COMMUNITY SMART

Damn Good Advice for Treasurers

Twenty-five questions a not-for-profit Treasurer needs to ask

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Damn Good Advice for Treasurers: Twenty-five questions a not-for-profit Treasurer needs to ask

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CommunitySmart

This book is part of the ***CommunitySmart*** program, a national financial literacy program developed by Commonwealth Bank Not for Profit Sector Banking and the Institute for Community Directors Australia (part of the Our Community group of enterprises).

Good governance and strong financial management are essential to the strength and sustainability of every one of our nation's 600,000 not-for-profit groups and schools.

Through *CommunitySmart*, we're working to help strengthen not-for-profit sector governance and financial management by providing practical advice for not-for-profit organisations, their staff, Board members and volunteers.

A Note on Language: When we say 'Board' in this guide, we mean 'Board' or 'Council' or 'Committee of Management'. See page 93 for more explanations about language.

Congratulations and thanks for being a Treasurer.

You're in excellent company. There are hundreds of thousands of not-for-profit groups in Australia, most of them served by a hard-working Treasurer.

Responsible for the financial wellbeing of their organisations, Treasurers often go above and beyond the call of duty to make sure ends meet. It's not an easy job. It's usually unpaid, often thankless. But so incredibly important. As a society, we're in their – and your – debt.

This handbook is designed to help make your job as a Treasurer a little bit easier. Its companion guide, *Damn Good Advice for Board Members*, will do the same by helping to improve your fellow Board members' understanding of your organisation's finances.

Both publications are part of *CommunitySmart*, the national financial literacy program run by the Institute of Community Directors Australia (part of the Our Community group of enterprises), in partnership with Commonwealth Bank Not for Profit Sector Banking.

CommunitySmart is one example of how we are working to revolutionise banking for not-for-profit organisations. *CommunitySmart* is about going beyond everyday banking to provide extra value for the not-for-profit organisations to whom we owe so much as a community. We are proud of the legacy that has already been created. Better bank accounts, new financial literacy tools, and greater awareness of the important role of the Treasurer are among the benefits that have been produced and sustained.

But there's much more to be done. We look forward to joining with you and our nation's other 300,000 community Treasurers to ensure we get it right.

Denis Moriarty

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Our Community

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1

How did I get stuck with this mess?

Let's tell it like it is. The job of a not-for-profit Treasurer is hard. Very hard. Quite often it's the job that no one wants to do.

That's a crying shame, because it's among the most important jobs in a not-for-profit organisation, the job that can mean the difference between thriving and delivering real and substantial results, or going down the gurgler.

If you've accepted this job – congratulations, and thank you. Give yourself a pat on the back. Really. Australia owes you a big debt.

There are 600,000 not-for-profit organisations in Australia, and they account for about 8% of the economy. They are handling some $40 billion dollars every year. We're talking about a whole heap of money. What you're doing is really important.

Keep this in mind when you're struggling to get an enthusiastic but financially illiterate Board colleague to understand what exceeding your budget really means, or when the grant you thought was a dead cert fails to materialise, or when the fun-run fundraiser gets washed out.

It'll give you some comfort until you reach that point where the Board is all on the same page, the figures are singing, you get two grants at once, your membership numbers are soaring and you're making real inroads on completing your organisation's mission.

Take our word for it – you'll get there.

2

What is my job exactly?

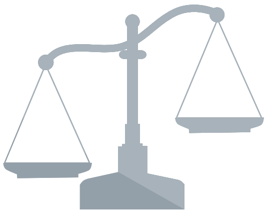
Your Board has delegated to you the responsibility for ensuring that all the organisation's financial rules are observed, all the correct financial procedures are followed, and all financial decisions are taken in the light of all necessary information.

That doesn't mean that you're responsible for making all the major financial decisions – the Board has to sign off on any important financial initiative. But you're responsible for ensuring those decisions get made, and that they are made properly according to the rules and in full knowledge of the consequences.

What this amounts to in practice varies with the circumstances. In a small organisation the Treasurer generally ends up keeping the books, signing the cheques, and doing the annual report. Slightly larger organisations will hire a bookkeeper to look things over at intervals and prepare the annual report in due form. Large organisations usually have their own bookkeepers (and possibly even financial managers) and bring in external auditors.

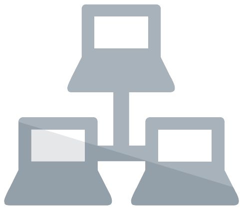
Where there are paid staff to look after the finances, the Treasurer's job is to maintain oversight of what they're doing (in close liaison with the CEO). You have to ensure that there's a system in place identifying what needs to be done, assigning someone to do it, and documenting it when it's done.

In either case, the Treasurer has some particular tasks to do or oversee:



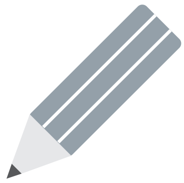
Keeping the accounts

You have to be able to account for every dollar that comes in and every dollar that goes out, and you have to make both balance. You have to be able to say at any moment how much money you have to work with when all debts have been paid.



System management

You must ensure that systems are in place governing all regular financial transactions, that people know what these systems are, and that everybody follows them.



Planning

The Board will draw up a Strategic Plan setting out where your organisation wants to be in the future and sketching a process for getting there. You have to attach dollar figures to each stage of the process.

Budgeting

Each year you have to project expenditure and income for the following year, embodying the assumptions of the plan. Then you have to watch income and expenditure throughout the year and inform the Board if your original guesses were out of line.

Reporting

You have to report to the Board at every meeting. You have to be sure that they know enough about finance to understand what you're telling them, and if they don't you have to train them until they do.

Fundraising

Fundraising isn't exclusively, or even primarily, your business, but as the go-to person on money you'll need to review fundraising plans to check cost-benefit ratios and financial commitments.

Monitoring risk

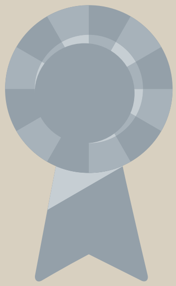
You have to guard against risks to your organisation's finances by ensuring you have the right people and the right systems in place. It often also falls to the Treasurer to oversee the organisation's general risk management systems and insurance.

Banking

You'll need to work through what your banking requirements are and what services and facilities your bank can offer you. You'll need to assess your investment options.

Tax

You'll have to understand what the government's taking from you for what, and what concessions might be available.



Ending up

And after several successful years in the post you'll eventually step down and let someone else take it on, and you'll have to leave the place in good shape.

But wait, there's more!

Of course, as well as your role as the Treasurer, you also have a number of ordinary responsibilities and fiduciary duties that you share with all members of the Board.

There's no need to get too technical about these. In brief, you have to act in good faith and with due care and diligence. You have to do what you'd expect of anybody else – do the work, know the rules, ask questions if you don't understand something.

You have to act in the best interests of the organisation. You can't trade while insolvent (that means the organisation needs to be able to settle its debts as and when they fall due).

Most particularly, if there's any possible conflict of interest you have to step out of the loop. Coverage of conflict of interest varies slightly from state to state, and you should check the exact rules in your jurisdiction. But the basic principle is that you can't take advantage of your position on the Board.

This doesn't mean you can't have financial dealings with the organisation, but it does mean that any dealings have to be at arm's length. You shouldn't be involved in the discussions – you shouldn't even be in the room – and you can't vote on the actual decision.

Exactly what constitutes a conflict of interest is fuzzy and depends on the exact circumstances. Take a broad view, and err on the side of caution. Use the Tabloid Test: if this transaction appeared on the front page of a tabloid newspaper, would the organisation be embarrassed?

If that all sounds scary and confusing, you should be reassured. The requirements of Board membership (and Treasuring) are largely common sense and common decency. If you're doing a conscientious job to the best of your ability you're very, very unlikely to get tripped up by the law.

For more information on your Board responsibilities, visit the Our Community website – **www.ourcommunity.com.au**

> "Where money is concerned, you're the first among equals."

3

Cripes, that sounds like quite a lot. Isn't anyone else going to help?

The Treasurer has particular duties, but that doesn't mean you have to do all of these things yourself.

Your duties can be delegated, and in all but the smallest organisations they will be. In the end, though, you've got to be able to understand what everyone else is doing.

Some organisations set up a Finance Committee as a subcommittee of the Board to support the Treasurer. The advantage of this is that a group of interested and financially knowledgeable people (if you can find them) can share the load.

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

Ad hoc subcommittees may also be set up to deal with a specific task – to help steer the purchase and move to new premises, for example.

Subcommittees have their powers and their terms of reference given to them by the Board. They can be given the power to spend money on their own account (up to a specified limit) and report to the Board after the fact, or they can simply send recommendations to the Board for decision.

Working with staff

In larger organisations there will be paid staff to prepare the budget papers. Remember, though, that any mistakes are going to be held against you, as the Treasurer, not them. Check over the papers carefully and ask questions about anything you don't understand. It's still your show.

Ideally, you'll have a bookkeeper on tap to make sure that the financial processes are handled well. You may have an actual accountant among your members, and you may be able to get him or her to assist. You may be able to get a local identity to act pro bono. You may even go the whole hog and hire one, pushing up your admin costs but giving you peace of mind. (If your organisation's over a certain size your state's legislation may insist on a bookkeeper, or even an auditor, to do your annual report; check the table of laws and regulations at the end of this handbook to see what rules apply to your organisation.)

Working with the Board

When a person joins a Board they accept the obligation to look after the organisation's finances – the entire Board, not just the Treasurer.

Any Board member whose role involves overseeing a budget, no matter how small, needs to have a good understanding of their financial duties and take them very seriously. As the Treasurer, it may fall to you to remind your Board colleagues of that responsibility.

Sample Delegations List

POSITION	BUSINESS DELEGATIONS	FINANCIAL DELEGATIONS
Board	• approves organisational budget • approves regular Treasurer's Reports • approves budget variations	
Board Chair	• authorises individuals to represent the organisation or speak to the media	• authorised to sign cheques on behalf of the organisation
Treasurer	• authorised to sign cheques on behalf of the organisation • ratifies cheque and General Ledger • reports to Board	
Board Members who are signatories to the organisation's bank accounts		• can authorise expenditure up to a set dollar limit
CEO	• authorised to sign cheques and conduct electronic financial transactions on behalf of the organisation • has authority to enter into contracts (funding or operational) • manages bank accounts • prepares and approves finance reports	• approves expenditures up to a set dollar limit • authority to overspend budget by up to a set percentage • approves expenditure up to a set dollar limit • authority to overspend budget by up to a set percentage of the budget
Program Managers	• approve all published material including website (excepting job advertisements) • authorise and sign all official correspondence • authority to enter into contracts	• approve expenditures up to a set dollar limit • have authority to overspend budget by up to a set dollar limit or a set percentage • in consultation with CEO may approve funding submissions, applications or expressions of interest for projects up to a set dollar limit.
Other permanent staff	• provide information for budget	• approve expenditure up to a set dollar limit.

4

Where are the records?

Now you're clear on what's required, it's time to get down to business.

Is there a database? A shoebox? Or are all the records stored in the last Treasurer's memory? You're going to have to find out as quickly as possible.

In the best case scenario, your predecessor will provide you with a comprehensive handover, hand you the keys to the cashbox, get your password in place for the online banking, and take you through the books.

If that doesn't happen you're going to have to muddle through.

If they exist, take custody of the organisation's:

- Ledgers (records of payments/income for each of your accounts, with a General Ledger to sum it all up – see next page)
- Financial correspondence
- Bank statements
- Outstanding bills
- Paid bills and receipts
- Insurance policies (if that's your responsibility)
- Cash book (record of your cash receipts and payments).

