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Governance Handbook – Section 4 Finance

Contents

Legal Stuff

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In Queensland, as an incorporated association, most organisations will be subject to the Associations Incorporations Act and its Regulations. The relevant Government regulator is known as the Office of Fair Trading. There is substantial information available on their website about the legal aspects of both the Act and its Regulations and during the service of this guide, it is possible that some information may change to reflect changes in the legislation. We have added some important links here for you to easily remain up to date.

HELPFUL LINKS

Incorporated Associations Smart Business Guide
(A must for your association, on the laws and how they apply to you in simple to understand terms)
Associations Incorporations Act 1981 (For rules about running an association)
Office of Fair Trading Queensland (For information about your responsibilities)

Australian Charities & Not-for-profits Commission (For those who are registered charities)
Australian Taxation Office (To keep up to date with changes in tax law)

Department of Justice OFT Fundraising (For information on raffles & donations)
Australian Consumer Law (What claims you make in advertising and to "sell" membership & activities)

Workplace Health & Safety Queensland (For your obligations to members, staff & volunteers)
Fair Work Ombudsman (When volunteers are bullied)

Introduction

Good Governance - two little words full of meaning that should be at the heart of all the work undertaken by your board/committee and your subcommittees.

The Good Governance Health Check guides users through the essential concepts, principles and activities needed to ensure a healthy and productive organisation.

Most incorporated Associations are small, volunteer-driven organisations, with limited resources and in need of practical guidance to meet the many challenges of the modern not-for-profit environment.

The Health Check contained within this Handbook will give you a snapshot of your Association's governance health status and will identify areas where improvement is needed. Levels of understanding and familiarity will vary amongst your board members according to the purpose, structure, scale and sophistication of your organisation, but the Health Check can be applied to any incorporated entity.

And - to help you work smarter not harder - we've included a Toolbox full of simple tips, techniques, templates and examples to help your organisation on its governance journey.

How does it work?

It's simple. The Handbook is divided into 11 sections, starting with the big picture and moving through the detail of specific areas of operation. Each section contains Questions and Toolbox tips, techniques and examples.

Carefully read each question and the explanation. If you can confidently answer "yes", then tick the box. If the answer is "no" or you don't know, then leave it blank for now. You'll get most value from the Good Governance Health Check if you're completely honest. Most questions are objective - they ask for evidence of something factual or tangible.

When the question asks if you have a particular plan or policy or procedure, only say yes if you can actually put your hands on an example or on the finished item. Some questions are subjective - they ask for an opinion or perception. Glossing over problem areas puts your organisation at further risk and means you miss out on important opportunities to diagnose issues and work out solutions. And - hey - it means you're wasting your time and your money - and that's never smart. Honesty is the best policy!

After you've answered all the questions for that section, review your answers. If you find blank check boxes then you have the start of your Good Governance To Do list. It's simple! Good Governance is complex, but the step-by-step Health Check breaks it down into bite size chunks and makes it do-able.

At the end of each section you'll find the Toolbox. It contains tips, techniques and examples relevant to that particular topic. You can work through the Checklist and Toolbox one section at a time or you can come back to the Toolbox after you've answered all the questions in all sections.

Work through all of the sections. You can do this at your own pace - take all the days, weeks or months that you need. The speed isn't important - but achieving continued forward progress is. It's all about having a strategy and the right tools to achieve genuine continuous improvement.

Good luck and good governing!

SECTION 4
Finance

Proper financial management is an essential aspect of good governance for your organisation. The Committee is responsible for ensuring that financial systems are accurate, processes are transparent and decisions are made in the best interests of the members and in accordance with the aims and priorities of the Association.

