

Community Association

Treasurer's Handbook



City of
Saskatoon

Community Development Branch

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Introduction

Management of finances for your community association is everybody's responsibility, not just the Treasurer's. Of all duties of a community association Board of Directors, management of finances is one of the least understood, yet most important responsibilities.

Only the Treasurer is considered the trustee of financial affairs. The Treasurer must maintain proper records and other supporting data to ensure that adequate audit trails are left to explain each transaction, whether for the receipt or payment of money. The Treasurer must ensure an adequate recording system is in place for the community association.

Never begin a new operating year without a budget. It is the chief means of exercising the Board's fiduciary responsibilities. It requires initial Board approval and regular monitoring of actual results against budget.

Ensure that all cash received is properly accounted for and that a proper audit trail is left. This is a basic, yet important, function of the Treasurer. The Treasurer must be able to trace the receipts issued to the association's deposit book and the cash receipts journal.

Your Board of Directors must authorize all expenditures. Any expenditure not within the approved budgeted amounts is considered unauthorized spending. A limit can be established for issuing of cheques whereby, if the expenditure is more than the budgeted amount, the Board must first approve an increase in expenditure over this established limit.

The purpose of financial reporting is to make sure that the Board of Directors understands the financial position of the community association. With that understanding, the Board can make important decisions based upon good financial information.

At the end of the financial year, the Treasurer finishes the records for the year and gets ready for the next year. Whether you are continuing on as Treasurer or handing the financial responsibilities over to a new person, year end tasks include the preparation of financial statements, having the financial records reviewed or audited, reporting to the Annual General Meeting and ensuring statutory requirements are fulfilled.

A Handbook for Community Association Volunteers

The City of Saskatoon Community Development Branch works with community associations to provide financial support and awareness that will assist in the provision of neighbourhood activities, programs and amenities. Adequate and proper financial management among community associations is a primary concern.

We have prepared this handbook to give community association volunteers, especially treasurers, a resource for organizing and managing their financial affairs. If you have any questions, feel free to contact your Community Consultant at 975-3378.



Financial Role of the Community Association

Financial management of your community association is everybody's responsibility, not just the Treasurer's. Of all duties of your community association's Board of Directors, management of finances is one of the least understood, yet most important responsibilities.

Board's Roles & Responsibilities

The Treasurer is elected to focus on the finances of the community association, but the entire Board equally shares the responsibility for managing finances. Financial management in a not-for-profit community association can be described as the managing and accounting of funds to ensure they are spent according to Board objectives. Collectively, the Board is responsible for funds entrusted to it on behalf of members of the association. The budget, accounting systems and financial policies are ways in which the Board carries this out.

The volunteer Treasurer is responsible for day-to-day management of the association's financial transactions and reporting to the Board. It is the responsibility of every Board member to understand the financial information presented by the Treasurer. If Board members do not understand the information and how it relates to the community association, they will be unable to make informed decisions. Board members should not be afraid to ask for clarification on financial information presented.

Treasurer's Roles & Responsibilities

Treasurers are critical leaders in ensuring that the association's financial affairs are conducted correctly and efficiently. In addition to carrying out responsibilities common to all Board members, the purpose of the Treasurer is to manage and report the association's finances. The activities performed by the Treasurer enable the Board to evaluate the current financial position and to direct attention to long-term planning.

When you approve Financial Statements at a Board meeting, it means you understand and agree with the information presented. Take the time you need to understand the statements before you approve them.

A Treasurer has several important duties, including:

- **Maintain all bank accounts** – selecting a bank, signing cheques, and making sure excess funds are invested prudently.
- **Provide oversight of all financial transactions** – Are there outstanding bills? Does anyone owe money to your association? The Treasurer needs to know the answers to these sorts of questions and to develop methods to manage the cash flow.
- **Maintain financial records** – Ensure that adequate records are kept and that audit trails are available for all transactions. Having records provides readily available criteria required for grant application, enables reporting of information and provides a link between budgeting and actual amounts.
- **Monitor the budget** – The Treasurer usually works with the Board to develop the annual budget and then, throughout the year, compares actual revenues and expenses to those budgeted.
- **Report to the Board (monthly) & general membership (annually) on finances** – The Treasurer reports on financial transactions to the Board, keeping them informed on a timely basis of the association's financial condition. Are revenues and expenses more or less than expected? Is there enough money with which to conduct the programs of the community association?
- **Prepare required financial reporting forms** – External parties may require various types of information and forms, which need to be prepared by the Treasurer or with the Treasurer's assistance. For example: forms to be completed and submitted to the Corporations Branch or summarizing financial information for grant funding requests. The Treasurer must be aware of the reporting requirements specific to the community association and must comply to such requirements in a timely fashion.

**Preferred
Qualities of a
Treasurer**

- **Ability to keep neat and accurate records**
- **Willingness to pay attention to detail**
- **Availability to handle transactions on a timely basis**
- **Willingness to ask questions**

Internal Controls

One of the most important responsibilities of any Treasurer is to ensure the safe custody of all money. The absence of effective systems could create opportunity for misappropriation of funds. That is why so much attention must be given to setting up effective internal control procedures.

The person who approves payment of a bill should not be the same person who signs the payment cheque.

Internal control refers to the procedures adopted by the association to prevent fraud and detect errors, and to ensure the timely and accurate reporting of financial information. One of the basic elements of internal control is that no individual should handle all aspects of a financial transaction. This is referred to as segregation of duties. It creates an internal system of checks and balances.

In small organizations it is often difficult to implement controls, so Board supervision of all aspects is very important.



Prepare a Recording System

Treasurer's are trustees of money. Proper records and other supporting data must be kept to ensure that adequate audit trails are left to explain each transaction, whether for the receipt or payment of money.