Here are the key things you're going to need to do with the old Treasurer:

- [ ] Go over procedures – bank reconciliation systems, invoicing, etc. – so that you can oversee operations.
- [ ] Ask what the annual planning and budgeting timetable is.
- [ ] Get details of all the group's bank accounts, and all signatories for these accounts (and then get down to the bank and change the signatories to update them).
- [ ] Get the details of all outstanding credit card or spending authorisations.
- [ ] Find out what forms (invoices, receipts, petty cash vouchers, etc.) are in use, and where they're kept.
- [ ] Ask what computing and accounting systems are used (and change any passwords).
- [ ] Ask if there are any hidden hazards – any known spending/ commitments/incomings that weren't included in the budget papers, for example.

The General Ledger

The General Ledger is the indispensible backbone of any accounting system.

It brings together all the accounts for recording any transactions relating to an organisation's assets, liabilities, owners' equity, revenue, and expenses.

In modern accounting software the General Ledger works as a central store for accounting data transferred from all sub-ledgers or individual modules such as accounts payable, accounts receivable, cash management, fixed assets, purchasing, and projects.

The Statement of Financial Position (see page 28) and the Statement of Financial Performance (page 26) are both drawn from the General Ledger.

Each sub-account in the General Ledger consists of one or more pages. The General Ledger is where these sub-accounts are posted to the general accounts (posting is the process of recording credits and debits in the pages of the General Ledger). Additional columns to the right hold a running activity total, as with a chequebook.

The list of sub-account names is called the chart of accounts and a good rule of thumb in this area is to try to keep your account names in line with the Standard Chart of Accounts, which was developed by Queensland University of Technology's Australian Centre for Philanthropy and Nonprofit Studies – see **https://wiki.qut.edu.au/display/CPNS/Standard+Chart+of+Accounts**.

If you use that format you'll dovetail smoothly into the formats required by Federal Government agencies, and that's gradually being adopted by state agencies as well.

> "In the best case scenario, your predecessor will provide you with a comprehensive handover."

5

How should the records be kept from now on?

Once you've found all the bits you need, you're going to have to work out if you're going to:

(a) Continue with the same system; or

(b) Put a new system in place.

Absolutely the first thing you have to get on top of is keeping track of the money. You need to document every dollar that comes in and every dollar that goes out.

And you need to ensure whatever system you use makes sense not just to you, but to whoever takes over from you.

Very small organisations can get by with what's called 'shoebox' accounting, with all accounts kept in a box or filing cabinet. If you're going to go that route, organise your material into clearly labelled folders, large envelopes or separate compartments in a folder.

Most organisations these days have computers to help them, but beware: a computer system is not a substitute for paper records. Hard drives do crash, and data does get lost. Make sure you keep a hard copy audit trail of all your financial transactions, including receipts, chequebook stubs and tax invoices.

Ensure you make regular back-ups of your computer records, too. Keep your back-ups offsite or in the cloud, so they are safe in the event of a fire or burglary.

Your main record-keeping task is going to be to ensure that every detail of every transaction is properly labelled and recorded under the proper headings. This involves having each sum appearing in several places. If you buy a piece of therapy equipment, for example, you might need to note it:

(a) as an expenditure to be added to the Therapy Equipment count in the Statement of Financial Performance;

(b) as an expenditure from the Goodworks Foundation grant;

(c) as an asset to be added to the Statement of Financial Position;

(d) as a new asset for the Asset Register.

Covering all these requirements is more work at the time but is nonetheless quite essential. Reconstructing these relationships afterwards is irritating, difficult, and unreliable.

Accounting programs for not-for-profits

Shoebox accounting survives only as the choice of extreme technophobes and is these days usually the exception.

The advantages of not having to add up a column of figures three times to get a majority opinion are too clear to be overlooked.

Computer spreadsheets/ databases

The lowest level of computer accounting involves the use of a spreadsheet program like Microsoft Excel (which not-for-profits can usually get cheaply from Connecting Up) or Google Drive (free) or Open Office (free and open source). These are easy to do simple work on and harder to do complicated work on. If you know what you're doing, everything will come out right; if you're a novice, not so much.

Some of the problems with spreadsheets arise directly from their advantages. If you have to make a correction to a written ledger the problems are unpleasantly obvious and involve a lot of crossing out and scribbling in. Spreadsheets can be altered at any point without a correction being evident. This both makes them liable to deception and means that it's possible to muck something up after it's been checked.

Because of this, every spreadsheet needs regular downloading to hard copy and full documentation. Imagine that at any moment you may be called to relinquish the books to a new Treasurer, one who's been recruited from outside the organisation and who needs to have everything explained in detail.

Computer accounting programs

There are also specialist accounting programs such as MYOB, Calxa or QuickBooks. These have pre-designed systems covering all the common financial operations; you don't have to reinvent the wheel. They have to be learned, though, and you may have to send people off for training, which will probably cost more than the program itself.

MYOB, Calxa and QuickBooks all have versions that are specially targeted at not-for-profits. This software will also allow for reports of revenues and expenses by function (programs, fundraising, management and general), by the nature or type of expense (salaries, electricity, rent, depreciation, etc.), and/or by grant.

As well as these generalist packages there are specialist not-for-profit-only accounting programs like Iris and Blackbaud. The advantages of not-for-profit-specific programs are that

- they combine financial accounting with fundraising marketing, keeping your donor database in the same format in the same system; and
- they make program budgeting and the use of restricted funds easier.

They do generally cost more, however. Decide whether you need that functionality.

Computers are governed by Murphy's Law, so be sure to have regular backups held off-site or in the cloud.

Don't skimp on your accounting systems; spend as much as you need to. This should go without saying, but many not-for-profit groups have hangups about spending money on administration. If this makes you less efficient, the whole organisation suffers.

6

What financial shape is the organisation in?

It's not enough to have your records in order, of course: you have to be able to say what they mean. You have to know at all times what the financial position is and whether you're ahead or behind.

That involves putting the information from your records into formats that can show you at a glance the answers to your questions. Use standard formats, rather than inventing your own systems, so that others can understand them (and so that you can, too).

One such standard report is the *Statement of Financial Performance*, which summarises your financial performance over a period of time – what you've brought in, what you've paid out.

In the sample statement on the following page you can see that the organisation has recovered from a small but worrying deficit in the previous year to post a respectable surplus, largely due to a tripling of sponsorships and an increase in government grants. Salaries have gone up substantially, so the increase in income will have to be maintained (spending on equipment has also surged, but that's easier to reduce at short notice).

> "It's not enough to have your records in order – you have to be able to say what they mean."

Mary Poppins Therapy Centre Statement of Financial Performance (Income/Expenditure)

For the 2013 Annual Report

	ACTUAL 11-12	ACTUAL 12-13
Grants – Foundations	71,000	116,500
Seminars & Consulting	36,885	38,219
Donations	51,831	55,257
Therapy Camp	24,940	25,203
Tea Party Donations	14,227	22,480
Membership	2,933	2,833
Sponsorship	15,000	53,500
Earned Income	11,329	19,663
Interest & Sundries	4,934	2,683
TOTAL INCOME	**233,079**	**336,338**
Renaming Project Launch	3,889	0
Equipment	3,328	41,489
Depreciation on Office Equipment	3,124	3,556
Rent	24,728	24,728
Salaries, Superannuation, & Workcover	153,089	196,036
Camp expenses	14,239	11,541
Computer costs	616	600
Gas, electricity, etc	1,809	2,515
Insurance	5,847	5,071
Photocopies/printing/stationery	2,783	2,955
Postage/freight	547	295
Telephone & internet	2,640	2,471
Travel	11,159	5,875
Video & Website	29,888	2,142
Staff training	1,100	1,504
Sundries	3277	3998
TOTAL EXPENDITURE	**262,063**	**304,776**
DEFICIT/SURPLUS	**-28,984**	**31,562**

7

Where do we stand *right now?*

Your *Statement of Financial Position* should include everything you have (assets) and everything you owe (liabilities), and tell you how much of a surplus you have.

It basically gives you a snapshot of your situation at one point in time.

In the sample statement on the following page you can see that the organisation has built up its surplus again after the fall in the previous year and now can now cover its expenses for six months even if all its fundraising falls into a hole at once. That's a reasonable buffer.

Note the large provision for long service leave. Always be sure that you can cover your legal and contractual liabilities.

Mary Poppins Therapy Centre
July 2013 Statement of Financial Position

	30/6/2012	30/6/2013
ASSETS		
Cash at bank	116,363	147,926
Funds on hand	189	233
Debtors	6,730	5,539
Equipment (at cost)	134,005	162,917
Less: Provision for depreciation	98,057	101,613
Written down value	35,948	61,304
TOTAL ASSETS	**159,230**	**215,002**
LIABILITIES		
Creditors & accruals	3,987	4,121
Provision for long service leave	43,695	48,123
TOTAL LIABILITIES	**47,682**	**52,244**
NET ASSETS	**111,548**	**162,758**
GENERAL FUNDS		
Balance 30 June	140,534	131,195
Surplus/deficit	-28,986	31,563
BALANCE	**111,548**	**162,758**

8

That's all the statements, right?

Not quite.

A *Statement of Cash Flow* is designed to tell you what you're doing with your short-term money, i.e. cash and short-term financial instruments such as term deposits. It informs you of what's going on with your investments, your borrowings, your creditors, your bonds, and your capital expenditures.

However, a cash flow statement isn't compulsory for all not-for-profits, and if you're the Treasurer of a smaller group you may never have to do one. If you haven't got much in the way of investments or property and are not involved in bonds you probably don't need to bother.

In the sample statement on the following page a multi-million-dollar charity is running a profit on its operating activities but has spent money on other property (under Investing Activities) and is doing complicated social investment things with shares (under Financing Activities) that together swallow most of that profit.

BigCharity Inc. Statement of Cash Flow

	2013	2012
	$'000	$'000
Cash flows from operating activities		
Receipts from customers	30,150	27,130
Payments to suppliers and employees	-27,600	-25,040
Dividends received	100	250
Interest and bill discounts received	300	270
Borrowing costs	-270	-240
Income taxes paid	-900	-810
Proceeds from court settlement	180	
Net cash provided by operating activities	1,960	1,560
Cash flows from investing activities		
Payment for subsidiary X, net of cash acquired	-550	
Payments for property, plant and equipment	-350	-1,200
Proceeds from sale of property, plant and equipment	20	10
Net cash used in investing activities	-880	-1,190
Cash flows from financing activities		
Proceeds from issue of shares	300	200
Proceeds from borrowings	200	240
Repayment of borrowings	-90	-80
Distributions paid	-1,200	-1,080
Exchange rate changes	-40	-30
Net cash used in financing activities	-830	-750
Cash at the beginning of the financial year	120	500
Cash at the end of the financial year	370	120
Notes to the Statement of Cash Flows		
Reconciliation of Cash		
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:		
Cash	40	25
Deposits at call	530	180
Bank overdraft	-200	-85
	370	120

9

Are there any areas that are a particular concern?

As well as the organisation-wide overview you get from the Statement of Financial Performance you'll also need to know what's going on in each separate area.

You'll want to know whether your programs or your fundraising events are making money or not. If you get any grants, you'll have to be able to account for them separately. If any of your donations had strings attached, you'll need to be able to trace them through the accounts and prove that you haven't diverted them to the general budget.

Casting them separately this way enables you to see if one of your projects is losing money, even if you're in overall surplus. This doesn't mean you should close it down – you're a not-for-profit, and cross-subsidy is quite within your possible goals – but it's something you should be aware of.

Note, too, that exercises like this don't really make sense unless you budget for them properly – that is, unless you include in the project costs a fair share of the central administrative costs. It's easy for a project to make an accounting profit if it doesn't have to pay for all the back office overhead, so pass it around – either pro rata or, if you can manage it, by actual costs.

It's also important to have a project-by-project, or section-by-section, breakdown when you have money that's tied to particular projects. It may be the case, for example, that the Goodworks grant is tied to one particular project and can't simply be picked up and used to plug the gaps in the other parts of the organisation,

in which case you don't in practical terms have a surplus of $21,602 but rather a surplus of $52,289 and a separate and distinct deficit of $30,687, which is much more tricky.

