

CLCNSW  
Financial  
Service

# Dynamic Numbers – Finance 101

CHARLOTTE MAUNG – NATIONAL COMMUNITY LEGAL  
CENTRES CONFERENCE 2019 – 12 JUNE 2018

# Introduction

- Community Legal Centre NSW Financial Service
- Offer bookkeeping and other financial services to community legal centres
- Cost recovery model and not a profit generating model – self sustaining project
- [https://www.clcnsw.org.au/financial\\_service](https://www.clcnsw.org.au/financial_service)
- [financialservice@clcnsw.org.au](mailto:financialservice@clcnsw.org.au)

# Topics

- Cash vs Accrual Accounting
- Budgets
- Financial Statements – Profit and Loss and Balance Sheet
- Internal Control

# Definition

- Asset – Things of value owned by the organisation
- Liability – Amount owned to those outside the organisation
- Equity – Assets less Liabilities
- Expenses – Money paid out by the organisation
- Revenue – Money being given by the organisation

# **AASB 1058 – Income for Not for Profit Entities**

- Activity Time
- Google AASB 1058
- Look at example 6B on page 36
- Can google ASSB 1058 guidance

# Budget

- Power to take control of your finances
- Fulfil the Purpose of your organisation
- Explore the Possibilities of the money that you have
  - That was hours of brainstorming so hope the conference organisers appreciate it

# Centre for Climate Action and Social Justice

- Currently has an annual income of \$50,000
- One part time staff and depends on volunteers to help run the service.
- Cash accounting – income recognised only when it is received and expenses only recorded when they are actually paid.

# Centre for Climate Action and Social Justice

Account	\$	\$
<b>Income</b>		
Council Grant	30,000	
Donations	18,000	
Membership	2,000	
<b>Total Income</b>		50,000
<b>Expenses</b>		
Rent – free utilities	8000	
Salaries (\$50 p/h 7 hrs for 2 days)	36,400	
Superannuation (9.5%)	3,458	
Workers Compensation (1%)	40	
Insurance	1000	
Stationery and Printing	1000	
Telephone	102	
<b>Total Expenses</b>		50,000
<b>Surplus/Deficit</b>		-



# Centre for Climate Action and Social Justice

Account	\$	\$	\$
	Old Project	New Project	Total
<b>Income</b>			
State Grant		100,000	
Council Grant	30,000		
Donations	18,000		
Membership	2,000		
<b>Total Income</b>	<b>50,000</b>	<b>100,000</b>	<b>150,000</b>
<b>Expenses</b>			
Rent – free utilities	8000	.....	
Salaries	36,400	.....	
Superannuation	3,458	.....	
Workers Compensation	40	.....	
Insurance	1000	.....	
Stationery and Printing	1000	.....	
Telephone	102	.....	
<b>Total Expenses</b>	<b>50,000</b>	<b>100,000</b>	<b>150,000</b>
<b>Surplus/Deficit</b>			<b>-</b>

# Doubling everything!

Account	\$	\$	\$
	Old Project	New Project	Total
<b>Income</b>			
State Grant		100,000	
Council Grant	30,000		
Donations	18,000		
Membership	2,000		
<b>Total Income</b>	<b>50,000</b>	<b>100,000</b>	<b>150,000</b>
<b>Expenses</b>			
Rent – free utilities	8,000	16,000	
Salaries	36,400	72,800	
Superannuation	3,458	6,916	
Workers Compensation	40	80	
Insurance	1000	2000	
Stationery and Printing	1000	2000	
Telephone	102	204	
<b>Total Expenses</b>	<b>50,000</b>	<b>100,000</b>	<b>150,000</b>
<b>Surplus/Deficit</b>			<b>-</b>

# Fixed Costs

- Costs do not increase or decrease with your income
- Telephone, stationery and printing are variable
- Rent is fixed
- Insurance maybe