Banking

One of the first tasks of the Treasurer, if not already done, is to establish a bank account to make deposits and issue cheques. Steps involved in doing this include:

- The Board must make a motion to authorize the opening of a bank account.
- The Board determines who will have signing authority and approval to sign cheques must be given to cheque signatories by formal resolution of the Board.
- The association should select more than two Board members as signing officers. This provides coverage if one of the signatories is unavailable to sign cheques. One of the signatures on the cheques written on the association's account should be that of the Treasurer.
- The bank will provide your community association with a deposit book and cheques. You should have a bank account with pre numbered cheques. The financial institution will issue a monthly statement along with either cancelled cheques or access to an electronic viewing of cancelled cheques.
- All transactions should go through the bank account (cash deposited and cheques issued) – it makes sense to have the bank do part of the record keeping.

Record-Keeping

It is important to keep track of every financial transaction. Transactions involve the exchange of money; not only cash in the bank, but money that is owed to others for supplies and other items. Accounting simply records these transactions and classifies them with like transactions to show how money has moved over a particular time.

Consistent, accurate financial accounting is necessary in order to report to the Board on a regular basis and to present annual financial statements at the Annual General Meeting in accordance with the Not-for-profit Corporations Act of Saskatchewan.

While circumstances will vary, most community associations will need to maintain basic records. Consider what system would best suit your association's needs – paper, electronic or a combination of both? There are a number of special software packages available but even something as simple as Excel and Word can be used for electronic tracking and reporting purposes, and or accounting paper purchased from a stationary store can help with manual recording. Regardless of what system you use, it should be set up so that all financial data, accounts and records are readily available and can be transferred easily to a new Treasurer.

The record-keeping system must be simple enough to understand and use. Regardless of whether you select a manual or computerized system, the principal accounting records should include:

- **Cash Receipts Journal** – a listing of all cash receipts organized by date received and category. All transactions in the journal should be reconciled monthly with bank statements.
- **Cash Disbursements Journal** – a listing of all expenditures organized by date spent and category. All transactions in the journal should be reconciled monthly with bank statements.
- **Petty Cash Journal** – to record small payments from petty cash.
- **General Ledger** – contains summaries of all transactions (income and expenditures) for a given period and keeps a running total of all assets and liabilities.

- **Register** – to record member names, addresses and other information.
- **Receipt books** – for collecting all money. Duplicate copies of receipt books provide a sound audit trail.
- **Bank deposit books** – used to record details of cash and cheques deposited in banks. Deposit books provide a necessary audit trail for bank transactions.
- **Chequebooks** – one of the most frequently used documents in any organization; all payments should be made by cheque.
- **Bank statements** – a folder containing bank statements.
- **Paid voucher/invoice files, cash receipts files and other documentary evidence** – to support payments and cash receipts.
- **Budget papers** – to show how budget figures have been compiled. These are useful when comparing actual results against budget.
- **Insurance file** – to contain details of any insurance.
- **Treasurer's Reports** – crucial documents since they deal with the association's detailed financial report.
- **Statutory file** – contains correspondence with the Corporations Branch, Board minutes etc.

The key to financial records is, 'Can the reports be prepared easily, accurately, and on a timely basis from these records?' Community associations with a significant volume of transactions may want to examine the cost/benefit of computerizing the accounting and budget records.

Make sure a system exists for keeping track of cash receipts and disbursements. The system should allow the Treasurer to make regular reports to the Board.

Classifying Information

Classifying your financial general ledger accounts into simple yet relevant account segments will be the key to achieving a high standard of financial reporting for your association. No matter what type of transactions your association makes, there are 5 general types of accounts: assets, liabilities, equity, revenue and expenditures.

**Basic Accounting
Rule:**

**Liabilities + Equity
= Assets**

The primary reason for classifying your accounts is to enable the preparation of concise and understandable financial reports. The two vital statements are the Balance Sheet and the Income Statement.

Members of the Board are entitled to understand the financial position of the association at any given time (Balance Sheet) and how it has operated financially over the recent period (Income Statement).

Items not fitting into any specified categories are recorded under 'sundry' with a specific explanation.

Cash vs. Accrual Accounting

The presentation of financial information can become confusing when cash versus accrual accounting is discussed. Treasurers have a duty to explain these terms and ensure everyone on the Board knows about them.

Cash basis accounting means that transactions are not recorded until the transaction actually takes place. In other words, money must change hands for the transaction to be recorded. Organizations that operate on a cash basis do not have accounts receivable or accounts payable.

Accrual basis accounting means transactions will be recorded prior to money changing hands. For example, in accrual accounting, if your association sells advertising in the newsletter but does not receive the cash until after the newsletter is distributed, the transaction is still recorded at the time of the sale.

The amount the association expects to receive should be recorded in the General Ledger at the time the advertising space is sold, as an entry to advertising income with an offsetting entry to accounts receivable. When the cash is received, the entry would be cash with the offsetting entry to accounts receivable to bring the accounts receivable balance to nil.

While accrual accounting is more complex than cash accounting, it provides a more realistic view of the association's financial status.



Budgeting

The budget is the chief means of exercising your Board's fiduciary responsibilities. It is a tool that includes the initial approval and regular monitoring of actual results against budget.

What is a Budget?

A budget is a written plan forecasting revenue and expenses for a specified period of time, usually one year. It is a financial 'road-map' or plan that will show you where you are going for the year and what things you will be attempting to accomplish.

"The budget is your association's financial plan of action."

The budget should be a joint effort by all Board members, led by the Treasurer. The Treasurer uses their knowledge to assist the Board with the budgeting process and presents clearly the sources of estimated revenues, types/estimated expenses and estimated net income/loss.

A budget has two functions:

- **Planning** – documents, in monetary terms, the goals and objective of your association for a specified period of time (usually one year).
- **Monitoring** – compares the month's performance relative to the budget. The budget serves as a guide to track your association's progress on the achievement of its goals and helps predict if things are not going according to plan. It can help you take action.

For the budget to provide controls and enable monitoring of whether goals have been met, the following elements must be present:

- The budget is thoughtfully prepared
- The budget is prepared and/or approved by the Board
- The budget is broken down into monthly or seasonal time periods that match the association's activities

- The financial statements are prepared on a timely basis throughout the year and compared to the budget right on the statements.
- If actual and budgeted costs significantly vary the Board needs to discuss and determine why.