There are other equally valid ways to split the accounts up. In Canada, not-for-profits have the option of classifying expenses by object (e.g. salaries), function (e.g. administrative as against hands-on) or by program (as above).

In the U.K., charities are required to provide quite detailed breakdowns – they have to separate out, for example:

- Donations
- Incoming resources from the operating activities of the charity, distinguishing between
    - investment income
    - costs of generating funds
    - charitable expenditure, showing separately:
        - grants payable in furtherance of the charity's objects
        - costs of activities in furtherance of the charity's objects
        - support costs for the above; and
        - resources expended on managing and administering the charity.

It's not always easy to make distinctions between, say, support costs for your pointy end work and administration costs for the organisation as a whole, but if your organisation is big enough it's something you should consider doing.

In Australia there are no special rules applying to not-for-profit accounting, and if your funders don't have their own requirements you can put into your tables whatever suits your particular patterns best.

In the sample statement on the next page you can see that of the two fundraisers the Mary Poppins Centre runs each year, the therapy camp both raises less and has a lower cost/profit ratio – not a condemnation, but a point to consider. Note, too, that without the Goodworks project the organisation would be in deficit.

Mary Poppins Therapy Centre
Project Budgets

Actual 12-13	Core Operations	Goodworks Funded Project	Therapy camp	Fundraising event	Total
Grants - Government	0				0
Grants - Foundations	16,500	100,000			116,500
Seminars & Consulting	38,219				38,219
Donations	55,257				55,257
Therapy Camp	0		25,203		25,203
Tea Party Donations	0			22,480	22,480
Membership	2,833				2,833
Sponsorship	51,000		2500		53,500
Interest	2,664				2,664
Earned Income	19,663				19,663
Sundries	19				19
Total Income	**186,155**	**100,000**	**27,703**	**22,480**	**336,338**
Equipment	28,489	13,000			41,489
Rent	24,728				24,728
Salaries	168,536	25,500		2000	196,036
Camp expenses	0		11,541		11,541
Gas,Light,etc	2,515	748			3,263
Insurance	5,071	1,508			6,579
Photocopying / Printing/Stationery	2,955	878		500	4,333
Telephone & Internet	2,471	735			3,206
Travel	5,875	1,747			7,622
Web Page Design & Maintenance	2,142	637			2,779
Other costs	9,953	2,959		250	13,162
Total Expenditure	**252,735**	**47,712**	**11,541**	**2,750**	**314,738**
Deficit/Surplus	**-66,580**	**52,288**	**16,162**	**19,730**	**21,600**

10

How do I stand guard on the money?

All organisations need policies and procedures to protect the organisation and the people within it. Such procedures include financial controls, an area that falls squarely into the ambit of the Treasurer.

You have to have controls over money going out –

- ☑ Quotes required for purchases over a given sum
- ☑ Authorised purchase orders for all purchases (except if they come out of petty cash)
- ☑ Payment by cheque, card or e-commerce only – no cash (except for petty cash)

And money coming in –

- ☑ Making out a receipt for any incoming payment
- ☑ Storing cash safely
- ☑ Banking income as soon as possible.

You also have to watch things that are equivalent to money – assets, through the assets register, and pay. Overtime and leave must be authorised, and reviewed.

> If one of your employees suddenly drives up in a Lamborghini, wonder a little.

Protective strategies

Pre-checks

Have a screening policy for your employees and volunteers.

- ☑ Verify that they did work where they say they did.
- ☑ Get explanations for any large gaps in employment.
- ☑ If they're working with money, run a police check.
- ☑ Verify their qualifications.
- ☑ Check on any references.

Monitoring

Take note of employees who are too good to be true – who work out of hours and seldom take holidays, or, to put it another way, work without supervision and don't let anybody else take over their job.

If one of your employees suddenly drives up in a Lamborghini, wonder a little.

Don't jump to conclusions, but it wouldn't hurt to run a few extra spot checks.

Supervision

Make sure that supervisors aren't neglecting their duty to look seriously at the documents that pass in front of them – approval of purchase orders, for example.

Keep up your standard reconciliations – bank accounts against cheques, budgets against actuals – and follow up any discrepancies.

Organise spot checks on outgoing invoices, cash payments, and cash receipts.

Access

Restrict access to premises, cash registers, computer systems and safes to employees who require access to perform their job. Ask yourself which doors need to be kept locked.

Set in place a data system that records when items have been altered.

Consider camera surveillance after hours.

Checks

Keep up your standard reconciliations – bank accounts against cheques, budgets against actuals – and follow up any discrepancies.

Organise spot checks on outgoing invoices, cash payments, and cash receipts.

Policies

Put in place a range of financial management and financial control policies spelling out who can sign cheques, what expenses can be reimbursed and what constitutes an acceptable use of computers, vehicles and equipment.

See **www.ourcommunity.com.au/policybank** for a range of sample policies you can use as a starting point for your own.

11

Do I need to worry about fraud?

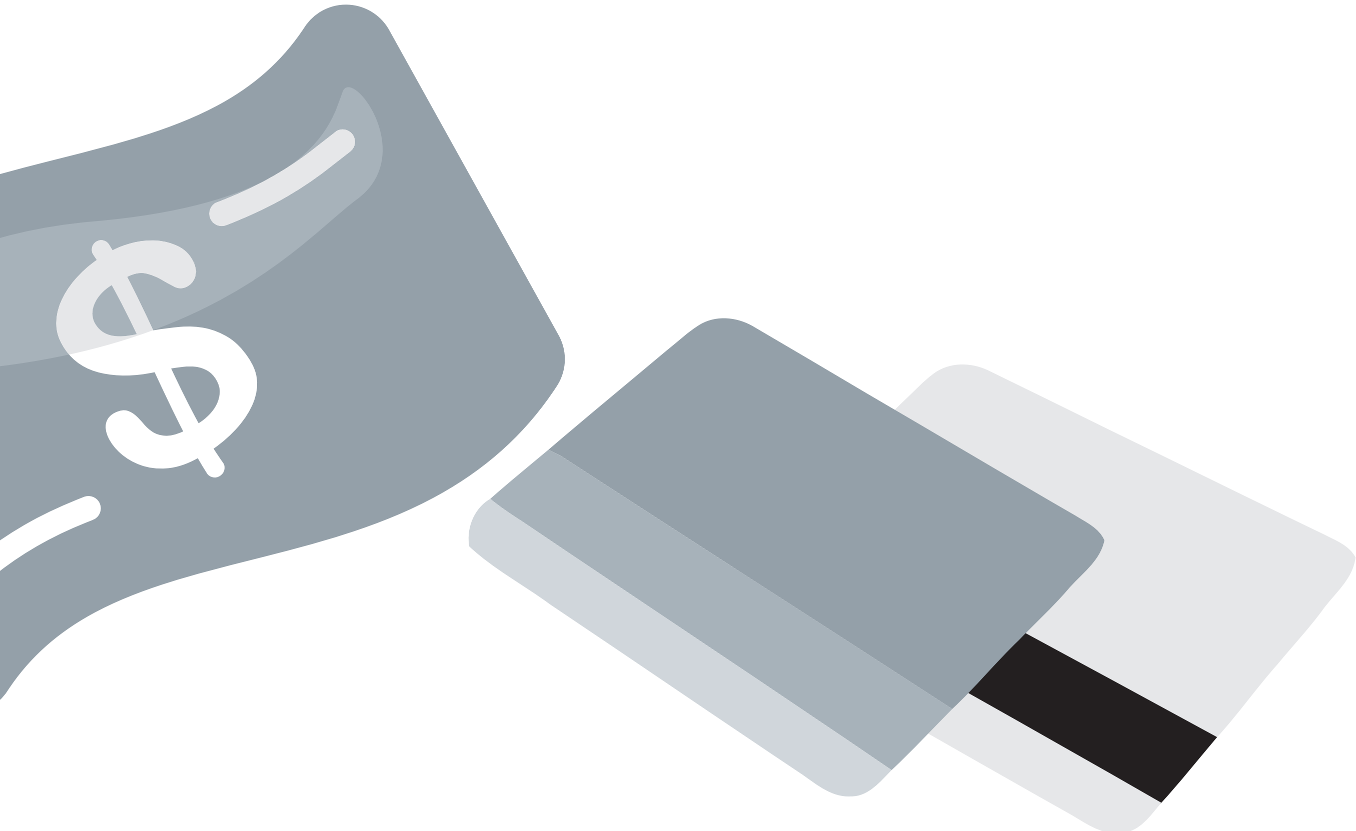
Yes. There's no point gilding the lily – fraud can and does happen in the not-for-profit sector.

Trust everybody, but cut the cards.

Never assume that – just because you're a not-for-profit and everyone's committed to working unselfishly for the greater good – you can afford to ignore the possibility of fraud.

If you want trust, work within a framework of suspicion. For starters:

- The person who receives goods shouldn't be the person who authorised the purchase order.
- All outgoing payments (whether by cheque or online payment) should have to be signed off by at least two authorised people.
- Select signing officers (for cheques, and for online banking) with care – they need to be both available for authorising payments at short notice and above reproach. Select more than two signing officers in order to provide coverage if one of the regular officers is unavailable.



- **Never ever EVER** sign a blank cheque.
- Anybody who handles significant cash should probably have a criminal records check.
- Formulate and circulate a Fraud Risk Management Policy (see **www.ourcommunity.com.au/policybank** for a sample policy).
- Include fraud prevention and detection procedures in relevant staff/volunteer induction and development activities.
- Make it clear that all complaints of suspected fraudulent behaviour will be investigated and, if warranted, reported to police.

You will begin, of course, with a bookkeeping system that can keep track of where money comes from and where it goes. Any bookkeeping system can be subverted by false entries, though, and so you will need to ensure that no one person has easy access to all points of the system and that regular reviews and checks are built in.

The Treasurer must be confident that these systems will guard against fraud or user error, and has to be able to demonstrate that to Board members.

12

What else should I be afraid of?

Trading while insolvent.

One of the things – in fact, *the* thing – you absolutely mustn't do is allow the organisation to spend money it hasn't got and hasn't got any prospect of getting. This is known as trading while insolvent, or (more commonly) stiffing your creditors.

Insolvent trading is illegal, and can attract penalties – but that's the least of your worries.

As long as you're not proposing to default on your debts the rest of the world will, by and large, let you do what you like. Once you owe them money you can't pay, all bets are off. They may well decide to come in and take it, hitting the Board – and you – as *individuals*.

"Hey," you might say, "I thought that was why we incorporated – so that we could only be sued as an organisation, not as individuals." Well, yes, but there's a catch; that protection only applies if the Board hasn't been negligent, and if you've been trading while insolvent that normally means that there's been the kind of stuff up that tends to point at negligence.

It's the responsibility of every Board member (and *especially* the Treasurer) to ensure that systems are in place that will prevent the organisation from trading while insolvent. Any breach of this requirement can create financial risks for individual Board members, which is why they have to be able to read and understand the budget papers at least far enough to know whether the organisation is solvent.

This doesn't mean your group can't go into debt. You may, if you've considered the situation in depth at length, go into the red *for a time* provided that you believe (on reasonable grounds) you will be able to pay the bills when they eventually come due. However, you'd better be really, *really* sure that the money's going to come in before the deadline. Just hoping does not cut it.

Former school directors to court

Jewel Topsfield
February 19, 2013

THREE former directors of Mowbray College have been summonsed to appear in the Supreme Court next month over their role in the management of the failed school, which closed last year with debts of $18 million.

Fairfax Media understands John Ralph Wallace, Anthony Keirsten-Wakefield and Kevin Raymond Scott Yates will be summonsed to answer questions about their involvement with the school.

Up to 1200 students and 200 staff were shocked to learn in June last year that their school would close within days.

But in a letter last year, liquidator Jim Downey said his preliminary view was that Mowbray College may have been insolvent since 2007.

Mowbray College recorded losses every year from 2007 to 2011 apart from 2010, totalling almost $5 million.

In last year's letter Mr Downey said the school might have a claim against directors and officers for breaching their duty under the Corporations Act to prevent Mowbray from trading while insolvent.