Finance Checklist

Do all Committee members understand what the term 'not for profit' really means?	*There is a common misconception that not-for-profit means that your Association should not make a profit. This is absolutely not the case. Not-for-profit simply means that profits, or surpluses, are not distributed to individuals but are retained for the benefit of the Association. It also means that on winding up, any assets are applied to another organisation with similar Objects, not to individuals.*	
Do you have a transparent procedure for recording all income and expenditure?	*The Committee is the custodian of Association finances on behalf of members, so there is an obligation to manage those finances responsibly and openly.*	
Is all money received banked promptly?	*It's good practice to bank all money received promptly and record it in your bookkeeping system. This is especially important for cash received from functions, products or events!*	
Do you have credit card and/or EFT facilities?	*Members will generally expect you to to have credit card facilities, or at least the ability for funds to be transferred electronically into your bank account.*	
Do you have a petty cash/ reimbursement system?	*Petty cash/reimbursement systems are for small purchases made by individuals. An effective system should be simple and ensure that people are not out of pocket any longer than necessary.*	
Do you have a system for approving expenditure?	*It's good practice to have a clear understanding of who is authorised to spend what. Major expenditure may need the approval of the entire Committee, while minor expenditure may be approved simply by the President or Treasurer. A distinction should also be made between budgeted and unbudgeted expenditure.*	

Cont …

Do you use accrual rather than cash accounting?	*Cash accounting is the simplest way to keep your books, but it is not the best way for an Association to manage its funds. Accrual accounting recognises income only when it's been earned and expenditures as they're incurred rather than when they're paid. It gives you a much more accurate picture of your financial position.*	
Do you keep a clear paper trail for all financial transactions and records?	*Computer based accounting packages are great, but they don't remove the need for you to keep and organise your paper records. These include bank statements, purchase orders, receipts and financial correspondence. Make sure you backup your computer files and keep them in a safe place as well!*	
Do you have a standard financial reporting system?	*Ensuring the proper financial management of your Association is a fundamental responsibility of the Committee. Having adequate financial reporting on a monthly or other regular basis is an important part of good governance.*	
Can all Committee members read and understand your financial reports to an adequate level?	*Not every Committee member is an accountant and some may find reading and understanding the monthly financial reports challenging. Giving some advice and assistance to those members on what to look for in a report is recommended.*	
Do you have a register of assets, updated regularly?	*A simple register of assets must be compiled and maintained to form part of your financial records and will be needed for audit purposes.*	
Do you have a budget?	*Budgeting should be part of your annual planning process. It is an important part of the Committee's role to prepare and review the annual budget; to ask the difficult questions and ensure that income and expenditure figures are realistic and achievable.*	
Do you have a financial plan?	*A financial plan is not a budget. It's a longer term financial strategy to allow your Association to reach its goals. Where do you want to be in 3 - 5 years' time? Do you want to grow, stay relatively stable, or pursue a niche strategy? What aspects of your business do you need to develop to achieve your aims? What level of reserves would you feel comfortable with? A financial plan will guide you in this process.*	

SECTION 4
Tips & Techniques

Financial Reports
Cash vs Accrual
Budget
Asset Register

TIPS & TECHNIQUES
Financial Reports

It's unlikely that everyone on your Committee will be an accountant or have a sophisticated understanding of financial reports. However it is important that all Committee members are able to grasp the basics and identify areas of concern. So here are some tips ...

The three most important financial reports for Committee members to understand are the Balance Sheet, the Profit and Loss Report and the Cash Flow Report.

BALANCE SHEET (STATEMENT OF ASSETS & LIABILITIES)

The Balance Sheet can also be called the Statement of Financial Position as it provides a snapshot of what your Association is worth at a particular point in time. Key elements of the Balance Sheet are:

Assets - what you have

There are two types of assets shown on a balance sheet - current assets and non-current assets.

Current assets are those things that you use every day and intend to dispose of (spend) within the next 12 months. Current assets include:

- money in the bank
- cash
- money owed to you
- items that you intend to sell or give away within the next 12 months
- (such as stock).

Non-current assets, or fixed assets, are those things you have that you intend to keep over a longer period of time. These include real estate, vehicles, computers, furniture and other tangible items. They also include long term investments.

For a number of your assets, wear and tear means that the value of your asset will decline over time. For example, a vehicle will lose value the longer you own it. The amount of this reduction in value is called **depreciation** and it is recorded as an expense in the Profit & Loss Report.

Liabilities - what you owe

Liabilities are also divided into two types - current and non-current.

Current liabilities are those things that need to be paid in the near future like current bills, short term loans or financial leases, payments to employees including tax and superannuation, GST collected etc. Current liabilities also include payments received in advance for future services, such as grants or service agreements.