Benefits of a Budget

- Provides for communication of plans and activities to the Board and members.
- Ensures fair distribution of the association's funds and acts as a general indicator for establishing the year's base of operations.
- Enables associations to tell whether likely income for a particular period will exceed expenditures and by how much.
- Ensures spending priorities are linked to the association's goals.
- Gives prior authorization for expenditures.
- Acts as a guide for measuring annual spending. It can be used to see possible problems for over expenditures before they are allowed to occur.
- Allows sound planning, particularly for cash flow analysis.

Preparing the Budget

Before the budgeting process begins, both short and long-term planning should be completed. The Board should list the goals and objectives of the association for the following year. It is necessary to have a clear idea of your association's planned activities and the monetary value of these activities.

There are several steps involved in preparing a budget:

1. Establish a budget calendar (including actions, who is responsible, and completion dates).
2. Collect necessary information:

- Goals and objectives (plans and priorities)
 - Budgets of previous years
 - Financial statements, reports and book-keeping records (source of historical revenues, expenses, and details of transactions). A history of previous years' transactions can assist in preparing a budget (i.e.: for estimating costs/revenues). Any proposed projects and expected increases in routine expenditures must be considered.
 - Review any annual evaluations. Assess each program/activity and consider program participation statistics.
3. Realistic estimates that can be supported are essential in budget preparation. Request input from others. Individuals requesting funds should provide input. You may need to define guidelines (e.g. consider inflation and rising costs). Estimate the cost of each objective/goal and forecast expected income over the time period of the budget. Plain money values may be quite meaningless if you don't add supporting details. If budgeting for membership income, for example, the figure \$3,000 has little relevance without some explanation about what it represents: # of members, \$ value per membership, and for what period.
 4. Review materials collected and prepare draft budget to define the parameters clearly. Budget categories should be the same as general ledger categories. Compare the total expected revenue to the expenses for the overall goals. Ensure safety margins are built into the budget. Allow leeway in preparing the budget in order to meet unexpected events.
 5. Present final budget for approval. Board should review and approve budget, then present it to the membership for approval at the AGM.

A sample **Budget** is illustrated on the following page.

BUDGET

XYZ Community Association June 1 to May 31, 2008

REVENUE

Balance Forward on January 1, 2008	\$2,255.00	\$2,255.00
A. Annual Grant & Special Program Grants		
1. Community Association Annual Program Grant	\$1,000.00	
2. Community Association Annual Operating Grant	\$1,900.00	
3. LICO (Cost-as-a-Barrier) Funding	\$880.00	
4. Community Association Annual Rink Operating Grant	\$1,000.00	
5. Saskatchewan Lotteries Community Grant 2006 (Min. \$500.00, Max. \$5000.00)	\$2,200.00	
6. Neighbourhood Park Enhancement Program	\$13,500.00	
7. Community Association Rink Improvement Grant	\$2,000.00	
		\$22,480.00
B. Program Registration Fees	\$13,000.00	\$13,000.00
C. Other		
1. Advertising Sales	\$500.00	
2. Transfer from Savings	\$2,815.00	
		\$3,315.00
Total Revenue		\$41,050.00

EXPENSES

A. Programs		
1. Youth Drop-in	\$900.00	
2. Basketball	\$250.00	
3. Football	\$300.00	
4. Soccer	\$1,000.00	
5. Softball	\$200.00	
6. Indoor Programs – Fall & Winter	\$8,000.00	
7. Winter Festival	\$500.00	
8. Sport, Recreation, & Cultural Program Equipment/Supplies	\$1,000.00	
9. Space Rental	\$200.00	
10. Special Project – Day In The Park	\$1,000.00	
		\$13,350.00
B. Facilities		
1. Neighbourhood Park Project – play apparatus purchase & installation	\$18,500.00	
2. Outdoor Rinks – Operating Costs (water, supplies, etc.)	\$2,000.00	
3. Outdoor Rinks – Upgrading Costs (wire mesh, board replacement)	\$2,500.00	
		\$23,000.00
C. Operations		
1. Newsletter Mailing	\$1,500.00	
2. Newsletter Printing	\$500.00	
3. Insurance	\$2,200.00	
4. Administration (includes financial charges & review, phone, computer)	\$500.00	
		\$4,700.00
Total Expenses		\$41,050.00

SUMMARY:

Total Revenue	\$41,050.00	
Minus Total Expense	\$41,050.00	
Estimated Year-end Surplus (Deficit)		\$0.00

Monitoring the Budget

Creating a budget is useless if no one pays any attention to it or follows it. Even though a budget is merely a prediction of events in monetary terms, it should be followed as closely as possible.

The Board must decide on the frequency and format of the financial reports it will use for monitoring. The reports must show revenue and expenses for the time period, as well as any variances between them. This alerts the Board to potential adjustments to the budget. For example, if revenues are lower than expected, the Board will have to either raise revenue in some way, or lower expenditures to stay on budget. Timely monitoring allows the Board to make these adjustments before a crisis is reached.



Income & Receiving Funds

A basic, yet important function of the Treasurer is to ensure that all cash received is properly accounted for and that a proper audit trail is left. The Treasurer must be able to trace receipts issued to your association's deposit book and cash receipts journal.

Receiving Money

It is best if only one person, the Treasurer, handles all the cash receipts. If other members of the community association receive money, they should record the payer and the amount and turn it over to the Treasurer as soon as possible.

Cash receipts may be either cheque or cash. If you are receiving cash, have a cash box. Keep cash where it cannot be easily lost or stolen. If payment is received by cheque, make sure the cheque is complete. Ensure that all cheques are properly endorsed, using the bank stamp to endorse the back of each. This will ensure the cheque can only be deposited in your association's bank account.

Whenever possible, a receipt should be prepared and issued for all amounts received. Under a manual system, receipts are issued from books containing carbon copies of the original, which are pre-numbered. The original copy of the receipt should be given to the donor and the duplicate copy retained for the community association's records. Standard receipt books are readily obtainable and can be stamped with the community association's name. All receipts must be accounted for. If you make a mistake on a receipt, mark it **'VOID'** and retain the original and copy for the community association's records.