Sydney Morning Herald

13

How do I keep tabs on what's going in and out?

Incoming payments

A receipt must be issued for every incoming payment.

Cash must be stored safely; if you can't get to the bank frequently, and if the amount of money you hold in the office is more than you can afford to lose, get a safe.

Don't let cash hang around. Get it down to the bank as soon as humanly possible.

Check over the bank statements and compare them to the receipts at least monthly.

Outgoings

Here are some rules of thumb for ensuring you're keeping a good watch on what's going out:

- ☑ Require authorised purchase orders for all purchases (except if they come out of petty cash) – see page 43.
- ☑ Make payment by cheque, card or e-commerce only – no cash (except for petty cash).
- ☑ Have an approved suppliers list for major purchases.
- ☑ Require several quotes for purchases (over a set limit).
- ☑ Have all supplier invoices reviewed for accuracy.
- ☑ Match all supplier invoices with their purchasing orders.
- ☑ Check all supplier invoices against the items themselves – that they've come in and that they're still there.

Mary Poppins Therapy Centre Inc.
Purchase Order

To: ....

Telephone: ....

Purchase Order No: ....

Email: ....

....

Date: ....

Ship to: ....

Department: ....

....

....

Item Number	Quantity	Unit	Description	Account to be charged	Unit price	Amount

Mark all shipments and invoices with purchase order number.

I certify that the above materials or services have been received as ordered and in good condition,

except as follows ....

Date received .... Department Head ....

14

How do I keep tabs on our assets?

Everybody needs an assets register. It will help your organisation to guard against theft (you should know if something's gone missing), and will be useful for you in claiming insurance after a burglary or a fire. An assets register will also allow you to:

- Maintain an adequate accounting record of assets;
- Maintain accurate records for depreciation;
- Provide management with information to help plan future asset investments;
- Record the retirement and disposal of assets.

You start your asset register by recording all physical assets, regardless of the funding source. Your list should include:

- Office equipment
- Motor vehicles
- Furniture
- Computers
- Communication systems
- Tools
- Any other equipment.

The asset register – hard copy or on computer (with a copy backup stored off-site) – has to be able to say for each item:

- What it is
- Where it should be
- (for equipment) What its number is (little stickers help)
- When it was acquired
- What it cost (if it's a purchase)/ What its value is (if it's a donation)
- What account the purchase money came out of
- What account its depreciation is entered under
- Whether it has been sold (and, if so, for how much)
- Whether it has been re-valued (and, if so, to what)
- Whether it has been thrown out.

Record each asset separately, except where multiple assets combine to perform one function, where the value of each component is less than $3,000 but the total value of the asset is more than $3,000 – a computer, say, consisting of a monitor, keyboard and CPU.

Treat replacing assets as a maintenance cost. If you don't know the original purchase cost, write in the cost of a comparable item at current prices. Include things like installation costs, computer cabling, transportation and any other associated costs incurred to make the asset usable. Use purchase orders, invoices and delivery dockets to provide the detail.

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

When you sell an asset, record the proceeds in your financial records as well as your assets register.

Someone should be required to write up new items as they come in. Set a minimum value – you don't want to count the pencils.

Once a year someone should take inventory, going around with the asset register and ticking every item as you confirm it's still there.

Assets Register

Organisation Name: .... Month: .... Year: ....

Asset Number	Description	Current Location	Purchase Date	Purchase Price	Requisition Number	Depreciation	Date last verified	Removed From Register	Notes

Prepared by: .... Date: ....

Checked by: .... Date: ....

15

How do I keep track of the cash?

Bank accounts should be in the name of the organisation, not any individual. The organisation's money shouldn't be mixed into any other account, and vice versa.

All cheques or electronic transfers over a reasonable sum MUST be signed off by at least two people.

All expenditure has to go through the bank accounts; never take money out of the donations bucket.

In fact, you should try to discourage cash payments altogether – having things going through the bank gives you much better records.

For any remaining cash transactions (small purchases only), keep a lockable petty cash tin, along with a petty cash book. Enter details of all payments. Ask people to keep receipts, even for very small items like milk.

Have someone independent look over the petty cash book regularly. Is supporting documentation authorised by someone other than the person maintaining the petty cash or the person making the claim?

Cash Handling Procedures

- [ ] Don’t let the same person take in the cash, process it, record it, and do the bank reconciliation.
- [ ] Record all cash receipts (including donations) when you receive them.
- [ ] Deposit all cheques into the organisation’s bank account.
- [ ] Give receipts for every cash donation.
- [ ] If you’re dealing with a lot of sales, cash registers are a good way of ensuring that every sale is recorded.
- [ ] If you’ve got a cash register, treat it as an unlocked safe and keep people away from it.
- [ ] If you have a cash register, have it reconciled regularly (by a different person to the person who uses it for sales).
- [ ] Keep donations in a locked box until they’re taken to the bank. Have them taken to the bank as often as possible (by a different person to the person who received the money).
- [ ] Check receipts against the bank deposit slips.
- [ ] Have the bank reconciliations done by a different person from the person who originally received the cash, the person who processed it, and the person who recorded it (this is much the same as #1 only the other way round, but it’s worth repeating).

16

How do I guard against risks?

Oversight of risk management often falls to the Treasurer, particularly in smaller organisations where helpers are thin on the ground.

Risks faced by your organisation can include

- Financial risks (shortfalls in cash, cost blowouts, failed investments, theft, fraud etc.)
- Physical risks (threats to the safety of your staff, volunteers, members and visitors posed by animals, vehicles, events, fire, food and drink, machinery etc.)
- Professional risks (threats posed to others by the advice and actions or inactions of your staff)
- Environmental risks (passive smoking, standing water, hazardous objects/ substances, unsafe trees, etc)
- Employee risks (threats posed to your staff and volunteers by clients and/or poor internal processes and procedures)
- Legal risks (conflict of interest, failure to comply with relevant laws and regulations)
- Reputational risks (reputational damage caused by stuff-up or scandal)

As part of your risk management process, you need to run through every possible risk and ensure you have done all you can to prevent them.

All of this involves quite a lot of estimation, but don't be afraid of guessing; it's better than waiting till you know for sure, because then it could be too late.

The criteria for analysing risk are based on Likelihood and Consequence - i.e. what is the likelihood of the risk occurring and what is the consequence of that outcome?

Draw up a simple grid –

High probability **Low impact**	**High Probability** **High Impact**
Low probability **Low impact**	**Low Probability** **High Impact**

The risks that you give highest priority to are the ones that fall into the top right corner of your grid.

Of course, you can't prepare for everything – that's where insurance comes in. Some types of insurance commonly taken up by not-for-profit organisations include:

- Property insurance
- Building insurance
- Public liability insurance
- Directors and officers liability insurance
- Personal accident (volunteer) insurance
- Worker's compensation

Other options include professional indemnity, fidelity (fraud), product liability, and travel insurance.

No person can tell you definitively what type of insurance policy your organisation needs. It's up to you to read what each policy costs and offers, assess your organisation's risks and make a decision based on those assessments.

For a full account of how to undertake a risk management process, including checklists and a comprehensive description of the types of insurance available to not-for-profits, visit Our Community's Insurance and Risk Management Centre at **www.ourcommunity.com.au/risk**

17

Who needs to know what?

As Treasurer, you have a number of important stakeholders.

The Board

The Board is arguably your most important stakeholder. The Board is responsible for the organisation's finances, and they've entrusted you with the task of keeping a close eye on things.

The Board needs to know at any moment how closely the organisation is keeping to its intended course, so it can take remedial measures if the budget's drifting off track.

Once the budget's been approved and put into operation the Treasurer has to keep an eye on how it's proceeding month by month, watching out for sudden divergences and unexpected developments (unfortunately, a blow-out in expenses is more common than an unexpected expansion in income).

On the basis of your reports, the Board may have to modify the budget – hold off on hiring new staff, say, or postpone new programs.

The Treasurer should provide to each Board meeting:

- Statement of Financial Performance (see page 26)

- Statement of Financial Position (see page 28)
- Comparison of Budget vs. Actual (see sample Treasurer's Report, page 57)
- Forecast to the end of financial year
- Commentary on variances and other assumptions (see bottom of sample Treasurer's Report)
- Cash flow statement (see page 30)
- An up-to-date download of the current bank account balances.

The Treasurer's Report must contain the details of any material change in the organisation's situation. Are the budget assumptions holding up? How does the balance sheet compare with what the budget predicted at this stage of the year? What's the explanation for any significant discrepancies? Every meeting should have in front of it something that gives a picture of the organisation's financial state of health.

On page 57, for example, is the report a Treasurer might make at the December meeting, bringing the figures up to the end of November.

Your job as Treasurer does not end when you place the documentation in front of the Board. It is necessary, for their safety and for yours, that they understand it. If nobody raises questions, you may need to prompt them. If you believe that they are simply bleeping over all financial issues, you may need to schedule some training sessions. Remember that financial terms like accrual and cash accounting mean nothing to some people, so explain the financial jargon.

As Treasurer, you must be able to keep the Board discussion on track and discourage long discussions of random variations to trivial amounts.

The Auditor

In most Australian states, incorporated associations are required to have their

> "Improving someone's financial literacy increases their psychological wellbeing by 6%*."

* Taylor MP, Jenkins SP, Sacker A, 2011, Financial capability and psychological health, Journal of Economic Psychology, 2:5 710-723

accounts audited once a year if their turnover is above a certain level.

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

If you can find an auditor who'll act pro bono, great. If you can't, you'll have to balance the advantages of squeaky clean books against the alternative uses you might have for the money (spending 25% of an organisation's gross income on auditors, for example, seems unbalanced).

An auditor has to be a member of the Institute of Chartered Accountants, CPA, or another prescribed body, must hold a recognised tertiary qualification majoring in accounting with an auditing component, and must be registered with the Australian Securities and Investments Commission. That's why they're more expensive than simple bookkeepers.

The auditor may perform tests on your accounting systems, review your internal accounting controls, examine corroborating documents, analyse your procedures, and check your cash accounts and other balances. They may also want to see your petty cash records and receipts, your chequebooks, your financial statements, your asset register, your bank statements and reconciliations, and your GST records.

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

Funders

Your organisation's funders need to know whatever it is they want to know, on a timeline that they prescribe, and in a format that they favour. They're the boss, you're the contractor.

If you receive recurrent funding, you will almost certainly have to submit your organisation's (most likely audited) annual finances each year.

If you've been given a grant to run a particular program, then you should expect to have to report back on how that's going, and acquit the grant at the end. In order to do all that efficiently, you'll need to make sure that expenditure in relation to that particular project is being tracked separately (see page 33).

Donors

The people who have made a donation to your organisation now have a stake in how it manages its finances.

You must be prepared to respond to donor's requests for information on how donations have been used – even better if you're on the front foot and issuing regular fundraising updates.

Some donors (particularly large ones) can become even more pernickety in their demands for information or influence. In such cases, you may need to balance your need for their donation with their need for control.

The members

By law, your organisation's members must get a report every year that gives a true and fair view of the financial position and performance of the association during and at the end of its last financial year. That's basically the same end-of-financial-year accounts that you send to the regulators.

Under one interpretation, that's about as far as the rights of the membership go. The organisation is governed by the Board in the same way that the country is governed by the Cabinet, and the average citizen doesn't get to front up to Treasury and demand to check their addition.

With not-for-profits, though, there are complications. In Victoria, for example, the Associations Incorporation Reform Act says that every constitution must contain "Provision for members to have access to, and to be able to obtain copies of, the records, securities and other relevant documents of the incorporated association".

Still, if you're as open with the membership as you should be – letting them know of any major developments (including your setbacks) and listening to their feedback – this won't often be a problem.

If there's a crisis, or even hints of a crisis (particularly if there's been media coverage) this is even more important. Your members need to be worded up. They're almost the only people you can count on to listen to your story rather than assuming the worst from the outset.

