

DAMN GOOD ADVICE FOR TREASURERS

This document has been produced by the Institute of Community Directors Australia and supported by the Commonwealth Bank. It is designed for Treasurers of Not-For-Profit organisations to make their job easier by reviewing the advice through the booklet.

Most of the information you will already be aware of and will have in practice, but some will be educational. It will all be a check list that what you are doing is correct.

There is also a second booklet titled “Damn Good Advice for Board Members”. This booklet is not only for Board members but also for Committee Members of Not-For-Profit organisations.

There are 25 questions and answers through the booklet. This document is a summary of each section.

1. How did I get stuck with this mess? (p.8)

The job of a Treasurer is among the most important jobs in a Not-For-Profit organisation. The job can mean the difference between thriving and delivering or going broke.

There are 600,000 not-for-profit organisations in Australia handling some \$40 billion every year

What you are doing is really important.

2. What is my job exactly? (p.10)

You have the responsibility for ensuring that all the organisations financial rules are observed, all the correct financial procedures are followed and all financial decisions are taken in the light of all necessary information.

The treasurer keeps the books, banks the money, signs the cheques and prepares the annual financial report. You ensure systems are in place governing all regular financial transactions. Each year you prepare a budget. You report to your Board or Committee at every meeting.

3. Cripes, that sounds like quite a lot. Isn't anyone else going to help? (p.14)

Your duties can be delegated. When a person joins a Board or a Committee they accept the obligation to look after the organisations finance – the entire Board or Committee – not just the treasurer. As Treasurer it is your duty to remind your colleagues of that responsibility.

4. Where are the records? (p.17)

You will receive (or will have received) from your predecessor custody of the ledgers, financial correspondence, bank statements, outstanding bills, paid bills and receipts, and a cash book. You will also have in your keeping a general ledger. It brings together all the accounts for recording any transactions relating to an organisations assets, liabilities, owners' equity, revenue and expenses.

5. How should the records be kept? (p.17)

You need to document every dollar that comes in and every dollar that goes out.

You need to organise your material into a clearly marked system that suits you.

A computer system is NOT a substitute for paper records. Hard drives do crash, and data gets lost. Make sure you keep a paper copy of every financial transaction including receipts, cheque book stubs and tax invoices. This is essential for the audit trail.

A specialist computer accounting system is by far the most efficient method of preparing your accounts. There are three systems recommended to choose from – MYOB, Calxa and QuickBooks. They have pre-designed systems for not-for-profit organisations covering all the common financial operations. Computers are governed by Murphy's Law so be sure you have regular backups in place.

Do not skimp on your accounting systems; spend as much money as you need to. 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? (p.24)

You have to know at all times what the financial position is and whether you are ahead or behind. This involves putting the information from your records into formats that can show you at a glance the answers to the questions. It is not enough to have your records in order – you have to be able to say what they mean.

7. Where do we stand right now? (p.27)

Your statement of Financial Position gives you a snapshot of your situation at one point in time.

8. That's all the statements, right? (p.29)

You may or may not have a statement of cash flow. The larger Societies may have this statement. The smaller Societies may not need one.

9. Are there any areas that are a particular concern? (p.31)

If you are fund raising or keep areas such as Young Arts separate you will need to keep track of these accounts. Casting them separately enables you to see if the project is making money, losing money or staying even. As you are a not-for-profit organisation you may adopt a cross subsidy option. But it is an area you should be aware of.

10. How do I stand guard on the money? (p.35)

These are the financial controls.

1. Money going out: Quotes required for purchases over a given sum; authorised purchase orders from the Board or the Committee; payment by cheque, card or e-commerce only – NO CASH. (Some Societies do have petty cash for certain purchases. If you do have to have petty cash you must have a Petty Cash Voucher Book in which every dollar out is recorded and reconciled with the cheque made out to cash for this purpose. The committee must have in place a watertight policy. The voucher book then must be given to the auditor along with any left over cash so the auditor can satisfy himself. However the treasurer must seriously consider whether continuing with a petty cash float is necessary considering the direction given in section 11 of this booklet. It is much more practical for an authorised payment to be made and a cheque written or for small amounts the member pays and is reimbursed. Small amounts of cash can be lost, mislaid or subject to sloppy handling. We are also talking about reputation here. Reputation takes years to build up and can be lost in a moment!)

2. Money coming in: Write a receipt for all incoming monies; store cash safely; bank all money ASAP. Also keep an asset register for all things that are equivalent to money (eg office equipment, projectors etc). Each month keep up standard reconciliations – bank accounts against cheques, budgets against actuals – and follow through any discrepancies.

11. Do I need to worry about fraud?) (p.38)

Fraud can and does happen in the not-for-profit sector. Never assume everyone's committed to working unselfishly for the greater good. If you want trust, work within a framework of suspicion. All outgoing should be signed off by at least two authorised people. Select signing officers with care and ensure they are available at short notice and above reproach. Select more than two signing officers in order to provide coverage as people are unavailable from time to time.

NEVER EVER sign a blank cheque.

12. What else should I be afraid of? (p.40)

Trading while insolvent. You must never spend money the organisation does not have. Insolvent trading is illegal. Once you owe money you cannot pay, your creditors may well decide to sue the Board or the Committee and you – as individuals. Incorporation protects the individuals if the Board or committee has not been negligent. However trading while insolvent is regarded as negligence, and you as an individual are negligent for allowing the organisation to trade while insolvent under your watch.