# Work out the salaries

Expenses			
Rent – free utilities	8,000		
Salaries	36,400	72,800	
Superannuation	3,458	6,916	
Workers Compensation	40	80	
Insurance	1000		
Stationery and Printing	1000	2000	
Telephone	102	204	
<b>Total Expenses</b>	<b>50,000</b>	<b>82,000</b>	<b>\$132,000</b>
<b>Surplus/Deficit</b>		<b>18,000</b>	<b>18,000</b>

# Proportionally apply fixed costs

Expenses			
Rent – free utilities	2,667	5,333	
Salaries	36,400	72,800	
Superannuation	3,458	6,916	
Workers Compensation	40	80	
Insurance	333	667	
Stationery and Printing	1000	2000	
Telephone	102	204	
Total Expenses	44,000	88,000	\$132,000
Surplus/Deficit	6,000	12,000	18,000

# Existing Projects

- Work out your fixed costs first
- Work out your salaries
- Don't forget on costs
- Watch out for wages increases

# 1<sup>st</sup> Annual Dinner

- Fundraising dinner open to members and public
- Tickets sold on the night
- Volunteers take shift selling tickets at the door
- Money is put straight into a locked box

# 1<sup>st</sup> Annual Dinner – Profit and Loss

Account	\$
	Dinner
<b>Income</b>	
Ticket Sales	12,000
<b>Total Income</b>	<b>12,000</b>
<b>Expenses</b>	
Food and drinks	6,000
Entertainment	2,000
Venue Hire	2,000
Cleaning	500
Promotion	500
<b>Total Expenses</b>	<b>11,000</b>
<b>Surplus/Deficit</b>	<b>1,000</b>



# Solution

- Payables List
- Receivable List
- Move to accrual Accounting
  - Revenue is recognised when it is earned rather than when it is received
  - Expenses are recognised when they are incurred

# Controls for Cash

- \$4,000 in cash found in an envelope
  - This is getting interesting
- Note saying money from my shift selling tickets
- How to prevent this?

# Basic Cash Control

- Issue Receipts
- A different person to whoever receives the cash reconciles the receipts
- A different person to whoever reconciles the receipts takes the cash to the bank.

# Break



# Grants

- \$600,000 grant from the federal government
- Go to <https://www.acnc.gov.au/tools/topic-guides/charity-size>
- Read the page and answer this question
- The centre had \$150,000 now will have an extra \$600,000 what are the implications

# Financial Reports

Account	\$	\$	\$
	July	July Budget	Financial Year Budget
<b>Income</b>			
State Grant	8,333	8,333	100,000
Council Grant	2,500	2,500	30,000
Donations	500	1,500	18,000
Membership	167	167	2,000
Trivia Night	10,000	-	-
<b>Total Income</b>	<b>21,500</b>	<b>12,500</b>	<b>150,000</b>
<b>Expenses</b>			
Rent – free utilities	667	667	8000
Salaries	9,100	9,100	109,200
Superannuation	865	865	10,374
Workers Compensation	10	10	120
Insurance	83	83	1000
Stationery and Printing	50	250	3000
Telephone	26	26	306
Contractor	1,700	1,500	18,000
Trivia night expenses	8,000	-	-
<b>Total Expenses</b>	<b>20,501</b>	<b>12,501</b>	<b>150,000</b>
<b>Surplus/Deficit</b>	<b>1,001</b>	<b>(1)</b>	<b>-</b>

# Budget Variance

Account	\$	\$	\$
	July	July Budget	Variance
<b>Income</b>			
State Grant	8,333	8,333	-
Council Grant	2,500	2,500	-
Donations	500	1,500	(1,000)
Membership	167	167	-
Trivia Night	10,000	-	10,000
<b>Total Income</b>	<b>21,500</b>	<b>12,500</b>	<b>9,000</b>
<b>Expenses</b>			
Rent – free utilities	667	667	-
Salaries	9,100	9,100	-
Superannuation	865	865	-
Workers Compensation	10	10	-
Insurance	83	83	-
Stationery and Printing	50	250	200
Telephone	26	26	-
Contractor	1,700	1,500	(200)
Trivia night expenses	8,000	-	8,000
<b>Total Expenses</b>	<b>20,501</b>	<b>12,501</b>	<b>8,000</b>
<b>Surplus/Deficit</b>	<b>1,001</b>	<b>(1)</b>	<b>1,000</b>