Non-current liabilities are those things that are not due to be paid within the next 12 months. This might include long-term loans or financial leases.

Equity - what you're worth

Equity is what your organisation would be worth if it was wound it up today. Equity is simply the difference between your assets and your liabilities. As a mathematical equation, **Equity = Assets - Liabilities**.

In a for-profit company, it's termed as "Owner's Equity" and is what the company owner would have left over if the company was wound up. The difference with a not-for-profit organisation is that any equity remaining after assets are realised and obligations are met may not be applied to any individual including members.

Instead it would be applied to another not-for-profit organisation with similar objects or goals. A sample Balance Sheet follows.

PROFIT AND LOSS REPORT (STATEMENT OF INCOME & EXPENDITURE)

The Profit and Loss Report can also be called the Statement of Financial Performance as it provides information on how well your Association is operating at a particular point in time. The Profit and Loss Report shows two things:

Income - what you earn
Operating income is what you receive and includes membership fees, sales, fundraising, event/conference registration, entry fees etc.

Expenditure - what you spend
Operating expenses are the Association’s everyday costs and includes costs associated with income items, utilities, rent, employment expenses, printing, postage, small equipment (generally <$300 as any purchase of a greater value will be regarded as an asset), accounting/audit fees etc.

At a minimum your monthly Profit and Loss Report must show the income and expenditure for the month. However, this doesn’t give much context, so it is recommended that you also include a comparison with the budget for the month and the difference between the two (variance); your income and expenditure for the Year to Date and a comparison to budget for the period; and the Annual Budget so you can see what percentage of this has been received/spent in the year to date.

A sample Profit and Loss Report follows.

CASH FLOW REPORT
The Cash Flow Report tells you how much money has gone in and out of the Association each month, regardless of what it was for. So both operating items and capital items are included in cash flow. The cash flow report can be very simple and just divided into:

- cash received (and spent) in operating activities
- cash received (and spent) in investment activities (property and equipment)
- cash received (and spent) in financing activities (loans, overdrafts etc.)

The Cash Flow Report will tell you the difference in your cash position at the end of the reporting period. The information you need for your cash flow report can be found in your bank statements so it’s important to do a bank reconciliation each month.

A sample cash flow report follows.

THREE FINANCE ESSENTIALS
Out of all this information, there are three things that you should look for each month to ensure that your organisation is not in financial trouble:

1. **your total assets are more than your total liabilities**
2. **your current assets are more than your current liabilities**
3. **your equity is equivalent to at least three months of operating costs**

What this tells you is that your net worth is in the black; that your bills can be paid; and that if some sort of disaster occurred and your organisation lost all its income, you could still operate for at least three months while you either fixed the problems or took steps to wind up.