If you have them informed and energised, you may be able to keep them on board, or even get them to help to swing word-of-mouth in your favour.

Mary Poppins Therapy Centre – Treasurer's Report

	Actual 12-13	Budget 13-14	Actual to Nov	Budget to Nov
Grants - Government	0	5,000	5,000	5,000
Grants - Foundations	116,500	125,000	50,0001	75,000
Seminars & Consulting	38,219	40,000	23,342	20,000
Donations	55,257	55,000	12,000	14,000
Therapy Camp	25,203	28,000	2,438	0
Tea Party Donations	22,480	22,000	3,321	2,000
Membership	2,833	3,000	2,675	2,520
Sponsorship	53,500	55,000	33,0002	30,000
Interest	2,664	3,200	678	800
Earned income	19,663	25,000	13,209	12,500
Sundries	19	0	55	0
Total Income	**336,338**	**361,200**	**145,718**	**161,820**
AGM costs	916	1,000	878	1,000
Communication Equipment	12,577	15,000	11,333	10,000
Office Equipment	28,912	18,000	4,458	6,000
Rent	24,728	24,728	10,303	10,303
Salaries	177,131	222,000	93,431	92,500
Superannuation	15,942	24,420	10,277	10,175
Workcover	2,963	1,800	300	750
Camp expenses	11,541	12,000	4,453	4,000
Cleaning	499	500	200	208
Computer Costs	600	1,200	685	500
Gas, Light, etc	2,515	2,500	856	1,042
Insurance	5,071	5,500	4,8003	2,292
Photocopying /Printing/Stationery	2,955	3,000	1,324	1,250
Postage/Freight	295	300	88	125
Telephone & Internet	2,471	2,600	1,134	1,083
Repairs & Maintenance	152	200	76	83
Travel	5,875	6,000	2,756	2,500
Web Page Design & Maintenance	2,142	2,200	1,000	917
Staff training	1,504	1,500	845	625
Bank fees	124	150	47	63
Other expenditure	5,863	6,300	2,764	2,625
Total Expenditure	**304,776**	**350,898**	**152,008**	**148,041**
Deficit/Surplus	31,562	10,302	-6,290	13,779

1. *The Syndactyly Foundation grant payment was not received until December.*
2. *Additional funding has been obtained from the Chocolate Frosted Sugar Bombs partnership.*
3. *A new Board Member Indemnity policy has been taken out.*

18

Where should I bank our money?

When choosing a banking partner for your organisation, there are a few key questions you should ask. Make notes as you go (see example Bank Assessment Chart on page 61):

1. What do you need?

Before you even start looking into which bank will be best for your group, you need to know exactly what you want.

Think carefully about how you operate your finances, and how you might want to manage them in the future. Have a look at your statements to see how you have used your accounts in the past.

Some key considerations will include:

- **Online/offline:** It's almost inconceivable that any modern not-for-profit organisation would want to operate purely offline these days. Online banking offers not only ease of access, but an inbuilt paper trail, making it easier to track every transaction.
- **Cheques:** Do you need a chequebook? Or could you get by making payments in cash and online?
- **Credit:** Do you need credit cards or access to loan finance? What type of credit, how much and how often?
- **Investments:** If you're just parking money until the bills come in you'll want a short-term investment like a savings account or a short-term deposit. If you've got funds that aren't already committed to a project and aren't needed for your running costs, you have

more options. You want to keep your money safe, and you want it to work for you. These two aims are not entirely compatible. You'll need to work out your own organisation's risk appetite.

- **Payment processing:** Do you need some way of processing incoming funds such as membership fees? What volume of transactions do you need to process per month?
- **Banking support:** Do you need banking support or use of portable devices during offsite fundraisers? Do you need access to a designated specialist banker? Do you need a bank that offers face-to-face service through a local office?

2. Who can give us the best deal?

You need to try to get the very best banking deal that you can for your organisation, so this question is really important. While it might be tempting just to stay with your existing bank for the sake of ease, doing so could hold you back or cost your group valuable funds.

Check out the not-for-profit banking offer provided by each of the banks (look at the Big Four banks – Commonwealth, NAB, Westpac and ANZ – as well as some of the smaller players in your region).

List your organisation's needs. For each need, and for each bank, ask:

- What does it cost?
- What does it include? (For example, how many free transactions are included with their day-to-day account? What sort of security is provided?)

Make some judgements as you go – at the end of each "needs" column, nominate a "winner". This will help you to make a final decision later about which bank is right for your organisation.

3. Who do you trust?

This is a less clear-cut consideration but it's worth thinking about nonetheless. You need to be sure that the bank you go with eventually:

- Understands the needs of the not-for-profit sector in general, and your organisation in particular;
- Is accessible – that it's easy to get the information you want either online, by phone or in person (depending on your preferences);
- Is reliable and unlikely to fail or shut your local branch; and
- Is responsible – values are important to not-for-profit organisations. Don't put your money with an institution you don't respect or don't believe truly believes in community.

4. How easy is it to switch?

Ask prospective banks how easy it is to switch your accounts to them. Ask if they have a switching service that will help to make the transition smoother. Ask how long the process takes, how easy it is to get the forms, and how many people will need to be involved in the process.

Bank Assessment Chart

Needs → Banks ↓	e.g. internet banking (average 20 transactions per month)	e.g. investment account ($20,000, 12-month term)	e.g. overdraft facility ($5000)	e.g. trust	e.g. ease of switching
CommBank					
NAB					
ANZ					
Westpac					
Bendigo					
St George					
bankmecu					
ING					
etc.					
Winner →					
Overall Winner →					

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What should I do with our bank statements?

Keeping on top of the organisation's transactions involves having someone reconcile the bank statements with the in-house records at regular intervals, checking for errors or omissions (with the extra advantage of confirming your balance).

Line by line, go through the bank statement and identify the transactions that each entry represents. Tick them off against the cheque stubs and receipts. Where you have uncashed cheques, note the amount.

Note the bank charges to make sure you're not using your accounts inefficiently.

Check bank deposit amounts against your receipts records. If there are receipts with no corresponding deposits (and there shouldn't be – bank all money as soon as possible) note those amounts.

Take the bank balance (plus any outstanding deposits, less any outstanding cheques) and subtract last month's adjusted balance. Add up all the cash receipts since last month and subtract the outgoing payments. Those two figures should match; if they don't, go over the figures looking for the difference until you find it and they do.

Sample Bank Reconciliation

1. Balance from bank statement			121,707.17
2. Add: Deposits in process		121,707.17	
Total additions			1,200.00
			122,907.17
3. Less: Outstanding cheques	J. Hamda	967.56	
	L. Waile	476.69	
Total additions			1,444.25
4. Balance per books			***121,462.92***

DOUBLE-CHECK

5. Previous month's balance	112,246.73
6. Add: Cash receipts	14,406.00
7. Deduct: Cash disbursements	5,189.81
8. Reconciled bank balance	***121,462.92***

Difference between (4) and (8)	***0.00***

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What do I need to do to prepare for the future?

Now that you're fully abreast of what the organisation's finances are looking like, you've got your processes in place, and everyone's fully informed, you need to start thinking about the future.

Your organisation is operating in a crowded marketplace. You have rivals and competitors as well as allies and stakeholders, and these are different in different areas (and sometimes swap places).

Everything is liable to changing at any time, and your organisation will need to change as well to meet new challenges. Your strategy and your plans must be tailored to the situation you face and the resources you have available.

SWOT Analysis

As Treasurer, you should take a keen interest in your organisation's SWOT Analysis, a process designed to identify your organisation's Strengths, Weaknesses, Opportunities and Threats. You need to know what's coming that could threaten the bottom line, and what you could be doing to strengthen it.

A SWOT Analysis creates a picture of your organisation and its place within its operating environment and beyond. It typically will involve consideration of the following questions:

Strengths	Weaknesses
• What are your advantages? • What do you do well? (What do you boast about?) *Don't be too modest, but be realistic.*	• What could be improved? • What is done badly? (What's embarrassing?) • What should be avoided? • What should you be doing that you can't? *Do other people (your clients, your consultants) perceive weaknesses that you don't see? Do your competitors do any better? Face unpleasant truths.*
Opportunities	**Threats**
• What are the positive things you could be doing that you're not doing already? • What are the next steps to doing them? • What are the trends in your community (changes in technology, changes in government policy, or changes in social patterns, population profiles, or lifestyle changes) that you could stand to benefit from?	• What obstacles do you face? • What is your competition doing? What is it planning? • What are your funders doing? What are their plans? • Are the required specifications for your services changing? • How is the demand for your services? Are your clients less satisfied or more satisfied than clients of other similar services? Are they less satisfied or more satisfied than they were 12 months/ five years ago? • Do you have any finance or cash-flow problems? • Are your staff members all settled, or could they leave a gap suddenly? Could you do what you're planning if that happened?

> Guessing is not a dirty word, provided that your guesses are as educated as they can be.

The Strategic Plan

Your SWOT Analysis should be used to inform your Strategic Plan. This is your organisation's compass, setting out where you want to be in the future to fulfil your objects and your mission.

It's not simply wish fulfilment, though; it must take account of the world you have to work in, and the Treasurer has a big role to play in reining in projections that have no reasonable hope of achievement.

A Strategic Plan should cover a good length of time, three to five years at least, to give you a chance to get things bedded down and to lift your vision above the hassles of the yearly budget.

See page 68 for an example of what your Strategic Plan might look like.

The Business Plan

You need to convert all your organisation's plans and aspirations into dollars and cents. That's where the Business Plan comes in. (We know, we know, you're a not-for-profit and you don't like using words like 'business', but in this case we hope you'll forgive us.)

The Business Plan answers the question, "How, exactly, are you going to get from where you are now to where you want to be?"

If you plan to do more work, will you need more staff? How many? What will they cost, with salaries and superannuation and insurance and equipment and other on-costs? If your fundraising targets are going up to cover this, where do you see the money coming from?

A Business Plan will look forward for three years or so, and correspondingly involves quite a lot of guessing. Guessing is not a dirty word, provided that your guesses are as educated as they can be. We can't be certain about the future, but any guess is better than not making a choice at all. See page 70 for an example of the sort of questions you will need to ask in formulating your plan.

More detailed information about planning processes for not-for-profits is available on the Institute for Community Directors Australia website – visit **www.communitydirectors.com.au**.

Strategic plan: Summary Table

What you want to see	What your specific goals are	What this involves	
	* To increase community awareness to enlarge customer base	• Active PR • Social media investment • Targeted advertising	
Mission 1 – Widely available excellent communication therapy in Victoria	* To increase therapy resources to meet increased numbers	• Employing 2 additional therapists • Moving to larger premises	
	* Increased client support	• Employing additional ½ admin officer	
	* To offer short course at tertiary institution	• Liaising with Fabtown University	
Mission 2 – More and more educated communication therapists	* To offer training places to 30 trainees p/a	• Liaising with Fabtown University	
	* To upgrade in-house training programs	• Organising courses	
	* To set a more accurate estimate of demand	• Conducting epidemiological study	
Mission 3 – Larger and more reliable communication therapy information base	* To record best practice	• Analysing clinical records	
	* To develop improved methods	• Comparing therapies	

You’d regard yourself as successful if you	When will this happen?		
	2014	**2015**	**2016**
• Increased client base to 10% of Victorian communication therapy target group	6%	8%	10%
• Had a total of 8 clinical staff • Had 10 room + facilities offices	6 clinical staff 5 rooms	7 clinical staff 5 rooms	8 clinical staff 10 rooms
• Had total 1.5 admin staff	1.0 admin	1.5 admin	1.5 admin
• Negotiated contract with Fabtown Uni		*	*
• Negotiated contract with Fabtown Uni • Prepared training materials		*	*
• Wrote curriculum • Prepared training materials	*	*	
• Employed consultant • Conducted study	*	*	*
• Designed study • Employed research assistant • Disseminated findings		*	*
• Designed study • Employed research assistant			*

Business Plan Outline

Executive Summary

- Who are you, and what's your big idea? Include a snapshot of your financial position.