13. How do I keep tabs on what's going in and out? (p.42)

Incoming payments: a receipt must be issued for every incoming payment; cash must be stored safely and if you hold more cash than you can afford to lose – get a safe; get cash into the bank ASAP; check the bank statements and do a reconciliation once a month. Outgoing payments: make payments by cheque, card or e-commerce only – no cash ever. (See comment above in Section 10)

14. How do I keep tabs on our assets? (p.45)

Keep an assets register. If you have an inventory of all assets you will know if anything is missing (theft or being mislaid), and claiming insurance against burglary or fire.

15. How do I keep track of the cash? (p.48)

Bank accounts must be in the name of the organisation, not any individual. The organisations money must not be mixed into any other account or vice versa.

16. How do I guard against risks? (p.50)

Risks can be categorised into the following segments – Financial, physical, professional, environmental, employee, legal and reputational.

The criteria for analysing risk is based on likelihood and consequence – that is, what is the likelihood of the risk occurring and what is the consequence of that outcome? Insurance is the best option to employ. ADFAS has insurance in place. Check it for anything unusual or anything you don't understand.

17. Who needs to know what? (p.52)

As treasurer you have a number of important stakeholders.

1. The Board or the Committee. They are responsible for the organisations finances and they have entrusted you with the task of keeping a close eye on things.
2. The Auditor. Associations are required to have their accounts audited once a year if their turnover is above a certain level. In ADFAS your accounts must be audited at any level.
3. The Members. By law the organisations 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.

18. Where should I bank our money? (p.58)

When choosing a bank ensure you have access to an online facility for instantly tracking transactions; also a cheque book. Look for a bank that offers an account for not-for-profit organisations. List your needs and ensure the account covers most or all your requirements. The bank should understand the needs of the not-for-profit sector. It should be easily accessible - that is easily accessible to get to in person, it is reliable and unlikely to close its local branch. Most importantly you must be comfortable with your decision to choose your bank.

19. What should I do with our bank statements? (p.62)

Check each entry line by line and ensure it matches your cheque butts and receipts. Any unpresented cheques make a note to check with the next statement. If you find any irregularities look for the problem immediately as the longer you delay the vaguer will be your memory of each transaction.

20. What do I need to do to prepare for the future? (p.65)

The treasurer needs to take a keen interest in anything that may threaten the bottom line. Therefore you should instigate a SWOT analysis – that is your organisations strengths, weaknesses, opportunities and threats. By doing this you can examine where you stand in your local market place, build on your strengths, be aware of your weaknesses and put actions into place to solve them where you can, capitalise on your opportunities and be aware of any threats so you can counteract them if they become a problem. With this information you can develop a strong strategic plan.

21 What's the budget for next year? (p.71)

It's never too early to start to plan next year's budget. The Budget is a key management tool. Your budget will tell you whether your income and expenditure keep you in on the correct side of the ledger. The treasurer should not write the budget alone. It must be written in consultation with the Board or the Committee. However the treasurer plays the lead role.

22. How do I know we won't be caught short? (p.74)

You need to manage your cash flow so you have enough money to pay the bills as they come in. If you are not in control of your cash flow minor problems can escalate quickly. Draw up your budget and stick to it. Fortunately most ADFAS membership subscriptions come in at the beginning of the year. Ensure you have enough money for each lecture. If not decide what is mandatory (the lecturers fee) and cut expenditure on the rest.

23. Where can we find more money? (p.80)

If you are finding your organisations expectations are not matching its income, you need to revise your fund-raising. Start with your membership. Introduce membership tiers eg discount for couples and a pro rata membership fee as the year progresses to attract new members. Look at special events – maybe a bus trip or a special film night. Special events can be risky. The treasurer needs to ask the vital questions – is this going to make money? How much will it cost if nobody turns up?

24. Are there any discounts or tax breaks we can get? (p.85)

Fortunately ADFAS has in place the Standard ADFAS Constitution so is exempt from certain taxes.

25. When should I get out? (p.90)

Nothing lasts forever! And eventually you will move on. The organisation wants your expertise, continuity and stability. However you don't want burn out and you don't want to become too set in your ways to embrace new opportunities and you don't want to exclude young blood coming on to the committee. Look for a successor and start to have them accept the responsibility of being your replacement when the time comes. Don't quit on a whim. Give plenty of notice – 12 months' notice is a good time. If possible stay on the committee as an ordinary member for a bit more time to act as a mentor to the new treasurer.

Glossary. (page 93)

This booklet covers the different legal formats in all Australian States. Therefore there are a number of names which are functionally the same thing. For ease of reading one common set of names have been used through the booklet.

Explanation of some Technical Terms. (p 94 & 95)

These pages explain the financial jargon used by accountants and treasurers.

The Law (p96)

The Associations Act and The Regulations as applied in each state of Australia.

Where can I get this booklet?

You can order a free copy of the booklets by going into

ourcommunity.com.au

Then type into the search area “damn good advice for board members”.

Scroll down to “free financial help sheets and resources”.

Open that up and it will show you where to order a free hard copy

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