Sample Profit & Loss Report

XYZ Association Budget 2019

Income	**January**	**February**	**March**	**April**	**May**	**June**	**July**	**August**	**Sept**	**October**	**November**	**December**	**Total**
Membership Fees	10,000	30,000	5,000	1,000	500	500	500	500	500	500	500	500	**50,000**
Conference													
Registrations	-	500	2,000	6,000	10,000	1,000	500	-	-	-	-	-	**20,000**
Sponsorship	-	-	5,000	10,000	5,000	-	-	-	-	-	-	-	**20,000**
Grants	15,000	-	-	-	-	-	-	-	-	-	-	-	**15,000**
Fundraising	1,000	2,000	2,000	2,000	2,000	20,000	2,000	2,000	2,000	2,000	2,000	1,000	**40,000**
Events	-	1,500	-	-	1,500	-	-	1,500	-	-	1,500	-	**6,000**
Professional Development	-	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	-	**15,000**
Sales	200	300	500	500	500	500	500	500	500	500	300	200	**5,000**
Sundry	125	125	125	125	125	125	125	125	125	125	125	125	**1,500**
Total Income	**26,325**	**35,925**	**16,125**	**21,125**	**21,125**	**23,625**	**5,125**	**6,125**	**4,625**	**4,625**	**5,925**	**1,825**	**172,500**
Expenditure													
Accounting/Audit	-	-	-	1,500	-	-	-	-	-	-	-	-	**1,500**
Advertising & Promotion	200	200	200	200	200	200	200	200	200	200	200	200	**2,400**
Conference													**-**
Venue/Food & Bev	2,000	-	-	-	-	-	18,000	-	-	-	-	-	**20,000**
Equipment & Staging	-	-	-	-	1,000	1,000	8,000	-	-	-	-	-	**10,000**
Registration materials	-	1,200	-	-	-	-	-	-	-	-	-	-	**1,200**
Cost of Sales	100	150	250	250	250	250	250	250	250	250	150	100	**2,500**
Grants	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	**12,000**
Fundraising	500	500	500	2,500	2,500	500	500	500	500	500	500	500	**10,000**
Events	100	600	-	-	600	-	-	600	-	-	600	-	**2,500**
Professional Development	-	750	750	750	750	750	750	750	750	750	750	-	**7,500**
IT Expenses	125	125	125	125	125	125	125	125	125	125	125	125	**1,500**
Rent	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	**18,000**
Utilities	500	500	500	500	500	500	500	500	500	500	500	500	**6,000**
Employment Expenses	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	**60,000**
General Expenses	125	125	125	125	125	125	125	125	125	125	125	125	**1,500**
Printing & Postage	250	250	250	250	250	250	250	250	250	250	250	250	**3,000**
Telephone	180	180	180	180	180	180	180	180	180	180	180	180	**2,160**
Total Expenditure	**11,580**	**12,080**	**10,380**	**13,880**	**13,980**	**11,380**	**36,380**	**10,980**	**10,380**	**10,380**	**10,880**	**9,480**	**161,760**
Surplus/Deficit	**14,745**	**23,845**	**5,745**	**7,245**	**7,145**	**12,245**	**- 31,255**	**- 4,855**	**- 5,755**	**- 5,755**	**- 4,955**	**- 7,655**	**10,740**

The cash flow budget gives an indication of monthly performance and allows you to plan your expenditure

The final column is your total annual budget

TOOLBOX

Sample Balance Sheet

XYZ Association Inc. Balance Sheet for the Period Ended [DATE]

	This Year	Last Year
ASSETS		
Current Assets		
Cash	25,452	21,689
Investments	120,000	120,000
Receivables	12,550	14,520
Inventories	1,250	1,680
Prepayments	600	0
Total Current Assets	**159,852**	**157,889**
Non Current Assets		
Property, Plant & Equipment	18,500	23,500
Total Non-Current Assets	**18,500**	**23,500**
TOTAL ASSETS	**178,352**	**181,389**
LIABILITIES		
Current Liabilities		
Payables	2,450	7,580
Unearned Income	28,000	28,000
Provision for Annual Leave	6,600	6,300
Other Current Liabilities	0	2,500
Total Current Liabilities	**37,050**	**44,380**
Non Current Liabilities		
Provision for Long Service Leave	14,000	12,000
Total Non Current Liabilities	**14,000**	**12,000**
TOTAL LIABILITIES	**51,050**	**56,380**
NET ASSETS	**127,302**	**125,009**
EQUITY		
Reserves	52,950	52,289
Retained Surplus	74,352	72,720
TOTAL EQUITY	**127,302**	**125,009**

Current Assets are the things you own that are available to dispose of within the next 12 months.

Non Current Assets are things you own that are not available for disposal in the next 12 months.

If Total Assets are greater than Total Liabilities, that's a sign your Association is in good shape.

Current Liabilities are things you owe that are payable within the next 12 months.

Non Current Liabilities are things you owe that are not payable within the next 12 months.

Total Assets and Total Liabilities. A healthy Association will have a result in the black!

Equity comprises Reserves, being accumulated surpluses from previous years, and Retained Surplus being the Surplus for the current Year to Date. This should match up with the figure from your Profit & Loss Report. Total Equity and Total Assets should be the same figure. A healthy Association should have reserves at least equivalent to 3 months operating costs as a buffer against a serious problem

TOOLBOX

Sample Cash Flow

XYZ Association Inc. Cash Flow Report
for the Period Ended [DATE]

	Month	Year to Date
Operating Activities		
Operating Income	21,356	151,300
Operating Expenditure	(11,220)	(65,290)
Interest Received	500	3,000
Net Operating Cash	**10,636**	**89,010**
Investing/Financing Activities		
Income from long term investment	0	0
Property, Plant & Equipment	(1,500)	(9,000)
Net Investing/Financing Cash	**(1,500)**	**(9,000)**
NET CHANGE IN CASH	**9,136**	**80,010**

This records all the cash received and spent in operating activities for the period and year to date.

