

Financial Management

Overview

Every organisation needs to develop a set of financial management policies and procedures that provides processes to follow by all those involved in the area of club management. Your organisation needs systems that provide for accountability, accuracy of record keeping and does not provide opportunities for mismanagement of club funds.

Unfortunately, many not for profit organisations are the target of dishonest and unscrupulous people who prey on such organisations. Tight internal controls, regular stock taking, cash flow forecasting and monthly reporting will go a long way to ensure your organisation is not the target of such activities.

Whilst the treasurer may be the key person to manage the day to day operations, the whole committee is accountable for financial management and record keeping of the organisation.

The volume of work will be dependent on the size of your organisation, the activities you are involved in and whether the organisation owns its own facilities and/or employs staff. Generally larger organisations have a finance committee to assist the treasurer and may also have an independent bookkeeper.

Budget Preparation

The budget is an important part of the planning and management procedure of your organisation. A budget should be drawn up as part of the written Annual and Management Plan for the current year. This should fit into the longer term Strategic Plan for your organisation.

The treasurer may coordinate the forthcoming year's budget. The budget is a statement of the likely sources of income and anticipated costs, ideally last year's actual income and expenditure should also be shown. The budget should show both administrative costs and program costs, therefore sub committees in charge of various areas (coaching, fundraising) must have an input into developing the budget. The budget should be prepared in consultation with the President, committee members and sub committees.

Initially, identify all possible sources of income and all likely areas where expenses will need to be paid. Then make a careful guess as to the amounts likely to be spent and received, using the previous year's figures will help with this task. Capital items to be purchased obtain quotes and use these figures in your budget. Also remember there will be adjustments to the budget throughout the year.

Once the budget is approved by the committee, set up an authorisation system ie the level of authority the treasurer is given for purchases and what must be approved by the committee ie purchases for capital items, equipment etc. Just because it is in the budget, does not constitute approval for expenditure.

Banking & System Controls

Your organisation needs to ensure:

- at least three (3) people registered as signatories for cheques and internet banking access at your bank
- All cheques/internet banking requires two (2) signatories
- **Never** should your club have only one person with authority

- **Never** should blank cheques be pre-signed by the second signatories
 - Whilst this might be convenient – it may also put your organisation at risk of fraud – many an organisation has thought a person trustworthy but later found out this was not the case and all too often - it is too late
- Monies received should be receipted and banked promptly
- Always keep money separate from own personal money
- Monies should not be held at an individual's home
- Payment of accounts should be approved by the two signatories, prior to payment, not after the fact
- Petty Cash – decide on a reasonable float and balance weekly/monthly depending on the usage (sometimes the secretary may be given responsibility for petty cash)
- Have appropriate floats for bar, canteen and uniforms
- Remember to budget and keep monies in the bank account for GST each quarter

Unless your organisation is of sufficient size to have very well documented controls it is not recommended that anyone has access to a credit card on your organisation's behalf. These are often subject to abuse and are very difficult to control.

Any goods held for sale (eg uniforms, liquor etc) should be placed under strict control in a locked cupboard or store. Only authorised people should have access to these goods.

The actual stock on hand should be counted regularly and balanced with the records kept with the treasurer/canteen/bar/uniform staff. Any shortages should be immediately investigated and reported to the committee.

Australian Taxation Office (ATO)

Whether a non-profit organisation has to pay income tax will depend on whether or not the organisation is exempt from income tax.

Only certain categories of organisation are exempt from income tax. They come from these broad groups:

- registered charities
- community service organisations
- cultural organisations
- educational organisations
- employment organisations
- health organisations
- income tax exempt funds
- resource development organisations
- scientific organisations
- sporting organisations

It is important you keep abreast of the Taxation Department's rulings by checking their website or seek advice through your accountant. (www.ato.gov.au)

ATO Registration

To access various concessions and comply with your organisation's tax obligations, your organisation may need to register for an Australian business number (ABN), goods and services tax (GST), fringe benefits tax (FBT), pay as you go (PAYG) withholding or other taxes.

An ABN is a single identifier that non-profit organisations use to:

- register for GST and claim GST credits
- register for PAYG withholding
- deal with investment bodies
- apply to us for endorsement as a deductible gift recipient, tax concession charity or income tax exempt fund
- interact with other government departments, agencies and authorities
- interact with us on other taxes, such as FBT.

Your organisation's ABN registration details become part of the Australian Business Register. The publicly available information on this register allows people to find out whether the entities they are dealing with:

- have an ABN
- are registered for GST
- are endorsed charities or income tax exempt funds and/or are endorsed as deductible gift recipients.

Business Activity Statements (BAS) / Goods and Services Tax (GST) Reporting

GST is a tax on the consumption of most goods and services at is currently charged at the rate of 10%. This means that the GST content is equal to 1/11th of the sum of money paid or received.

Mandatory

Those clubs with turnover exceeding the current GST limit of \$150,000 will have to become registered for GST and file GST returns on a regular basis.

Voluntary

You may register voluntarily for GST if your GST turnover is less than \$150,000. There are advantages to voluntary registration:

- claim back the GST on the goods and services purchased
- you have to account to the ATO for GST on all of your taxable supplies including grants and subsidies
- you may receive refunds each quarter because you pay out more GST than you

receive in

If you register for GST, you need to make sure you keep copies of tax invoices received and your invoices must also show the GST.

Clubs can opt to submit their BAS statements Quarterly or Annually. The benefits of quarterly BAS statements are:

- Your financial records are checked and verified regularly
- GST payments are more manageable (you do not want a massive GST bill at the end of the year)
- GST refunds are paid and you have access to these funds
- If you make an error in your BAS statement, it is more likely to be found when completing the following Quarterly statement

End of Year Accounts/Annual Audit

Organisations determine their end of financial year based on their operations. Some go from Jan to Dec, July to June, or based on their playing season.

The term audited accounts means that the financial records have been checked by a recognised chartered accountant as being true and correct records of the financial operation and position of your organisation.

At the end of the financial year the treasurer/accountant will prepare a set of accounts to be presented to the members at the Annual General Meeting (AGM). The following statements are prepared and presented for approval:

- Treasurer's Report Profit and Loss Statement
- Balance Sheet
- Statement of Assets and Liabilities
- Income and Expenditure Statement
- Current year's budget
- Approval to appoint the Auditor for the following year