She makes several recommendations, which are entirely appropriate and which have already been implemented (see attached copy of letter).

Cash Report (Note 3)

At the end of March, the association had \$4,500 in the bank - after the payment of \$7,000 for the new equipment. A bank reconciliation has been completed and agrees with this figure.

On present estimates, painting and artefacts expected to realise in excess of \$7,000 will be sold before 31 July (see note under capital expenditure), to avoid cashflow problems. This is demonstrated in the attached cash projections for the six months ending 30 September.

Personnel (Note 4)

At the end of March the association had three full-time and two part-time employees, as shown in the following table:

Details	Full-Time	Part-Time
Administrative	1	1
Operational	2	1
Total	3	2

Our able administrator, Steve Taylor, is taking three weeks leave from 6 May. In his absence Philip Good will act in the position. Any queries about the June activities should be directed to Philip (Note 4).

Capital Expenditure (Note 5)

As already reported, new computer equipment was bought after the old ones failed.

As reported to the last meeting we tried to have them repaired, but on advice from Greg Smith, principal of the Get-It-Right Computer Shop, we decided to buy new computers. The old computers were already eight years old, and unable to run the accounting software we proposed to buy.

Directors will recall that this matter was discussed at length at the 10 March board meeting, and that the Board approved capital expenditure of up to \$8,000, providing funds could be found to meet the cash shortfall.

While this expenditure is not in the official budget adopted by the Board on 18 December - the full \$7,000 should be recouped from the sale of various paintings and other artefacts donated to the association six years ago.

Board member Joan Price, who has a good knowledge of artefacts, has agreed to arrange their sale, by placing advertisements in local newspapers over coming weeks.

Prepared by:

Andrew May (Honorary Treasurer)

(Note 6)

Date: 2 April 2001

Notes to Standard Treasurer's Monthly Report

NOTE 1

A standard report can communicate complex financial information to people who do not understand finance or financial terms. It can be used to broadcast important information behind the figures, apart from covering broad issues arising from the official financial statements.

Staff can prepare much of the detail in the report well in advance of meetings, in accordance with guidelines from the treasurer. The treasurer can then make modifications, as circumstances demand, before circulation to board members and senior staff.

The overview section of the report should be a clear and concise statement of the treasurer's interpretation of the financial results for the period, and highlight any significant matters that need to be drawn to the board's attention. This ensures that important issues are raised and that adequate monitoring takes place.

NOTE 2

A simple statement of budget differences for the year to date helps non-finance people to gain a better grasp of the financial picture. It also enables a board, as a whole, to comply better with the requirements of the various laws relating to governance.

NOTE 3

The treasurer should always ensure that a bank reconciliation has been carried out and that it agrees with the organisation's records. It is also important to look ahead at least for six months - to ensure that no cash shortfalls are likely to develop. If difficulties are likely to arise, something can be done about them before it is too late.

NOTE 4

A personnel report provides valuable information to board members on staff and other matters. If it is not provided by the treasurer the information could be included in the administrator's report. It must not be forgotten that the success or otherwise of any non-profit organisation depends on people.

NOTE 5

A simple statement ensures that any capital expenditure is highlighted, and that appropriate approvals - usually by board resolution - are obtained.

NOTE 6

The standard report should always show the treasurer's name and the date the report was prepared. Events occurring after its preparation can easily change information in the report. It should be circulated to board members within 10 to 14 days after the end of each month.

RESOURCES & FURTHER INFORMATION

Australian Competition & Consumer Commission

Tel: 1300 302 502

Internet: www.accc.gov.au

Australian Taxation Office

Tel: 13 24 78

Internet: www.taxreform.ato.gov.au

Office of Small Business

Internet: www.business.gov.au

The Institute of Chartered Accountants in Australia

Tel: 02 9290 1344

Internet: www.icaa.org.au