This records non-operating cash in and out for the period and year to date such as long-term investments and financed leases.

This represents the total change in your cash position.

TIPS & TECHNIQUES
Cash Vs Accrual

There are two ways to account for income and expenditure - cash and accrual accounting. Cash accounting may be the simplest form, but to get a true picture of your Association finances accrual accounting is generally a better option.

WHAT'S THE DIFFERENCE?
The main difference between cash and accrual accounting is timing. In a Cash system you track income and expenditure as if it were cash. Income is recorded when your receive it and expenditure is recorded when you pay it. It's simple, straightforward and easy to understand by non-accountants.

In an Accrual system income is recorded when you earn it and expenditure when it's incurred. This means that if you invoice for a service today, you record the income today even though you may not actually receive the payment for some time. Similarly, if you receive a bill today it's recorded as expenditure today, not when you actually pay the bill and the money leaves your account. Using an accrual system requires a more sophisticated understanding of accounting and is not as intuitive for non-accountants, but there are significant advantages in using this system.

THE ACCRUAL ADVANTAGE
The greatest benefit of accrual accounting is that it gives a much truer picture of your Association's performance. This is particularly important if you are receiving money today that has an associated obligation down the track.

The most obvious examples of this are grants, service agreements and sponsorships - any income with 'strings attached'.

Say you receive a grant for $15,000 in January. Great! However, nobody gives you a grant for nothing. Every grant carries with it an obligation to do something and that will generally cost money. For example, your $15,000 grant may have been awarded to support a junior sports program. You've estimated the actual costs of the project to be $12,000 spread over the course of the year. So while you've received $15,000, you've also incurred expenses of around $1,000 per month.

An accrual accounting system deals with this by not recording all $15,000 as income received in January. Instead you would record income equivalent to one twelfth of the total grant ($1,250) each month with the remainder sitting in the Balance Sheet as a current liability. So each month $1,250 is recorded as income and the current liability account is reduced by the same amount - so at the end of the year your books show all $15,000 as income and there's nothing left in your current liability account. At the same time, costs of $1,000 per month are recorded as expenditure, giving you a monthly surplus of $250 on the grant income that will total $3,000 at the end of the year.

Accrual accounting spreads the income over the course of the year so you're not getting the skewed results of a cash accounting system which records the $15,000 as January income, leaving nothing to offset your monthly expenses and making it look like you're performing badly for the rest of the year.

MAKE YOUR CHOICE!
Whatever system you decide on, stick to it! Cash and Accrual accounting each have their advantages and disadvantages, but the worst thing you can possibly do is mix up the two. Make sure the Committee knows which system is being used and why. Some training in reading either cash or accrual financial reports would also be useful. Otherwise you may end up with Committee members thinking the cash accounts are accrual or vice versa leading to some unfortunate misunderstandings.

TIPS & TECHNIQUES
Budget

Preparing a budget is one of the essential Committee tasks each year. Many associations have limited reserves making an operating loss a potential disaster. Having a robust budgeting process that confidently predicts financial outcomes for the coming year with some confidence is an absolute necessity.

Budgeting is essentially a planning activity that anticipates how much income the organisation will achieve and how much it will spend in a financial year. Generally, the Treasurer will take responsibility for the budgeting process, but it is not an activity that can be done by the Treasurer alone. Every member of the management committee and senior staff (if you have them) will also need to contribute.

PREDICTING THE FUTURE

Budgeting is the process of predicting future income and expenditure as accurately as possible. So how do you go about it?

Arguably the best indicator of future income and expenditure is the past. Using results from previous years as a baseline and then adjusting for variables such as inflation, changes in prices and volumes, and changes in circumstances is a good approach for income and expenditure that is repeated from year to year and relatively easy to predict. This is called historic or incremental budgeting.