Sometimes large numbers of people are admitted to, or participate in, events for which tickets are not issued (e.g. family fun days). If it is not possible to issue individual receipts, an alternative system should be devised. For example, have the collections counted by at least two people, with the amounts recorded and then initialled by those responsible for counting.

Depositing Receipts

Cash and cheques should be deposited in full soon after collection to prevent any loss or theft. Payments for expenses should *never* be made from cash awaiting deposit.

All deposits should be recorded in the deposit book. Ensure that the bank stamps the slip when you make a deposit to the account. The deposit receipt provided by the bank when a deposit is made should be retained in the financial records (e.g. attach it to the deposit book).

Recording Receipts in the Cash Receipts Journal

Upon receipt and deposit of money, record the transaction in the Cash Receipts Journal. Information needed to complete the Cash Receipts Journal is on the duplicate of the deposit slip.

The columns in the Cash Receipts Journal should be labelled to correspond with the line items in your budget. A line item is a type of revenue recorded separately. Examples include membership fees, grants or donations. Having separate line items makes preparation and presentation easier. You do not need a column for every item. A miscellaneous column can be very useful, particularly if it is for something occurring less frequently. As the money is received, record the date, description of deposit and the amount.

The total amount received is entered in the first column under cash. Moving across the same row, enter it again under whatever category is appropriate. This is referred to as 'double-entry book-keeping'. This means that each transaction is recorded under cash (adding it to your bank balance), and then also recorded in the appropriate category. Each line must add across. At the end of the month each column is added. The total of all categories must equal the total of the cash column.

The next step is to record the deposit in the revenue section of the general ledger, entering the revenue under the appropriate category within the month received. Categories may be added to the general ledger as needed. Whether you are using a manual or electronic system, you always need to record the same information that you put in the Cash Receipts Journal.

A sample **Cash Receipts Journal** is illustrated on the following page.

CASH RECEIPTS JOURNAL

			A	B	C	D	E	F	
Date	Particulars (Description)	Receipt No.	Bank	Grants	Memberships	Sponsors	Program Income	Miscellaneous Amount (Description)	
Oct. 1	City Grant	101	5000.00	5000.00					
Oct. 4	G. Brown (sponsorship)	102	100.00			100.00			
Oct. 6	Registration Night (membership dues)	N/A	1020.00		1020.00				
Oct. 6	Registration Night (program income)	N/A	2500.00				2500.00		
Oct. 31	Interest Income	104	5.00					Interest	5.00
	Totals		8625.00	5000.00	1020.00	100.00	2500.00		5.00

NOTES:

1. Sum of Columns B to F = Sum of Column A
2. Minimize items in the miscellaneous column. For repetitive receipts, set up a separate category for tracking and reporting purposes.



Spending Money

Your Board of Directors must authorize all expenditures. Any amount of expenditure not within approved budgeted amounts is considered unauthorized spending. A limit can be established for issuing of cheques, whereby, if the expenditure is more than the budgeted amount, the Board must first approve an increase in expenditure over the established limit.

Writing a Cheque

All payments should be made by cheque. Even in associations that deal predominantly in cash, cheques are used to make payments.

Important things to consider when writing cheques:

- Chequebooks should always be kept by the Treasurer and should be imprinted with the association's name.
- At minimum, two signatories are required on all bank accounts and both signatures should be necessary to make a cheque valid. **There should be no signing of blank cheques as this negates the purpose of having more than one signature on a cheque.**
- No signatory should sign cheques issued in favour of himself/herself.
- Chequebooks either allow carbon copies of each cheque written or have separate booklet/stubs to record transactions. If your cheques include booklet/stubs, be sure to complete the record in full each time a cheque is written. If you are not using duplicate cheques, the following information should be recorded in the booklet or on the cheque stub: cheque number, date of issue, name of payee, dollar amount, and brief description of purpose of payment.
- In the case of prepared cheques that either are not given to the payee or are returned without being cashed by the payee, the cheque should not be destroyed. The Treasurer should write 'VOID' across the cheque and on the cheque stub, and file it with cancelled cheques and bank statements.

All cheques awaiting signature must be supported by documentary evidence to validate payment. A cheque requisition should be prepared to support each cheque request.

Key things to know about cheque requisitions:

- Supporting documents (e.g. invoices, contracts) must accompany the requisition. For easy reference, requisitions and supporting documentation should be filed in cheque number order.
- As well as signing cheques, signatories should initial the cheque requisition to signify they have inspected the attached documentation before approving payment. No cheques should be issued without an approved cheque requisition and invoice or receipt. This procedure of validating payment provides a complete audit trail. Before signing a cheque, cheque signatories have a duty to inspect all documents, including the cheque requisition, to ensure that payments are legitimate.
- The following information should be included on the requisition:
 - to whom the payment is to be made (payee)
 - details of the payment
 - amount to be paid
 - name of requisition requestor
 - cheque number
 - date payment is requested and approved.

Provision is also made for cheque signatories to initial the form, thus completing the audit trail.

- On some occasions, payments have to be made for which there is little or no documentary evidence. Nevertheless cheque requisitions should be prepared as normal, with proper endorsement and as many details of the proposed payment as are available. This may include references to minutes, etc. Whatever the payment, a complete audit trail must be left to prove it is a legitimate operating cost.

A sample **Cheque Requisition – Expense Claim Reimbursement Form** is illustrated on the following page.

A simple rule to remember when paying for anything is – know the ‘5 W’s’:

1. Who am I paying?

2. What is the amount?

3. When did I pay it?

4. Why did I pay for it?

5. Where did the money come from (which account)?

**CHEQUE REQUISITION
EXPENSE CLAIM REIMBURSEMENT FORM**

XYZ Community Association

Name of Claimant/Payee: _____ Date: _____

Requested by: _____

Notes/Details of Payment: _____

AMOUNT	PURPOSE
\$ _____	_____
\$ _____	_____
\$ _____	_____
\$ _____	_____
\$ _____	_____

Total Reimbursed: \$ _____

(Signature of Claimant)

(Authorizing Signature)

Please note that in order to process all reimbursements, original invoices must be attached

Date Reimbursed: _____

Cheque No.: _____

Petty Cash

Usually an association makes all payments by cheque. However, this may be impractical for small items or for a special program with steady but minor expenses. In these cases, petty cash is useful. Petty cash is an amount of cash kept on hand (in an envelope or box) to pay for small out of pocket expenses.