# NSCOA

- National Standard Charts of Accounts
- Go to <https://www.acnc.gov.au/for-charities/manage-your-charity/national-standard-chart-accounts>



# Balance Sheet

- $\text{Assets} = \text{Liabilities} + \text{Equity}$
- $\text{Equity} = \text{Assets} - \text{Liabilities}$
- Shows your organisations financial position
- Can be used to predict

# Balance Sheet

Account	\$
	July
<b>Current Asset</b>	
Cash at Bank	93,500
Accounts Receivable	40,000
<b>Non-Current Asset</b>	
Office Equipment	10,000
<b>Total Assets</b>	<b>143,500</b>
<b>Current Liability</b>	
Accounts Payable	1000
Membership fees in advance	1,833
Grants in Advance	91,667
PAYG Payable	1000
Provision for Annual Leave	2000
<b>Total Liabilities</b>	<b>97,500</b>
<b>Total Equity</b>	<b>37,000</b>

# Quiz

Account	\$
	July
<b>Income</b>	
State Grant	8,333
Council Grant	2,500
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Membership	167
Trivia Night	10,000
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<b>Expenses</b>	
Rent – free utilities	667
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PAYG Payable	1000
Provision for Annual Leave	2000
<b>Total Liabilities</b>	<b>97,500</b>
<b>Total Equity</b>	<b>37,000</b>

# Answer

- \$2,000
- Look at the Profit and Loss – only \$167
- Check the balance sheet
- \$1,833 membership fee in advance

# Working Capital Ratio

- Current Asset/Current Liabilities
- Ratio of 1-2 is alright
- Over 2 is great
- How many times your current assets cover your current liabilities

# Quiz

- Which organisation is in the best position?

	A	B	C
Working Capital Ratio	0.9	1.5	2

# Trivia Night Results

Account	\$
	July
<b>Income</b>	
State Grant	8,333
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Donations	500
Membership	167
Trivia Night	10,000
<b>Total Income</b>	<b>21,500</b>
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# Trivia Night Results

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Membership fees in advance	1,833
Grants in Advance	91,667
PAYG Payable	1000
Provision for Annual Leave	2000
<b>Total Liabilities</b>	<b>97,500</b>
<b>Total Equity</b>	<b>37,000</b>



# Working Capital Ratios

	A	B	C
Working Capital Ratio	0.9	1.5	2
Current Assets			
Cash	50,000	125,000	50,000
Accounts Receivable	40,000	25,000	150,000
Total Current Asset	90,000	150,000	200,000
Total Current Liabilities	100,000	100,000	100,000

# Main Points

- Accrual accounting if over \$250,000 in revenue. Recognise revenue when earned and expenses when they are incurred.
- Ratios are only an indication
- Balance Sheet – watch out for accounts receivable and accounts payables and Grants Received in Advance
- Have internal controls – policies and procedures – checks and balances for quality and fraud prevention

# Resources

- CPA not for profit resources  
<https://www.cpaaustralia.com.au/professional-resources/not-for-profit>
- Chartered Accountants ANZ not for profit resources  
<https://www.charteredaccountantsanz.com/member-services/technical/reporting/not-for-profit-reporting>
- ATO not-for-profit helpline <https://www.ato.gov.au/Non-profit/Getting-started/In-detail/Getting-help/>
- Community Legal Centres NSW Financial Service  
[https://www.clcnsw.org.au/financial\\_service](https://www.clcnsw.org.au/financial_service)

**CLCNSW  
Financial  
Service**

**Thanks!**

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