However, there will be other budget items that are new or volatile and for these a ‘zero-based’ approach may be more useful. This means starting from scratch and thoroughly evaluating or re-evaluating every income and expenditure item. This is a more time-consuming process but may be worth the effort with some items. But which ones?

OVERHEADS VS ACTIVITIES

It’s a good strategy to separate out operational/overhead items from those associated with specific activities and projects. In terms of expenditure, this means separating out the costs of simply existing (overheads) from the specific costs of activities.

Overheads include items such as rent, telecommunications, utilities, general printing and postage etc. Taking an historic budgeting approach is appropriate as the previous years’ results provide a good indicator of future costs.

You can also use an historic budgeting approach for established and well-understood activities. However, new or volatile activities may need a zero-based approach with predictions based on evidence as far as is possible. For completely new activities be very conservative in your budget predictions. There’s no reason not to set ambitious or ‘stretch’ targets for your activities and aim to achieve good results, but don’t rely on un-tried income to make ends meet!

UNDERSTANDING TRENDS

Looking at last year as an indicator of this year’s income and expenditure is good, but you should also look further back to establish whether there are any longer term trends that need to be taken into account. One way of doing this is to look at the ratios, or proportions, of one important number to another important number over time.

The most important ratio to look at is **Assets to Liabilities**. This tells you how your bottom line is trending. If it’s trending down you need to look at what you can do to reverse the trend. To do this, look at two figures in your Balance Sheet - total assets and total liabilities.

If you look at the figures from 5 years ago and note that your Assets were $300,000 and your Liabilities were $50,000 this gives you a ratio of 300,000:50,000 or 6:1 (300,000 divided by 50,000) which is pretty good.

Move forward to last year and have a look at the figures again. Say your Assets are now $150,000 and your Liabilities are $75,000. This gives you a ratio of 150,000:75,000 or 2:1. This means that your Assets : Liabilities ratio has slipped from 6:1 to 2:1 which should be of considerable concern to the Committee!

Ratios can be applied to any key financial performance area to give you an idea of trends over time. This information is important when framing your annual budget to correct trends that are slipping and capitalise on trends that are gaining.

The other trends you should look at are those in your environment. The most obvious one of recent times is the Global Financial Crisis. External factors such as these can have a significant impact on your forecasts. If the community in general is nervous or has less money to spend then it would be prudent to budget for a decrease in donations or subscriptions. Look at what's happening in your world. What's the trend in your demographic, are there likely to be changes in regulation or legislation that will impact on what you do, how is your industry, interest or sector performing? As with all your planning, these environmental trends must be taken into account.

IT'S ALL PART OF THE PLAN

Your budget is an integral part of your planning process and should be closely linked to your Strategic Plan, your Operational Plan and your Financial Plan.

Your Strategic Plan looks at the big picture, goals and strategies for a 3 - 5 year period. Your Financial Plan looks at a similar or even longer period and identifies the financial strategy needed to achieve strategic goals and ensure the long term viability of the organisation. These longer term goals should also be reflected in your annual budget. For example, if you are contemplating a growth strategy and want to make your organisation larger and stronger, then your annual budget should be a building block towards this goal.

Your Operational Plan has details of the programs and projects you will be undertaking each year. Each project or activity will have indicators and targets, including financial indicators and targets, and these should be directly linked to your budget. For example, if you have a development program and expect to make a $5,000 surplus from those activities, that $5,000 must be reflected in the budget.

Your annual budget should link directly to your Operational Plan, and should contribute towards your longer term strategic and financial goals.

CASH FLOW BUDGET

While it is perfectly acceptable to create a budget that identifies your total income and expenditure forecasts for the year, it can be very useful to plot your budget over the year taking into account the timing of your expected income and expenditure. Some items, including most of your overheads, will be fairly consistent from month to month, but others may be linked to activity that occurs at specific times. These could be your membership renewal period, your conference or annual appeal.

Forecasting when your income and expenditure is likely to occur gives you information on months when you can expect a significant surplus and those where a deficit may occur, allowing you to ensure that you have sufficient money in the bank to cover expenses at all time.