Petty cash amounts should have established upper limits (commonly no more than \$100) and be approved by the Board. The types of transactions eligible to be paid from the fund also need to be established.

Only one person, referred to as the custodian, should have access to petty cash in order to control the fund and should keep it in a secure location. Responsibility for the petty cash fund should be established to someone other than the Treasurer, such as the Secretary or Vice President.

- In order to set up a petty cash fund, a cheque is written to the custodian in the amount of the fund and cashed.
- To make a disbursement, a petty cash voucher should be filled out and the amount recorded in the petty cash journal.
- Receipts should prove all expenditures from petty cash. The custodian should retain whatever evidence is available to support payments and attach it to the voucher.
- The amount of cash and voucher totals in petty cash should always add up to the amount of the original petty cash cheque. When most of the funds have been spent, another cheque is written, equalling the total vouchers to restore the fund to its original amount. When the cheque is written, it should be recorded in the Cash Disbursements Journal and allocated to the appropriate line item categories indicated on the vouchers.

A person other than the custodian should check the petty cash from time to time to ensure that the funds are being properly managed.

Recording Expenditures in the Cash Disbursements Journal

In order to stay abreast of the amount of money on deposit in the bank the Treasurer should keep a running balance. You must record cheques in the Cash Disbursements Journal anytime a cheque is written and it should be subtracted from the previous bank balance. Information needed to complete the Cash Disbursement Journal should be on the cheque stub and bank statement.

Voided cheques should be recorded in the Cash Disbursements Journal with the date, cheque number, and void in the name column.

The columns in the Cash Disbursements Journal should be labelled to correspond with line items in the budget. A line item is considered a type of expenditure that is separately recorded. Examples of this are bank charges, program expenses, rink maintenance and insurance. Preparation and presentation are made easier by having separate line items. You do not need a column for every item. A miscellaneous column can be used for less frequent disbursements. As the money is spent, the expenditure is entered, noting the date and payee.

The total amount spent is entered in the first column under cash. Moving across the same row, enter it again under whatever category is appropriate. This is referred to as 'double-entry book-keeping'. It means that each transaction is recorded under cash (subtracting it from your bank balance) and then also recorded in the appropriate category. Each line must add across. At the end of the month each column is added. The total of all categories must equal the total of the cash column.

The next step is to record the disbursement in the expense section of the general ledger, entering the expense under the appropriate category within the month received. Categories may be added as needed to the general ledger. Whether you are using a manual or electronic system, you will always need to record the same information that you put in the Cash Disbursements Journal.

A sample **Cash Disbursements Journal** is illustrated on the following page.

CASH DISBURSEMENTS JOURNAL

Date	Payee (Description)	Cheque No.	A	B	C	D	E	
			Bank	Equipment	Office Supplies	Program Expense	Miscellaneous Amount (Description)	
Oct. 3	K. Wilson (set up petty cash)	001	50.00				Petty Cash	50.00
Oct. 3	Uniforms Unlimited (soccer jerseys)	002	437.00	437.00				
Oct. 6	Staples (accounting software)	003	325.00		325.00			
Oct. 12	Petty Cash (miscellaneous)	004	25.20		6.20	15.00	Postage	4.00
Oct. 22	Daily Press (delivery)	005	75.00				Newsletter Delivery	75.00
Oct. 31	J. Lowe (instructor)	006	400.00			400.00		
Oct. 31	Sports 4 Everyone (ball equipment)	007	201.15	201.15				
Oct. 31	M. Tee (instructor)	008	200.00			200.00		
Oct. 31	Bank Charges		1.50				Bank Charges	1.50
	Totals		1714.85	638.15	331.20	615.00		130.50

NOTES:

1. Sum of Columns B to E = Sum of Column A
2. Minimize items in the miscellaneous column. For repetitive receipts, set up a separate category for tracking/reporting purposes.



Reporting to the Board

The purpose of financial reporting is to make sure that your Board understands the financial position of the community association. With that understanding, the Board can make important decisions based upon good financial information.

By reviewing the financial statements on a regular basis, the Board can make informed decisions on whether or not to progress with programs and projects as planned. Or, the Board may want to re-think aspects of their proposed initiatives in order to stay within the association's financial means.

Financial reporting should occur at each regular or monthly Board meeting as well as when deemed necessary by the Board at a special meeting.

Reconciling the bank account also helps to keep track of your association's true bank balance.

Reconciling the Bank Account

A bank reconciliation should be done each month to ensure that the balance in the general ledger is correct. Reconciling means checking all the debits and credits on the bank statement against the individual entries in your community association's cash receipts and disbursements journals to identify errors or omissions in either the bank or association's records. Banks occasionally make mistakes on the statement and this review can identify any such mistake.

Normally the bank statement is received several days after the end of the month. This time lag means that new transactions have occurred since the bank's closing date. These transactions can be ignored during the reconciliation. Any date for reconciliation may be used, but it is easiest to select either the ending date on the bank statement or the month-end cut-off date (e. g. March 31).

If you write cheques all month, it is possible you will not see all your issued cheques on the bank statement. As part of the reconciliation, you will need to make a record of all cheques that have not yet cleared through the bank account. These are known as 'outstanding cheques'.

Conversely, deposits made but not shown on the bank statement are considered 'outstanding deposits'. Bank charges appearing on statements will also not appear in the Cash Disbursements Journal.

They all have to be taken into account when completing the bank reconciliation.