Your Business and your Service

- **Mission Statement**

  What are your aims? What do you aim to achieve in the short, medium and long term (e.g. in one, three and five+ years)?

- **Your Organisation and Your People**

  People are your most valuable resource. Describe your staff, partners, volunteers and Board, skills, assets, funders, and donations.

- **Your Premises and Your Resources**

  What do you have to work with?

The Market

- **Why do you want to do this?**

  What's the need you're filling? Give the context for your project.

- **Risk/Opportunity**

  Why now? Why here? Why you?

- **Clients/Customers/Users**

  Who they are, and why they need what you're offering.

- **Competition**

  Who else is doing it? Describe who else is offering a similar service, and say why you're different.

- **Strategic Alliances**

  Who can help you? Note also that some competitors may double as partners.

Service Delivery

- How do you plan to do it?

Marketing & Promotion

- How are people going to know you exist? How are you going to make them want what you offer?

Financial and Capital Requirements

- What are you going to need? How much will it all cost? Divide it into
  - Capital costs (assets you need to buy) and
  - Revenue costs (running costs)
- **Sales and Financial Summary:** Lay out your pricing policy and projections. Forecast how much income you expect to generate, and set out your fundraising plans for the shortfall.
- **Existing Funding:** How much you have raised already, in kind or in cash?

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What's the budget for next year?

Now the future's mapped out, you need to zero back in on the detail. It's never too early to start thinking about your next year's budget.

Budgeting is simply the process of planning your organisation's finances for a specified period, usually 12 months. Your budget shows all the activities you plan to undertake expressed in terms of money – the first year of the Business Plan, expressed with more precision and less guessing.

A budget is a key management tool. Many not-for-profits operate with hardly any backup capital or reserves, and operating losses can have a devastating impact. Your budgeting will tell you whether your income is likely to exceed your expenditure, and if so by how much.

The Treasurer won't (or shouldn't) write the budget alone. It ought to be prepared in consultation with the Board and staff (if you have staff). Still, the Treasurer must play a lead role.

In compiling your budget, you need to

- review past records of revenue and income (membership, sales, grants, fundraising, interest, etc.);
- Look at past records of expenditure

(rent, wages, telecommunications, stationery, etc.);

- Guess at likely increases or decreases in the year ahead;
- Study the timing of costs and payments; and
- Run some alternative scenarios.

Most small not-for-profits draw up their budgets by taking the last year's budget and adjusting the revenues and costs by applying a percentage increase for inflation and incorporating any predictable changes. Budgets prepared this way are called ***incremental budgets***. The disadvantage of this method is that it doesn't ask whether what you did last year is what you should be doing this year. If you make a mistake one year, you'll probably repeat it over and over.

With ***zero-based budgeting***, you start from scratch each year and justify spending on a cost-benefit basis. You should review your activities regularly to see if the costs are still relevant. The disadvantage of this, of course, is that it's more work. Many organisations compromise by using the incremental approach for fixed costs and a zero-based approach for special projects.

Drawing up a budget involves a lot of guessing, and it's important to see how robust your guesses are. Do some 'what if?' scenarios. What if you need another staff member? What if a crucial Board member resigns? What if you lose a grant?

Imagine the worst and the best that could happen financially, then look at how the organisation would be affected.

Where you can't predict accurately, estimate. Be conservative in your estimates – expect your costs to blow out and your income to fall short.

The Treasurer's draft budget has to be formally approved by the Board before it becomes official, and the approval must be noted in the minutes. In the end, it's the Board's budget, not the Treasurer's – only the Board can authorise the expenditure of the organisation's funds.

Mary Poppins Therapy Centre – Annual Budget

	Actual 12-13	Budget 13-14
Grants - Government	0	5,000
Grants - Foundations	116,500	125,000
Seminars & Consulting	38,219	40,000
Donations	55,257	55,000
Therapy Camp	25,203	28,000
Tea Party Donations	22,480	22,000
Membership	2,833	3,000
Sponsorship	53,500	55,000
Interest	2,664	3,200
Earned income	19,663	25,000
Sundries	19	0
Total Income	**336,338**	**361,200**
AGM costs	916	1,000
Communication Equipment	12,577	15,000
Office Equipment	28,912	18,000
Rent	24,728	24,728
Salaries	177,131	222,000
Superannuation	15,942	24,420
Workcover	2,963	1,800
Camp expenses	11,541	12,000
Cleaning	499	500
Computer Costs	600	1,200
Gas, Light, etc	2,515	2,500
Insurance	5,071	5,500
Photocopying /Printing/Stationery	2,955	3,000
Postage/Freight	295	300
Telephone & Internet	2,471	2,600
Repairs & Maintenance	152	200
Travel	5,875	6,000
Web Page Design & Maintenance	2,142	2,200
Staff training	1,504	1,500
Bank fees	124	150
Other expenditure	5,863	6,300
Total Expenditure	**304,776**	**350,898**
Deficit/Surplus	31,562	10,302

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How do I know we won't be caught short?

All not-for-profit organisations need to manage their cash flow so they have enough money on hand to pay the bills when they come in. Timing is critical. If you run out of cash at the wrong time and you can't make arrangements to cover the shortfall you may end up in trouble over something as trivial as a phone bill.

If you're not in control of your cash flow, minor problems can escalate. You could have to lay off staff or, in the worst-case scenario, wind up your organisation. Even basically profitable organisations can go under (and have) because of cash flow problems.

When you're drawing up your budget, you'll have to estimate cash flow over the next year, too – with a *cash flow forecast* (sometimes called a *cash budget*) that allows you to predict what cash you think will come in and how much will go out over the period.

Start with previous budgets and previous cash flow statements and forecasts to see if there are any clear patterns of income and expenditure (do membership fees all come in at one time of year, for example? Do you get more donations in July and December? When is your recurrent funding due?) – then consult your current strategy and budget to see if any major new income or expenditure spike is expected and, if so, when this is likely to occur.

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

Cash flow budgets, as you might expect, use *cash accounting* rather than *accrual accounting*, as outlined below.

Cash and accrual accounting

Most small and medium not-for-profit organisations operate on the cash accounting system (sometimes called receipts and payments accounting). It seems more natural; you enter a grant cheque in the accounts under the date you received it, you add up what you have in the bank and make plans to spend it. Cash accounting is, unsurprisingly, based on cash flow budgeting.

The trouble with cash accounting is that money isn't everything. There are also forward commitments. If you're just looking at the cash accounts, these can be quite accurate but horribly misleading. Let's say you get a $100,000 grant on New Year's Day 2015 from the Goodworks Foundation to pay for two therapists for a year. Great! By April you have an extra two (part-time) therapists on staff at $50,000 each. In that financial year you've got an extra $100,000 in the books and you've only spent $25,000, leaving you $75,000, which the Board decides to spend on refurbishing the building.

Only you didn't make a profit of $75,000 that year; it was an illusion. You actually agreed to get $100,000 and to spend $100,000, a profit of zero. In 2015-6 you're committed by the terms of the grant to spend $75,000 on that project, and there'll be no more money coming in to fund it. If you had believed your cash accounts, you'd be ruinously overcommitted. Under accrual accounting, you wouldn't have taken that $100,000 into the Income column until you'd actually earned it and were entitled to keep it.

> "If you're not in control of your cash flow, minor problems can escalate."

Conversely, if you buy something on 12 months' credit – furniture, say – you enter it immediately under accrual (because you've made a commitment); under cash accounting, you enter it only at the end of the year when you write out the cheque.

Accrual accounting isn't an entirely straightforward process, and you'll probably want an accountant around to handle it. This may be difficult, or expensive, which is why cash accounting is still the norm for smaller organisations.

Either system is perfectly workable, if the Treasurer does their job (which under cash accounting would involve, for example, stopping the Board from spending $75,000 on refurbishment because that's going to be needed for salaries later). If you do decide to go for accrual accounting, though, the Board has to know that this is happening, and it will be your job to explain to them how this is going to work.

Mary Poppins Therapy Centre – Cash Flow Budget

	Budget	July	Aug	Sep	Oct
Grants - Government	5,000	0	0	5,000	0
Grants - Foundations	125,000	0	50,000	0	0
Seminars & Consulting	40,000	4,000	4,000	4,000	4,000
Donations	55,000	5,000	2,000	2,000	2,500
Therapy Camp	28,000	0	0	0	0
Tea Party Donations	22,000	2,000	0	0	0
Membership	3,000	80	80	80	80
Sponsorship	55,000	5,000	25,000	0	0
Interest	3,200	0	0	800	0
Earned income	25,000	2,500	2,500	2,500	2,500
Sundries	0	0	0	0	0
Total Income	361,200	**18,580**	**83,580**	**14,380**	**9,080**
AGM costs	1,000	0	0	0	0
Therapy Equipment	15,000	5,000	0	0	0
Office Equipment	18,000	0	0	6,000	0
Rent	24,732	2,061	2,061	2,061	2,061
Salaries	222,000	18,500	18,500	18,500	18,500
Superannuation	2,4420	2,035	2,035	2,035	2,035
Workcover	1,800	150	150	150	150
Camp expenses	12,000	0	0	0	1,000
Computer Costs	1,200	100	100	100	100
Gas, Lights, etc	2,496	208	208	208	208
Insurance	5,496	458	458	458	458
Printing/Stationery	3,000	250	250	250	250
Postage/Freight	300	25	25	25	25
Telephone & Internet	2,604	217	217	217	217
Travel	6,000	500	500	500	500
Web Page Design & Maintenance	2,196	183	183	183	183
Staff training	1,500	125	125	125	125
Bank fees	156	13	13	13	13
Other expenditure	7,008	584	584	584	584
Total Expenditure	**350,908**	**30,409**	**25,409**	**31,409**	**26,409**

Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
0	0	0	0	0	0	0	0
25,000	0	0	25,000	0	0	25,000	0
4,000	0	0	4,000	4,000	4,000	4,000	4,000
2,500	2,500	2,500	2,500	2,500	5,000	1,000	25,000
0	28,000	0	0	0	0	0	0
0	0	0	0	0	0	0	20,000
2,200	80	0	80	80	80	80	80
0	0	0	25,000	0	0	0	0
0	800	0	0	800	0	0	800
2,500			2,500	2,500	2,500	2,500	2,500
0	0	0	0	0	0	0	0
36,200	**31,380**	**2,500**	**59,080**	**9,880**	**11,580**	**32,580**	**52,380**
1,000	0	0	0	0	0	0	0
5,000	0	0	0	5,000	0	0	0
0	0	0	6,000	0	0	0	6,000
2,061	2,061	2,061	2,061	2,061	2,061	2,061	2,061
18,500	18,500	18,500	18,500	18,500	18,500	18,500	18,500
2,035	2,035	2,035	2,035	2,035	2,035	2,035	2,035
150	150	150	150	150	150	150	150
3,000	8,000	0	0	0	0	0	0
100	100	100	100	100	100	100	100
208	208	208	208	208	208	208	208
458	458	458	458	458	458	458	458
250	250	250	250	250	250	250	250
25	25	25	25	25	25	25	25
217	217	217	217	217	217	217	217
500	500	500	500	500	500	500	500
183	183	183	183	183	183	183	183
125	125	125	125	125	125	125	125
13	13	13	13	13	13	13	13
584	584	584	584	584	584	584	584
34,409	**33,409**	**25,409**	**31,409**	**30,409**	**25,409**	**25,409**	**31,409**

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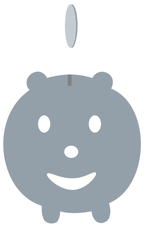
Where can we find more money?

If you're finding that your organisation's expectations are not matching its income, you need to revise your fundraising.

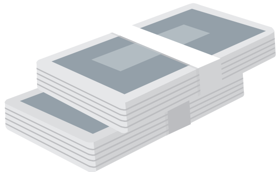
Many groups get into financial trouble because they have only two or three sources of funding, or because they only have two or three people really involved in raising money. If any one of the sources or any of the people goes away, you start to slide into trouble.