An example of a cash flow budget follows.

TOOLBOX

Sample Budget

XYZ Association Budget 2019

Income	January	February	March	April	May	June	July	August	Sept	October	November	December	Total
Membership Fees	10,000	30,000	5,000	1,000	500	500	500	500	500	500	500	500	**50,000**
Conference													
Registrations	-	500	2,000	6,000	10,000	1,000	500	-	-	-	-	-	**20,000**
Sponsorship	-	-	5,000	10,000	5,000	-	-	-	-	-	-	-	**20,000**
Grants	15,000	-	-	-	-	-	-	-	-	-	-	-	**15,000**
Fundraising	1,000	2,000	2,000	2,000	2,000	20,000	2,000	2,000	2,000	2,000	2,000	1,000	**40,000**
Events	-	1,500	-	-	1,500	-	-	1,500	-	-	1,500	-	**6,000**
Professional Development	-	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	-	**15,000**
Sales	200	300	500	500	500	500	500	500	500	500	300	200	**5,000**
Sundry	125	125	125	125	125	125	125	125	125	125	125	125	**1,500**
Total Income	**26,325**	**35,925**	**16,125**	**21,125**	**21,125**	**23,625**	**5,125**	**6,125**	**4,625**	**4,625**	**5,925**	**1,825**	**172,500**

Expenditure	January	February	March	April	May	June	July	August	Sept	October	November	December	Total
Accounting/Audit	-	-	-	1,500	-	-	-	-	-	-	-	-	**1,500**
Advertising & Promotion	200	200	200	200	200	200	200	200	200	200	200	200	**2,400**
Conference													**-**
Venue/Food & Bev	2,000	-	-	-	-	-	18,000	-	-	-	-	-	**20,000**
Equipment & Staging	-	-	-	-	1,000	1,000	8,000	-	-	-	-	-	**10,000**
Registration materials	-	1,200	-	-	-	-	-	-	-	-	-	-	**1,200**
Cost of Sales Grants	100	150	250	250	250	250	250	250	250	250	150	100	**2,500**
Fundraising Events	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	**12,000**
Professional Development	500	500	500	2,500	2,500	500	500	500	500	500	500	500	**10,000**
IT Expenses	100	600	-	-	600	-	-	600	-	-	600	-	**2,500**
Rent Utilities	-	750	750	750	750	750	750	750	750	750	750	-	**7,500**
Employment Expenses	125	125	125	125	125	125	125	125	125	125	125	125	**1,500**
General Expenses	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	**18,000**
Printing & Postage	500	500	500	500	500	500	500	500	500	500	500	500	**6,000**
Telephone	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	**60,000**
	125	125	125	125	125	125	125	125	125	125	125	125	**1,500**
	250	250	250	250	250	250	250	250	250	250	250	250	**3,000**
	180	180	180	180	180	180	180	180	180	180	180	180	**2,160**
Total Expenditure	**11,580**	**12,080**	**10,380**	**13,880**	**13,980**	**11,380**	**36,380**	**10,980**	**10,380**	**10,380**	**10,880**	**9,480**	**161,760**
Surplus/Deficit	**14,745**	**23,845**	**5,745**	**7,245**	**7,145**	**12,245**	**-31,255**	**-4,855**	**-5,755**	**-5,755**	**-4,955**	**-7,655**	**10,740**

The cash flow budget gives an indication of monthly performance, plan your resources and ensure that there are sufficient funds available. Monthly budget figures are shown against actuals in your P & L.

The final column are your total annual budget amounts.

TIPS & TECHNIQUES
Asset Register

Assets are the things you own. Keeping track of your assets and what they're worth is an important part of the financial management for your Association.

Even the smallest of Associations will have some assets and they can include:

- office and other equipment
- motor vehicles
- furniture
- computers.

Things you lease can also be assets as long as you have control over the item. All assets should be recorded in an assets register when they are purchased or acquired and this register should be updated annually to meet your financial and audit requirements.

WHY HAVE A REGISTER?

The asset register is where you keep all the information on your assets and what you do with them. It's an important part of proper financial record keeping and gives your Committee information that will assist with financial planning. Most assets lose value over time, so the assets register also allows you or your accountant/ auditor to calculate the amount of this loss - called depreciation - for your financial reports.