You can follow the procedures outlined on the back of your bank statement on preparing a bank reconciliation or the steps listed below

- Obtain the monthly bank statement and cancelled cheques or chequebook.
- Ensure the opening balance on the current bank statement is the same as the closing balance on the last bank statement. Record the ending bank balance on the reconciliation.
- Check off each item on the bank statement, both cheques and deposits, on your Cash Receipts & Cash Disbursements Journals. Make sure the amounts you have recorded match what the bank has charged.
- Enter any unrecorded cheques/deposits on the bank statement in the Cash Receipts & Cash Disbursements Journals.
- If the bank charged any fees, record the fee in the Cash Disbursements Journal and subtract the amount from the total cash balance.
- Once you have agreed upon all amounts, review the Cash Receipts & Cash Disbursements Journals. You should have all the cheques and deposits checked off, though some may not yet have cleared the bank. Add up cheques and deposits that have not cleared, including only those deposits made to the cut-off date of the bank statement. These items are entered as outstanding cheques and deposits on the reconciliation.
- Subtract the total of outstanding cheques from the bank balance.
- Add the total of the outstanding deposits to the bank balance.

You should now have your true bank balance. The true bank balance should agree with the amount the association has recorded in the Cash Receipts & Cash Disbursements Journals.

Please refer to page 19 for a sample of a Cash Receipts Journal and to page 26 for a sample of a Cash Disbursements Journal.

The actual bank reconciliation statement should be prepared in writing (or printed out if prepared electronically) and filed with the bank statements. It should be presented at regular Board meetings.

Completing the Ledger

Whenever you pay for something or receive money, you will need to record it in the general ledger. The general ledger gives you a place to keep a record of what the association has spent and what it has received.

To complete the general ledger, you should:

- Record everything you have entered in the Cash Receipts, Cash Disbursements and Petty Cash Journals if not already done.
- Complete any separate project ledgers where applicable and record those on the main general ledger.
- Compare the general ledger to the journals and receipts/invoices to ensure you have all your records entered. This is referred to as reconciling.
- When all the monthly data for revenues and expenses have been accumulated and entered in the general ledger, total the revenues and expenses under each category. Subtotal each month to get monthly totals. When getting the yearly total, add up each of the monthly totals. Taking the revenue total minus the expense total from the general ledger will identify the surplus or deficit your association has incurred for the year.

Preparing Monthly Reports

Another of the Treasurer's important responsibilities is ensuring that accurate and timely financial information is regularly circulated to the Board. The Treasurer's Report should explain to the Board what the association has spent, what it has received and any variances between budgeted and actual income and expenditures during the period.

The use of computer-generated standard reports has many advantages. By using popular computer programs such as *Word* and *Excel*, the Treasurer can create a standard template and update it each month with current information. The Board will become familiar with the standard format and know what crucial figures to look for at each meeting. Computers can remove much of the drudgery from preparing routine financial reports.

Distilling financial information into simple language is often a daunting task. Treasurers should prepare financial reports that:

- Are readable and informative. Consistent headings for different topics in the report promote better understanding.
- Capture the essential points.
- Are not too long – perhaps limited to three pages.
- Give an overview of the association's financial position, including reasons for major budget variances.
- Predict financial outcomes for the year.
- Recommend actions to be taken in operations, in light of results to date.
- Provide information on bank accounts and cash flows to year-end. While the income and expenditure statement might show that the association is making profits, for example, cash might be drying up because of capital expenditures or other reasons.
- Provide any other information considered relevant or as requested by the Board.

The Treasurer's Report simply lists:

- name of the association
- period the report covers
- cash balance at the beginning of the period
- income received during the period
- expenses paid during the period
- cash balance at the end of the period.

The cash balance at the end of the period should agree with the balance on the bank reconciliation.

Financial statements that the report covers should be attached, while supporting information should be retained by the Treasurer and made available at meetings, if required. The financial statements are used to determine whether the estimated revenues and expenditures are on target.

How you format reports is your choice. Accuracy is most important; great detail is not. The Treasurer's Report should:

- Be written in clear, understandable language.
- Follow the same format as the budget so that categories for revenue and expenditures on the Treasurer's Report align with the budget.
- Be consistent from one period to the next. Items may get added but the order is maintained. This makes it possible for the Board to compare reports from month to month and year to year.

Have sufficient copies for all in attendance. You could sent the report to association members in advance to give people more time to absorb the information.

A sample **Treasurer's Report** is illustrated on the following page.



TREASURER'S REPORT

XYZ Community Association
For period ending NOVEMBER 30, 2007

REVENUES:	BUDGET REVENUE ESTIMATE	MONTHLY REVENUE Nov-07	RECEIVED TO DATE	BALANCE DUE
A. Annual Grants				
1. Community Association Annual Program Grant	\$1,000.00		\$1,000.00	-
2. Community Association Annual Operating Grant	\$1,900.00		\$1,900.00	-
3. LICO (Cost-as-a-Barrier) Funding	\$880.00		\$880.00	-
4. Community Association Annual Rink Operating Grant	\$1,000.00		\$825.00	\$175.00
5. Saskatchewan Lotteries Community Grant	\$2,200.00		\$1,500.00	\$700.00
6. Neighbourhood Park Enhancement Grant	\$13,500.00		-	\$13,500.00
7. Community Association Rink Improvement Grant	\$2,000.00	\$1,718.00	\$1,718.00	\$282.00
B. Program				
1. Program Registration Fees	\$13,000.00		\$6,242.00	\$6,758.00
C. Other				
1. Newsletter Advertising	\$500.00	\$145.00	\$145.00	\$355.00
2. Transfer from Savings	\$5,070.00			
TOTAL Revenues:	\$41,050.00	\$1,863.00	\$16,465.00	\$21,770.00
EXPENDITURES:				
	EXPENSE ESTIMATE	MONTHLY EXPENSE Nov-07	EXPENDED TO DATE	BALANCE TO EXPEND
A. Programs				
1. Basketball	\$250.00	\$78.00	\$78.00	\$172.00
2. Football	\$300.00	\$53.22	\$178.19	\$121.81
3. Soccer	\$1,000.00		\$500.00	\$500.00
4. Softball	\$200.00		\$167.33	\$32.67
5. Youth Drop-in	\$900.00	\$181.43	\$331.43	\$568.57
6. Indoor Fall/Winter Programs	\$8,000.00	\$1,239.57	\$3,219.27	\$4,780.73
7. Winter Festival	\$500.00		-	\$500.00
8. Cultural & Recreational Program Equipment/Supplies	\$1,000.00		\$966.30	\$33.70
9. Space Rental	\$200.00			\$200.00
10. Day In the Park	\$1,000.00		\$1,168.92	\$ (168.92)
B. Facilities				
1. Neighbourhood Park Project	\$18,500.00			\$18,500.00
2. Outdoor Rinks - Operating Costs (water, supplies, etc.)	\$,000.00			\$2,000.00
3. Outdoor Rinks - Upgrading Costs (wire mesh, boards)	\$2,500.00		\$2,218.46	\$281.54
C. Operations				
1. Newsletter Distribution	\$1,500.00		\$670.00	\$830.00
2. Newsletter Printing	\$500.00	\$124.00	\$241.67	\$258.33
3. Insurance Policy	\$2,200.00		\$2,295.00	\$ (95.00)
4. Administration Costs (financial charges, phone, etc.)	\$500.00	\$32.50	\$188.30	\$311.70
TOTAL Expenditures:	\$41,050.00	\$1,708.72	\$12,222.87	\$28,827.13
SUMMARY				
Total Revenues	\$41,050.00	(annual)	\$16,465.00	(to date)
less Total Expenditures	\$41,050.00	(annual)	\$12,222.87	(to date)
Balance at end of reporting period: Surplus (Deficit)	-	(annual)	\$4,242.13	(to date)