You need your group's money to be coming from as many sources as you can manage, raised by as many people as you can coordinate. A good fundraising plan rests on six pillars:



1. Donations:

Money from wellwishers will probably be among your top income sources. Your contact list of past donors and future prospects is an invaluable resource.



2. Grants:

Many not-for-profit organisations receive grants from philanthropic bodies or from federal, state and local governments, usually as a contract with agreed outcomes. One-off, project-based grants are more common than recurrent grants.

3. Business Partnerships:

Hook up with a business that shares your values and (possibly) your stakeholder base, and wants to project an image as a good corporate citizen. Think about what you can offer them, and what they could offer you in return (remembering that money saved through lower fees and pro bono assistance is money earned).

4. Membership/Alumni/ Friends-of:

Many not-for-profit organisations get a high proportion of their income from membership fees (sometimes referred to as alumni or friends-of schemes). If you don't have paid members, why not? If you have a fairly consistent membership base then you also have a fairly consistent, renewable revenue stream. If your potential membership list is big enough, consider introducing tiers, with prices (and benefits) set to suit particular groups.

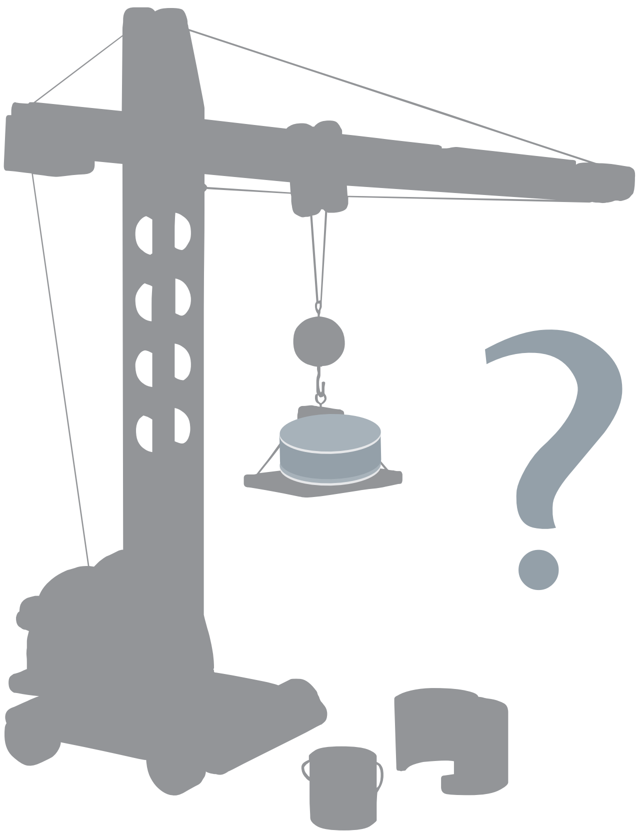
5. Special Events:

Fetes, fun runs, tea parties, dinner dances, trivia nights – special events are a great source of income for most not-for-profit groups. Note, though, that they can be risky. They generally call for many volunteers and good organisation and can turn out to be a disaster if the weather turns bad or people don't show up. Be careful about launching into them without careful planning. As the Treasurer, you need to ensure the hard questions are being asked:

- Is this going to make money?
- Is this going to make a profit?
- Is this going to make a profit after adding in all the administrative overheads, such as the time the office spends on it?
- Is this going to make a profit after adding in an estimate for the volunteer time spent organising and running it?
- Is it going to make more profit than going around and telling everybody involved that if they pay you $100 in cash they won't have to come?
- (And afterwards ...) Was it all worth it? Would we run it again? What would we do differently next time?

6. Earned Income:

Can you charge for what you do, or for any part of it? Can you rent out your offices or car park or equipment when you're not using it? Can you sell chocolates or cacti or broadband to your members? Can you deliver training in your group's area of expertise to others who could use it?



What does it cost us to raise a dollar?

What counts in fundraising is not how much was raised, but the cost/gain ratio – what would, in commercial organisations, be called the profit margin. Expenditure twenty cents, income one dollar, result: happiness. Expenditure twenty cents, income twenty-one cents, result: misery, or at least disappointment.

Of course, what is and isn't efficient or acceptable fundraising expenditure is not set in stone. There's no commonly agreed-upon expenses-to-income ratio.

There are a number of ways that you can monitor costs so that you can honestly assess how much it has taken you to raise a certain amount of money, and therefore whether the initiative was a great success, an investment in the future, a cost-efficient way to raise brand awareness, or a miserable failure.

You need to ask questions such as:

- Do your budgeting systems allow you to separate off the costs of each individual fundraising campaign? If not, what has to be done to fix this?
- Can you say what proportion of funds raised goes in costs? Are you sure you can explain the basis of your calculations?

Knowing your fundraising ratios will allow you to assess which activities are worth pursuing again (and which should be immediately cut), and to assure your donors that you're delivering their money to where it's most needed.

Legislation

The other reason to keep an eye on the ratio of fundraising income to expenses is that several states have legislation that refers to it.

In New South Wales, “Persons or organisations conducting appeals for donations only must take all reasonable steps to ensure that total expenses payable do not amount to more than 40% of the gross proceeds. In all other forms of fundraising, such as the sale of goods and services, the return must be fair and reasonable.”

The Australian Capital Territory, meanwhile, requires fundraisers, or at least those who are conducting the kinds of fundraising that fall under the Act, to explain on their application “details of the expenses of the collection” and also requires you to report after the event on the amount collected and the expenses incurred.

The Victorian authority says that a fundraising appeal can be forbidden if “the expenses payable … exceed a reasonable proportion of the total amount raised” and provides a guide to what the regulators take into account when making decisions about whether the administrative costs of a fundraising organisation are "reasonable". They look at whether, for instance, the administrative costs are comparable to other fundraisers (do they pay themselves higher salaries? Do they claim too much for overheads?), or whether the spending is in line with what the donors were told.

Some particular forms of fundraising (e.g. bingo, raffles) are in some states subject to the requirements of particular legislation or regulation, and it’s important to check these separately.

Check the rules in your state at www.fundingcentre.com.au

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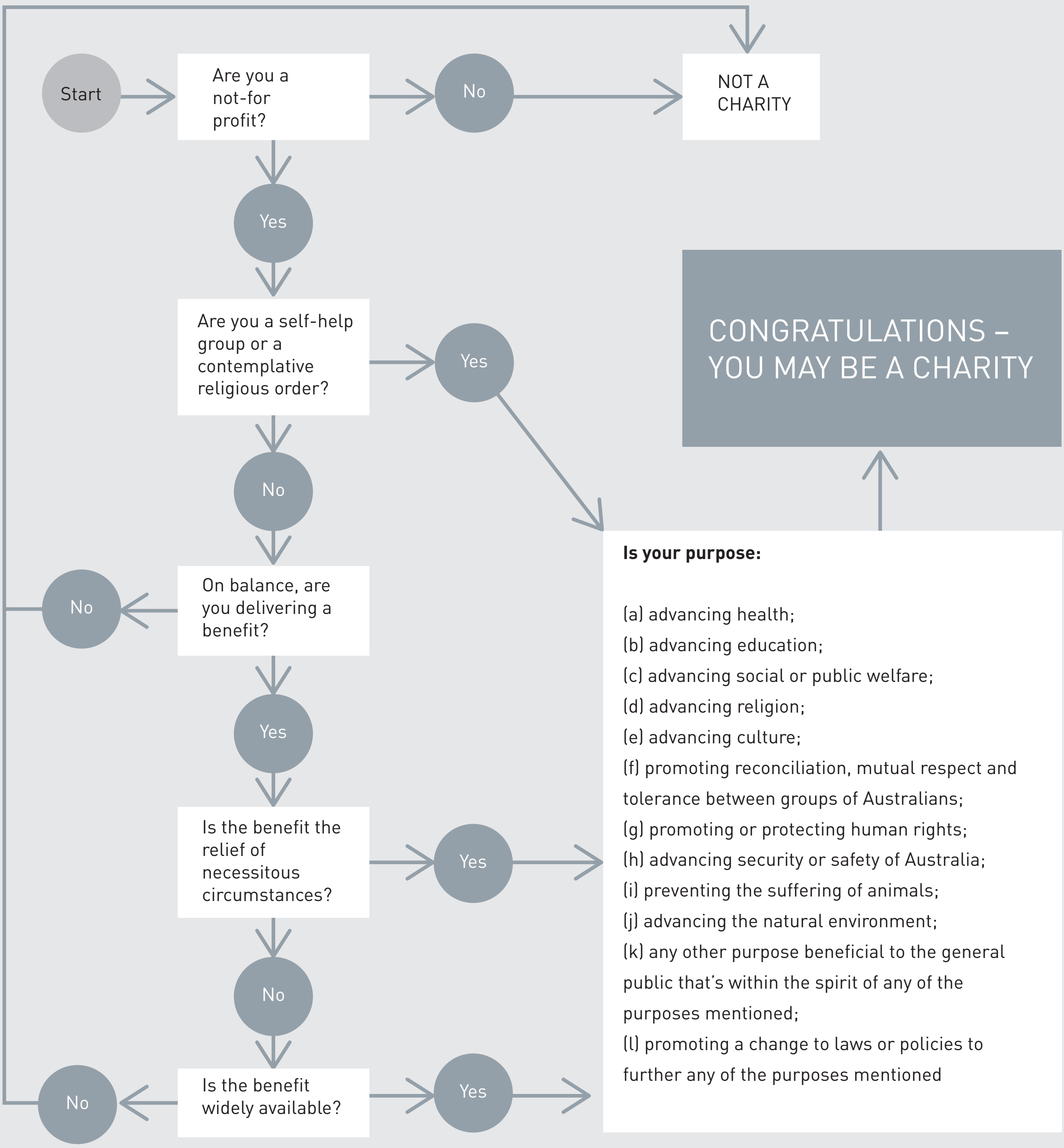
Are there any discounts or tax breaks we can get?

Taxes can be a nuisance. The good news is that not-for-profits don't have to pay some of them.

Firstly, you need to know what kind of an organisation you are. Unfortunately, this is not as clear-cut as you might think.

There are many different words for not-for-profits and community groups. Some of them (e.g. 'charity', 'public benevolent institution') have an official definition under the law, and deductions and rebates may be dependent on whether or not your group fits.

At the time of writing (early 2014), the rules regarding the definition of charity (and which body is responsible for saying who's in and who's out) are in a state of flux with a recent change of government. Check with either the Australian Tax Office or the Australian Charities and Not-for-profits Commission for the latest facts, but as a rough guide:



It’s very hard to get charitable status, but there are other categories of organisation (‘not-for-profit organisation’; ‘community service organisation’; ‘public benevolent institution’; ‘religious institution’) that also have tax benefits and that you might fall into. Different tax concessions are available for each (and, as always, "conditions apply"):

Tax concessions	**Not-for-profit organisation**	**Community service organisation (that is not a charity)**	**Charity**	**Public benevolent institution (PBI)**	**Religious institution**	**Deductible gift recipient (DGR)**
Tax-free threshold	✓					
Income tax exemption		✓	✓		✓	
Receives deductible gifts				✓		✓
Refund of franking credits			✓			✓
Fringe benefits tax (FBT) rebate		✓	✓		✓	
FBT exemption				✓		
GST non-profit concessions	✓					
GST charity/gift-deductible entity concessions			✓	✓		✓
GST religious organisation concessions					✓	

Source: Australian Tax Office

Fringe benefits tax

Fringe benefit tax concessions are worth a special mention here.

A wide range of not-for-profits are eligible for a fringe benefit tax rebate, or even a full exemption. That mean they're allowed to pay their employees partly in taxable salary and partly in untaxed fringe benefits without themselves being taxed on the money as other businesses are.

Which means that they're able either (a) to give their employees what is effectively a higher after-tax salary or (b) to pay them the same after-tax salary at less cost to the organisation.

Common fringe benefits come in the form of a car or a computer or a rural living allowance, but almost anything you can think of can be made into a fringe benefit – school fees, mortgage payments, even grocery bills, whatever your employees spend their money on.

While only Public Benevolent Institutions (PBIs) get the full exemption, a very wide range of not-for-profits are eligible for the partial rebate. Check the Australian Tax Office website for details.

This isn't a bottom-of-the-harbour scam – it's a deliberate subsidy by the Government to allow not-for-profits to offer wages packages that are more competitive with levels in private industry. If you're entitled to it, you should get it.

Tax deductible donations (DGR)

The rarest tax privilege of all is Deductible Gift Recipient (DGR) status (only about 20,000 of the approximately 600,000 Australian not-for-profit organisations have it).

> “The rarest tax privilege of all is Deductible Gift Recipient (DGR) status.”

If you have DGR status, people who give you money can take it off their taxable income at tax time, and thus get at least a third of it back.

This is even more important than it sounds at first, because many philanthropic foundations are able to give money only to groups with DGR status, and if you don't have it you are cut off from many possible sources of funding.

To get DGR status you have to be approved by the Australian Tax Office (ATO). If you're going to apply for DGR status, you'll need a lawyer who knows the not-for-profit sector and the Tax Act.

More detailed information about DGR status is available at **http://www.fundingcentre.com.au/help/dgr-status**

Other discounts

Of course, it's not just the Tax Office that you should look to for rebates and discounts. Various state governments offer rebates for things like stamp duty or water rates and some businesses like Microsoft (see **www.connectingup.org**) have an official not-for-profit discount program running.

Even where there's no official program, you can always make a call and try to lean on your not-for-profit status to see what they can do for you.

Every issue of *Our Community Matters* (Our Community's free membership newsletter) includes some freebies – sign up at **www.ourcommunity.com.au/signup**

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When should I get out?

So the books are in order, the processes are working, everyone knows what they need to know, the fundraising is humming and you've obtained all the discounts and rebates you're entitled to.

You've done a good job as Treasurer, and you've set the accounts on a sound footing. Nothing lasts forever, though, and eventually you will have to move on.

When? It varies. Your organisation wants expertise, continuity, and stability. On the other hand, you don't want to burn out, you don't want to become too set in your ways to embrace new opportunities, and you don't want to exclude young blood.

Of course, the decision might be forced upon you – some organisations set term limits to guarantee new blood, or you might just get voted out.

Either way, it's good to start making contingency plans.

You want your work to be carried on. You'd hate to see the system collapse into the fetid chaos that was the rule when you came along. So how can you plan for the long term? Succession planning is the key.

Don't leave it to the last moment to look around for your successor.

> Don't leave it to the last moment to look around for your successor.

Your Board should have a succession policy that identifies skills gaps and forthcoming gaps in your line-up and looks for suitable candidates to fill them. Ideally, the organisation would also have a reserves system, where members serve on ad hoc committees or standing committees to see if they're suitable – to see whether they turn up, read the papers, and make a contribution in the meetings.

If you've got a finance subcommittee, the people on that would probably be your first stop for your replacement. Bringing a new person on board and expecting them to learn both governance and finance straight out of the box is asking for trouble.

Look for

- honesty and integrity
- financial literacy
- enthusiasm
- good organisational skills
- good communication skills
- an eye for detail
- good decision-making skills
- an ability to work in a logical and orderly manner
- an ability to allocate regular time periods (weekly or monthly) to maintain the books
- an ability to keep good records
- an awareness of proper procedures for handling cash, cheques and other financial transactions
- a willingness to learn new skills, if necessary.

Resignation Checklist

- ☑ **Do you really need to go?** While it can be useful for Boards to be exposed to new blood and new ideas, it's also true that good Treasurers are a very precious commodity. Don't quit on a whim.

- ☑ **Give notice.** Giving as much notice as possible (some suggest as much as 12 months) will give the Board a better chance of finding a replacement and easing them into the role.

- ☑ **Discuss your reasons.** Let your Board colleagues know why you are leaving so they're not left wondering if they could have done something differently to keep you on board.

- ☑ **Formally resign.** Don't rely on a verbal indication of your intentions; if you have never officially resigned from the Board you could leave yourself open to legal problems down the track. Make sure you resign in accordance with your organisation's rules.

- ☑ **Leave a legacy.** Ensure that you leave a history of the work you have done and document any lingering ideas or organisational knowledge you have. Offer to provide a briefing to your replacement.

- ☑ **Tie up the loose ends.** Fulfill all outstanding commitments and refuse any new work. Return any property or material owned by the organisation.

- ☑ **Replace thyself!** By far the best parting gift you can give to a Board is to take away the headache of organising a replacement to carry on your work. While it's probably bad form to push your choice of a new Treasurer onto the organisation, providing them with some options will be very well received.

- ☑ **Stay involved.** If you're open to continuing your contribution to this organisation, there are lots of ways you can do it. You might remain as an ordinary Board member, serve on a subcommittee, or act as a mentor or advisor to the new Treasurer, for example.

Glossary

The not-for-profit sector has to operate in all Australian states and has to cope with a number of different legal formats. Consequently, there are a number of names for what are functionally much the same thing. Just for ease of reading we've settled on one common set.

When we say	***'Board'***	we mean	'Board' or 'Council' or 'Committee of Management"
When we say	***'not-for-profit sector'***	we mean	'not-for-profit sector' or 'non-profit sector' or 'community sector' or 'third sector' or 'voluntary sector'
When we say	***'not-for-profit organisation'***	we mean	'Incorporated Association' or 'Company Limited by Guarantee' or 'Cooperative'
When we say	***'Board member'***	we mean	'Board member' or 'Committee member' or 'Trustee' or 'Director'
When we say	***'Chief Executive Officer (CEO)'***	we mean	'CEO' or 'Director' or 'Manager' or 'Executive Officer'
When we say	***'clients'***	we mean	'clients' or 'customers' or 'users' or 'consumers'

Explanations for some technical terms used in this handbook are provided below.

Acquit

Report to grantmakers on how grants funds have been spent.

Assets

See Current Assets, Intangible Assets and Tangible Assets below.

Capital Expenditure

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

Operating expenditure is treated differently in the accounts from capital expenditure. In a budget, the cost of capital expenditure is spread over the expected life of the asset. The theory is that if the whole cost was put into one year's accounts that would give a distorted view of your profit and loss, so a depreciation charge is made each year instead.

Cloud (computing)

"The cloud" is a network of computers to which your local computer connects via the internet. You can save computer files and other data on the cloud instead of on your local computer, and you can access those files from other computers by utilising a service such as Dropbox or Box and a username and password.

Current Assets (see Assets)

Current assets are anything that the organisation owns that it's planning to turn over within a year. It includes cash in the petty cash tin, cash in the bank, inventory (items in the gift shop, for example), and accounts receivable (money people owe you).

Double-entry bookkeeping

Double-entry bookkeeping is the way the professionals do it. It involves writing everything down twice, as a credit to one account and a debit to another, which means that you have to keep a different account for every purpose. Its advantage is that it makes it easier to catch mistakes or misappropriations, and its disadvantage is that you have to think like an accountant (money in the bank counts as a debit, for example, not a credit).

If you're an accounting professional you'll know all about this, and if you're not you'll probably come up against double entry only insofar as it's the basic of your computer accounting package (which will do its best to hide this from you) and we're not going to cover it in any detail here.

Equity

Equity is your organisation's net worth. It is what your organisation would be worth if you cashed up today. It includes accumulated funds and any reserves you've put aside as a backstop.

Intangible Assets

Intangibles are such items as goodwill, brand value, and franchise rights. These don't feature largely in the accounts of most not-for-profits because they're difficult or impossible to sell to anybody else.

Non-Current Assets

Anything you're not planning to convert rapidly, or that you couldn't turn into cash in a hurry, is non-current – buildings, equipment, care or trucks.

Operating Expenditure

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

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

Operating expenditure is treated differently in the accounts from capital expenditure. Operating costs just go in as they happen.

Restricted Funds

Not-for-profits often have money that they're not free to spend as they wish. They may have received a bequest "to be spent on providing care for little children" and they can't spend that on adults, no matter how much they need it. They may have grants to fund particular programs, and they can't divert those funds to cover deficits in other areas (a grant is not a gift; write that on the back of your hand). Your budget has to be able to bring these funds together for some purposes and separate them for others.

Revenue

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

The Law

	The Associations Act	The Regulations
Australian Capital Territory	Associations Incorporation Act 1991	Associations Incorporation Regulation 1991
New South Wales	Associations Incorporation Act 2009	Associations Incorporation Regulation 2010
Northern Territory	Associations Act 2003	• Associations Regulation • Associations (Model Constitution) Regulation
Queensland	Associations Incorporation Act 1981	Associations Incorporation Regulation 1999
South Australia	Associations Incorporation Act 1985	Associations Incorporation Regulations 2008
Tasmania	Associations Incorporation Act 1964	• Associations Incorporation Regulations 2007 • Associations Incorporation (Model Rules) Regulations 2007
Victoria	Assocations Incorporation Reform Act 2012	Associations Incorporation Reform Regulations 2012
Western Australia	Associations Incorporation Act 1987	Associations Incorporation Regulations 1988
All States (Australian Centre For Philanthropy And Nonprofit Studies, QUT)	https://wiki.qut.edu.au/display/CPNS/State+and+territory+legislation+for+Incorporated+Associations	

ourcommunity.com.au

Where not-for-profits go for help

Our Community is Australia's Centre for Excellence for the nation's 600,000 not-for-profits and schools, providing advice, tools, resources and training. A multi-award-winning social enterprise, Our Community's offerings include:

- **OurCommunity:** Our Australia's most useful website for not-for-profit organisations, OurCommunity.com.au (where not-for-profits go for help) - accelerating the impact of Australia's 600,000 charities, community groups and schools.
- **Institute of Community Directors Australia:** Providing knowledge, connections and credentials for members of Australian not-for-profit boards, committees, trusts and councils, and the staff who support them, including the landmark qualification, the Diploma of Business (Governance).
- **Funding Centre:** Australia's best grants and fundraising hub, including a fully searchable and customisable grants database listing more than 2500 live grants, plus fundraising help sheets, news and tools.
- **GiveNow.com.au:** Australia's leading giving hub, providing commission-free online donations for not-for-profits, and philanthropy education for businesses, families and individuals - helping people give more, give smarter, give better, GiveNow!
- **Australian Institute for Corporate Responsibility:** Information and tools to help create stronger, more authentic linkages between businesses and their communities.
- **Australian Institute of Grants Management:** Best practice education, support, training and grantmaking services for grantmakers, including Australia's most-used online grants management solution, SmartyGrants.
- **The Innovation Lab:** Our centre for research and development - the engine room for hot-housing new technology and game-changing ideas to fuel the Our Community group of enterprises and drive social change.

CAN

Not-for-Profit Sector Banking

Commonwealth Bank Not-for-Profit Sector Banking

At Commonwealth Bank, communities are at the core of our vision: to excel at securing and enhancing the financial wellbeing of people, businesses and communities. For more than 100 years, Commonwealth Bank has supported Australian communities, including the not-for-profit organisations that help to sustain and strengthen them. And today we are making our banking solutions and service for our not-for-profit customers deeper and better than ever before.

In your world, it’s the people who make the difference, and that’s true in our world as well. At Commonwealth Bank, we have a dedicated Not-for-Profit Sector Banking Team, focused on tailoring our products and services to meet the needs of not-for-profit organisations, with smarter credit, reduced fees and the same focus on market-leading innovation we’re recognised for. Our goal is to help drive efficiencies that will deliver maximum benefit to your cause.

Your banking is good hands thanks to our accredited not-for-profit sector bankers, our not-for-profit investment team, our specialist transaction bankers, our 24/7 on-shore service centre, and our dedicated switching team.

ourcommunity.com.au

Where not-for-profits go for help