It's also the place where you record disposal of assets. If you sell, give away or discard an asset you should record the date, what you did with it and what amount (if any) you received for the item. While depreciation stops at the time you dispose of an asset you should keep it on the register until the end of the financial year as this information is still necessary for your end of year financial statements.

Leased items are also considered to be assets and should be included in the register. Leases are either finance leases or operating leases. The main difference between the two is that in a finance lease ownership of the item changes hands, but in an operating lease it does not. For example, if you arrange a finance lease to buy a car you will generally have monthly repayments for a fixed term and a residual amount to pay at the end, after which the car belongs to you. With an operating lease, you enter into an agreement to pay a monthly fee for, say, a photocopier, and at the end of the lease period you give it back so the arrangement is more like a rental.

Items on a financial lease are regarded as assets and should be included on the balance sheet and in the assets register. Items on operating leases are treated as expenses so do not have to be included in the register.

Your assets register is also a great place to store product information such as model and serial numbers and is generally far easier to access than turning your computer upside down or searching for original invoices!

TREATING ASSETS

Most physical assets are recorded as non-current assets in your Balance Sheet, meaning that they are items you intend to keep for more than one year. Depreciation is recorded as an expense in the P&L and the total value of your assets will go down by the same amount as the depreciation amount goes up each month.

Replacing assets should be treated as a maintenance cost. Getting rid of assets is a disposal and the amount (if any) you get for the item should be included in your financial records as well as your assets register.

A sample Assets Register follows:

Sample Assets Register

Information to be included in your Assets Register is quite simple and straight-forward and it should not be hard to update and maintain if done regularly.

This is the area where you describe each item, giving as much detail as possible.

Model of the item.

How much you paid for the item. If the item was a gift or you don't know, put in what it would cost to purchase a similar item at current market rates.

Where the item is kept/located.

The date the asset was sold/disposed of.

What you were paid for the asset (if anything).

Item No.	Description	Model No.	Serial No.	Purchase price	Purchase date	Current value	Location	Disposal date	Disposal method	Disposal price
1.	Canon photocopier, B & W, laser cartridge	CA4896-3	4763902FJ	$3,500	01/02/2010	$1,200	Print room	30/03/2014	Sale	$800
2.	HP Pavillion Notebook, 4GB memory, celeron processor, 15" screen.	HP OA41175	ZX83496 PF78A4	$1,298	30/09/2012	$433	Kate's office and home			
3.	Canon multi-function printer, scanner, photocopier, colour laser cartridge	CA7839-2	8395274SZ	$2,500	01/04/2014	$2,100	Print room			
More...										

Serial number of the item

The date you purchased or acquired the item

How much the item is currently worth – purchase price less depreciation

How you disposed of the item (sale or giveaway)

Congratulations

You've worked the whole way through the Good Governance Health Check. Take a bow!

It doesn't matter how long it took you to get here - the important point is that you've taken the time and put in the effort to carefully consider how well your Association is performing.

By now you'll have a plan for continuous improvement (Organisation Development Plan - call it whatever you like, we're plain and simple so we like 'To Do List' - but whatever works for your Committee is fine by us).

You'll also have developed a much greater understanding of what good governance really means - in practice, not just in theory and we're confident you'll have a much greater appreciation of its value to any organisation.

If you ever need assistance you can contact us:

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About Us

The original concept and development The Good Governance Handbook and the online Good Governance Health Check are the result of an original collaboration between Kate Hartwig and Kate Reynolds. Leisa Donlan & Adrian Hart from www.goodgovernanceconsultants.com.au have tailored this guide & updated the content specifically for your organisation and the regulatory framework you work in and added a few templates and other information.

We've all been working in the not-for-profit sector for most of our working lives (hooley dooley, that's about 120 years between us!) and we know what works and what doesn't. Our approach - as you can see with this Handbook - is plain and simple - we provide no-nonsense, proven, practical assistance with governance and organisational development.

We've pooled our good, bad and ugly experiences and some of the many publications, tools, tips and techniques we've developed over the years into one, easy to access Handbook. We hope you've found it useful.