Finishing for the Year

Your work is almost done for the year. The next step is to finish the records and get ready for next year. You might be continuing on as Treasurer or you might be handing the responsibilities over to a new person.

Reporting Time Frame

All financial transactions take place in annual time frames, but each organization can have a different annual time frame, for example, January 1st – December 31st. It is done this way to show movement in resources from one period to the next.

Financial statements help to explain what has gone on during the annual time frame. There must be a beginning and an end: the statements tell the story. The end date is referred to as the year-end. Knowing the time frame in which financial information relates is therefore important in any understanding of financial matters.

A sample **Financial Statement** is shown at the end of this chapter.

Preparing Information for Review/Audit

Organizations receiving grants usually require annual audits or at least a review of their financial information by a third party. An accountant normally provides these services. Consult with your Community Consultant or the Saskatchewan Corporations Branch to determine the reporting requirements for your community association. An audit/review is an independent examination of financial records to ensure they are an accurate representation of the association's financial operation.

The Treasurer is the primary contact with the accountant doing the review/audit and should provide:

- the year's financial records, including journals
- cancelled cheques
- cheque stubs
- receipts

TIP: An audit/review provides your Board and members with additional comfort on the reliability of annual financial statements.

- deposit books
- bank statements and reconciliations
- bills
- the general ledger.

The following financial statements need to be prepared:

- Statement of financial position or balance sheet
- Statement of operation or income statement
- Statement of changes in net assets or fund balances
- Statement of cash flows or the statement of changes in financial position.

In addition, notes to the financial statements may be necessary to provide further explanation of certain items.

Following the audit/review, the accountant will prepare a signed statement giving their opinion of the accuracy and honesty of the financial position of the association at year-end. Two Board members, preferably the President and the Treasurer, should sign the audited/reviewed financial statements.

Annual General Meeting (AGM)

The responsibilities of the Treasurer at the AGM include:

- for distribution to members
- presenting the financial statements at the meeting
- answering any questions from the membership regarding the association's finances
- making a motion to appoint the accountants for the subsequent year-end audit/review.

The annual audited/reviewed financial statements must be presented to your association's membership at the AGM.

Statutory Requirements

TIP: It is the Treasurer's responsibility to report annually and on time to the Corporations Branch.

Incorporated non profit associations are required to file an annual return and financial statement with the Saskatchewan Corporations Branch each year.

The annual return maintains your community association's existence on a yearly basis. It verifies that the information in the Corporations Branch's records is correct. The Corporations Branch generates the annual return and sends it to the Treasurer prior to the due date. The Treasurer must update and verify the information on the form and file it with the Corporations Branch along with the appropriate fee.

Financial statements must be filed at the Corporations Branch within four months after the community association's fiscal year-end date.

Incorporated non profit associations must also meet any statutory requirements related to the Federal Government's Canada Revenue Agency. For more information on these requirements contact Canada Revenue Agency (www.cra-arc.gc.ca).



FINANCIAL STATEMENT

Statement of Revenues, Expenditures and Balance Sheet at Year End

REVENUES:	CURRENT YEAR June '07 to May '08	PREVIOUS YEAR June '06 to May '07
A. Annual Grants		
1. Community Association Annual Program Grant	\$1,000	\$1,000
2. Community Association Annual Operating Grant	\$1,900	\$1,900
3. LICO (Cost-as-a-Barrier) Funding	\$880	\$880
4. Community Association Annual Rink Operating Grant	\$1000	\$972
5. Saskatchewan Lotteries Community Grant	\$1,837	\$2,230
6. Neighbourhood Park Enhancement Grant	\$13,500	NIL
7. Community Association Rink Improvement Grant	\$1,718	NIL
B. Program		
1. Program Registration Fees	\$12,090	\$10,885
2. Membership Fees	\$1590	\$1315
3. Special Events	\$764	\$1038
C. Other		
1. Newsletter Advertising	\$625.00	\$460
2. Fundraising and Donations	\$2834	\$350
TOTAL REVENUES:	\$39,738	\$21,030
EXPENDITURES:		
A. Programs		
1. Basketball	\$326	\$218
2. Football	\$183	\$255
3. Soccer	\$1,230	\$974
4. Softball	\$167	\$150
5. Youth Drop-in	\$655	\$815
6. Indoor Fall/Winter Programs	\$8,746	\$7682
7. Winter Festival	NIL	\$396
8. Cultural & Recreational Program Equipment/Supplies	\$966	NIL
9. Space Rental	\$150	\$185
10. Day In the Park	\$1,167	\$873
B. Facilities		
1. Neighbourhood Park Project	\$19,318	NIL
2. Outdoor Rinks - Operating Costs (water, supplies, etc.)	\$1,650	\$1944
3. Outdoor Rinks - Upgrading Costs (wire mesh, boards)	\$2,218	NIL
C. Operations		
1. Newsletter Distribution	\$1,650	\$1,374
2. Newsletter Printing	\$484	\$458
3. Insurance Policy	\$2,200	\$2,200
4. Administration Costs (financial charges, phone, etc.)	\$366	\$429
TOTAL EXPENDITURES:	\$41,476	\$17,953
NET INCOME (LOSS)	(\$1,738)	\$3,077
BALANCE SHEET		
	As of MAY 31, 2008	As of MAY 31, 2007
ASSETS (Cash and Savings)	\$4,980	\$6,718
LIABILITIES (Outstanding Cheques)	NIL	NIL
EQUITY		
Opening Balance	\$6,718	\$3,641
Net Income (Loss)	(\$1,738)	\$3,077
	\$4,980	\$6,718

Treasurer's Checklist

Use the following checklists as reminders for important matters you need to consider at different time periods throughout the year.

