



Financial Management and Business workshop

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Not For Profit Accounting Specialists

April 2013

HELLO

Welcome & Introduction

- Expected learning outcomes
 - Understanding financial literacy and governance
 - How to interpret financial reports
 - The basic components of budgeting and forecasting
 - Update on the Australian Charities and Not-for-profits Commission (ACNC)
 - Overview of the Standard Chart of Accounts (SCOA)

Session Outline

- Financial Literacy and Governance
 - The Association Incorporations Act
 - ACNC requirements
- Understanding Financial Reports
- Budgeting and Forecasting
- ACNC update
- Overview of the SCOA

Financial Literacy and Governance

- Financial Literacy and Governance
 - Rules of Incorporation
 - The Association Incorporations Act (SA) 1985
 - ACNC requirements
 - Sports Governance Principles



Associations Incorporations Act

- Officer of the association
- s.39C Keeping of records
- s.35 Accounts to be kept
- s.39A Duties of officers
- s.49AD Trading whilst insolvent

ACNC Governance Regulations

- Standard 1 purposes and not-for-profit nature of a registered entity
- Standard 2 accountability to members
- Standard 3 compliance with Australian laws
- Standard 4 suitability of responsible entities
- Standard 5 duties of responsible entities

Office for Rec and Sport

- Sports Governance Principles

Principle 4.4: That the board should receive timely reports that are presented regularly (preferably monthly)

Good Financial Health Checklist

- Financial Management
- KPIs / Ratios
- Reserves
- Policies and Procedures
- Staff Turnover
- Delegations



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Understanding Financial Reports



For-profit vs. not-for-profit entity

- Legal framework differences
- Accounting treatment/requirements
- Commercial objective vs Service delivery
- Role of strategic planning /monitoring

Management vs. Statutory reports

- Management reports – usually compared to budget/rolling forecast, monthly
- Statutory report – compared to the prior year, annual

Elements of Financial Reports

- Statement of Financial Position (Balance Sheet)
- Statement of Financial Performance (Income and Expenditure Statement)
- Statement of Cash Flows

Elements of Financial Reports

- Statement of Financial Position (Balance Sheet)
 - reports the organisation's assets/liabilities at a point in time
- Current vs. non-current
- Cash vs. non-cash

Elements of Financial Reports

- Statement of Financial Performance (Income and Expenditure Statement)
 - reports the organisation's operating performance for a period of time
 - Organised by type of income / expense
 - Cash vs. non-cash expenses

Elements of Financial Reports

- Statement of Cash Flows
 - reports the organisation's cash flows for a period of time
- Cash flows from:
 - Operations
 - Investments
 - Financing



Interpreting Financial Information

- Items to consider when reviewing financial statements;
 - Recurrent vs. non-recurrent funding
 - Sources of funding
 - Controllable vs. non-controllable costs
 - Variances against budget
 - Net surplus / deficit
 - One-off/unusual income or expenditure
 - Do the results line up with the strategic direction?

Key Ratios

- Financial ratios to consider
 - Net Assets
 - Working Capital
 - Cash balances – trends
 - Liquid funds indicator
 - Results against budget and forecast
 - Capital expenditure levels – investing for the future

Other aspects to consider

- Performance indicators
 - What are the key indicators of the organisation meeting the strategic direction
 - Leading vs. lagging indicators
 - Often these are not financial – the financial effects are the outcomes of other indicators being met

Budgeting and Forecasting

- Why plan or forecast
- Key elements
- Where to start
- Budget vs. Forecast



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ACNC update



- Commenced December 2012
- What the ACNC does

Not for Profit Reform Agenda

- The National Compact
- Regulatory reform
- Tax reform
- Funding reform
- Statutory definition of charity
- National fundraising legislation

Standard Chart of Accounts

- Assets
- Liabilities
- Income
- Expenses
- Equity
- Cost of Sales

Why implement a SCOA?



- Lack of consistency in accounting categories and terms used between Government departments and NFPs.

Benefits of implementation

- Reduced cost
- Best Practice
- Supports Benchmarking
- Consistency for users
- Standard Definitions
- Ease of understanding
- Transparency
- Mandatory for Government



Understanding the SCOA

6-0595	Repairs & Maintenance - Rental Properties	This account includes all repairs and maintenance incurred by the nonprofit organisation that relate to rental properties including make good expenses.	
6-0600 to 6-0649	Salaries & Wages	This account is a header account and represents all salaries and wages paid to all staff employed by the nonprofit organisation on a permanent or casual basis (including replacement staff) by the nonprofit organisation. These accounts tie into the organisation's payroll system and links should be re-checked on implementation or upgrade of both a Standard Chart of Account and the Payroll System.	
6-0601	S&W Annual Leave Expense	This account represents annual leave paid for the current year for employees. Generally this account is for the paid activities in each year and any leave accrued will be accounted for in the payroll system and liability accounts.	
6-0602	S&W Fringe Benefits Tax	This account represents the amount of fringe benefits tax paid by the nonprofit organisation.	
6-0603	S&W Long Service Leave Expense	This account represents long service leave paid for the current year for employees. This account is the actual expenses in the year - some organisations undertake a probability calculation or record the movement from their payroll system.	
6-0604	S&W Recruitment Expense	This account represents recruitment expenses during the current year for employees incurred by the organisation for recruiting staff.	
6-0605	S&W Salary Sacrifice	This account represents amounts provided by the nonprofit organisation as part of employees' remuneration e.g. vehicle lease, credit cards.	Note: the ATO has an extensive site relating to Salary Sacrificing in Nonprofits at: http://www.ato.gov.au/nonprofit/content.asp?doc=content/33636.htm
6-0606	S&W Sick Leave Expense	This account represents sick leave paid for the current year for employees.	
6-0607	S&W Superannuation	This account covers all expenses relating to superannuation, as paid for salaried or casual staff.	
6-0608	S&W Termination Payments	This account covers all termination payments paid such as bona fide redundancies, invalidity payments and golden handshakes.	
6-0609	S&W Workers' Compensation	Amounts paid for workers' compensation paid in respect of employees employed by the nonprofit organisation. Where an organisation self-insures, this account and as many extra accounts for specific costs should be constructed in the chart of accounts.	Harmonisation of workers compensation legislation has commenced and changes to accounts are required from 1 July 2010 to accommodate this harmonisation as well as changes will be required for new harmonisation activities.

SCOA – where to now?

- <http://www.nfpas.com.au/resources/standard-chart-of-accounts.html>
- Mapping process
- Conversion
- Cost / Benefit



Further Information



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