Financial Processing Checklist

- ❑ Manage cash receipts
- ❑ Make disbursements as approved
- ❑ Maintain adequate books and records to manage and report finances

Monthly Reporting Checklist

- ❑ Complete the general ledger
- ❑ Reconcile bank accounts
- ❑ Prepare Treasurer's Report and present it at the Board meeting

Annual Reporting Checklist

- ❑ Obtain financial statements from accountant
- ❑ Present financial statements at Annual General Meeting
- ❑ Comply with *Saskatchewan Corporations Branch* requirements
- ❑ Prepare and approve the budget
- ❑ File appropriate tax information with *Canada Revenue Agency*



Glossary of Terms

- **Accounts payable** – amounts owed by the association (e.g. unpaid bills, monthly obligations, loan repayments).
- **Accounts receivable** – amount owed to the association (e.g. funding, advertising income).
- **Annual General Meeting (AGM)** – meeting of the membership held once a year. It must be held a certain number of days following the association's year-end date.
- **Assets** – what the association owns or is owed as a result of past transactions or events. You receive benefits from these things in the future.
- **Audit** – independent verification of economic events that provides a high level of assurance by performing procedures such as inspection, observation, enquiry, confirmation, computation, analysis and discussion. An audit is more costly than a review given the additional work performed.
- **Balance sheet** – shows the total assets, liabilities and equity of the association as of a certain date, generally at the end of its fiscal quarter or year.
- **Budget** – financial report containing estimates of income and expenses for the year. It is a financial road map or plan for the community association based on your goals and objectives for the coming year.
- **Cash flow** – the flow of monies into (receipts) and out of (disbursements) the association.
- **Chart of accounts** – a list of the types of things you will spend money on or receive money from. The best chart of accounts is a simple one. List your projects and events and add categories as new types of receipts or expenditures occur.
- **Cost** – the amount paid or charged for something.

- **Deficit** – a deficiency in amount – an excess of expenditures over revenue.
- **Disbursement** – payment.
- **Endorse** – to stamp the back of a cheque made out to the association with the association's information. This tells the bank the cheque can only be deposited to the association.
- **Equity** – the net worth of the association; what is left if you were to cease operations tomorrow.
- **Expenditure** – actual expenses incurred at the end of a reporting period or fiscal year.
- **Expense** – a cost (e.g. stationary and supplies, postage), something that requires spending money.
- **Fiduciary** – fiduciary responsibilities relate to holding a position of trust that requires a Board member to act honestly, in good faith, and in the best interests of the organization.
- **Fiscal year** – any twelve month period the organization has designated as their business 'year'.
- **Fund** – a sum of money or resources intended for a special purpose.
- **General ledger** – a book listing all of the association's revenues and expenditures. A ledger can be manual or system based.
- **Internal control** – all measures taken to safeguard assets, check the accuracy and reliability of accounting data, promote operating efficiency, and ensure compliance with the association's policies and legislation.
- **Invoice** – bill for goods or services received or provided.
- **Journal** – a manual (book) or computerized record of transactions.

- **Liabilities** – the money the association owes for the exchange of goods, services or work effort that has already taken place. You need to pay them in the future.
- **Not-for-profit** – an organization whose main objective is to provide service to the community, not to generate a profit.
- **Outstanding** – when a cheque has not cleared, it is called outstanding. For example, when the bank has not received the cheque from a person to whom the association wrote the cheque.
- **Receipt** – written proof that something was paid for or money was given.
- **Reconciliation** – comparing the association's records with the bank records.
- **Revenue** – money the association receives.
- **Revenue & expenditure statement** – sometimes called the Operating Statement, Revenue & Expense Statement, Profit & Loss Statement or Income Statement, it shows the amount of income received over a period of time (usually a year) and the amount spent. There will be one of three outcomes: revenues and expenditures will be equal, there will be a surplus (more revenue than expenses) or a deficit (more expenses than revenue).
- **Review** – independent verification of economic events provides a moderate level of assurance by performing procedures limited to enquiry, analysis and discussion. This offers less assurance than an audit.
- **Statement of changes in financial position** – shows all the funds flowing into and out of the association during a specific period of time. This method of recording revenue does not go on the revenue & expenditure statement (e.g. bank loan). The statement of cash flows shows a more complete picture of cash flows in the association than the revenue & expenditure statement.



Community Associations

Adelaide Park/Churchill	Lawson Heights
Avalon	Massey Place
Brevoort Park	Meadowgreen
Briarwood	Montgomery Place
Buena Vista	Mount Royal
Caswell Hill	North Park/Richmond Heights
City Park	Nutana
College Park	Pacific Heights
Confederation Park	Parkridge
Dundonald	Pleasant Hill
East College Park	Queen Elizabeth
Eastview	River Heights
Erindale/Arbor Creek	Riversdale
Exhibition	Silverspring
Fairhaven	Silverwood Heights
Greystone Heights	South Nutana Park
Holiday Park	Sutherland/Forest Grove
Holliston	Varsity View
Kelsey	Westmount
King George	Westview Heights
Lakeridge	Wildwood
Lakeview	

COMMUNITY DEVELOPMENT AREA OFFICE: 975-3378

For information on your local community association, visit the City of Saskatoon website at www.saskatoon.ca/org/leisure, click on community associations under “What’s New”. Contact names and numbers are available by clicking on the prompt “Community Associations Contacts”.

NOTES: