

Reporting to the board

Here's an example of a typical report, which has been adapted from a case study in the Chartered Accountants of Australia Voluntary Treasurer's Handbook. It consists of a summary, a statement of budget differences for the year, a cash report, personnel record, and capital expenditure and approvals.

1. Summary

The summary should provide a brief overview of the accounts and your interpretation of the organisation's current financial position. You need to highlight any significant matters to draw the board's attention to these issues.

2. Statement of budget differences of the year

ABC's treasurer's monthly report for March 2004

We would have had a pleasing result for March if we hadn't had to buy a new computer and a printer, costing \$4000. This was an unpredicted, but necessary expense, as the old computer died and wasn't worth repairing. This unbudgeted expense will place considerable pressure on our cash flow over the next few months.

However, we are planning to sell some of our paintings in June and they should realise in excess of \$4,000. This sale was not anticipated in our budget.

If we hadn't had that unexpected expense, our net surplus of \$200, on an accrual basis of accounting, would've been \$575 ahead of budget. Our gala came out ahead of budget in spite of the bad weather on the day.

ABC August Budget

	Budget this month	Actual this month	Budget Variance this month	Budget YTD	Actual YTD	Budget Variance YTD	Revised Budget for year	Official Budget for year
Income								
Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$4,500	\$0
Earned	\$2,100	\$2,550	\$450	\$2,100	\$2,550	\$450	\$5,450	\$5,000
Donations	\$250	\$375	\$125	\$750	\$875	\$125	\$4,625	\$4,500
Sponsorship	\$120	\$120	\$0	\$360	\$360	\$0	\$1,440	\$1,440
Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total income	\$2,470	\$3,045	\$575	\$3,210	\$3,785	\$575	\$16,015	\$10,940
Expenditure								
Wages (inc. tax, super, etc)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Equipment	\$0	\$4,000	\$4,000	\$0	\$4,000	\$4,000	\$4,000	\$0
Other	\$2,845	\$2,845	\$0	\$3,100	\$3,100	\$0	\$9,940	\$9,940
Total expenditure	\$2,845	\$6,845	\$4,000	\$3,100	\$7,100	\$4,000	\$13,940	\$9,940
Net surplus	-\$375	-\$3,800	-\$3,425	\$110	-\$3,315	-\$3,425	\$2,075	\$1,000

3. Cash report

Carry out a bank reconciliation each month and look ahead to make sure there are no cash flow problems likely to arise. If you know in advance about cash-flow shortfalls, you can act to counter them.

4. Personnel report

Where there are staff, the treasurer or administrator should provide a staff update.

5. Capital expenditure

Include a statement on capital expenditure requiring board approval.

6. Name and date

Your report should always show your name and the date the report was prepared. The report should be circulated to board members before the board meeting and within 10 to 14 days after the end of each month.

If you are receiving grants from state or federal government, you will have to make regular (milestone) reports to the granting bodies – often quarterly – and an end-of-project report.

The milestone reports will probably include client statistics and a financial statement. The end of term report will include:

- An audited financial statement
- A copy of your annual report
- A report on your performance against each agreed measure
- Client service statistics

The key reporting tool for annual meeting time is a balance sheet of assets, liabilities and equity. It is structured around the accounting equation:

- $\text{Assets} = \text{liabilities} + \text{equity}$, or
 $\text{Equity} = \text{assets} - \text{liabilities}$

ABC's report

Prepared by:
Fiona Day (Honorary treasurer) Date: 2
April 2004

ABC's cash report

At the end of March, ABC had \$4,500 in the bank – after the payment of \$4,000 for the new equipment. A bank reconciliation confirms this figure.

ABC's capital expenditure

As already reported, we have bought a new computer. We discussed this matter last meeting and as directed, we sought advice from one of our members, Greg Jones, who runs an IT department. His opinion confirmed our suspicion that it wasn't worth fixing the computer as it was eight years old.

The board approved capital expenditure of up to \$5,000, providing funds could be found to meet the cash shortfall. To meet the shortfall, the board proposed that we sell some paintings which were donated to us five years ago.

Board member Jo Prince has agreed to arrange for the sale of the paintings by placing them into a local auction. The paintings should fetch in excess of \$4,000.

Neither the purchase of the computers nor the sale of paintings was in our budget, which we now need to amend.

Balance sheet (as at 30 June 2004)

Assets

Cash	5,000
Accounts receivable	1,000
Inventory	5,000
Property, plant and equipment	100,000

Total assets

111,000

Liabilities

Accounts payable	14,000
Wages payable	2,000
Provision for employee entitlements	3,000
Long-term debt	25,000

Total liabilities

44,000

Source: *Our Community*

Profit and loss statement

The profit and loss statement (P&L) is a financial measure of your organisation's performance over a given period (often a year). It is a summary of the expenses and income in that period and shows the level of profit or loss from the activities of your organisation during that period.

The profit or loss figure is calculated by offsetting income against expenses in this period. The difference between the income and expenses is the profit or loss.

$\text{Income/revenue} - (\text{costs of sales} + \text{expenses}) = \text{profit or loss}$

Income includes sales, fees earned, rent paid and interest earned.

Expenses include wages, interest, costs of goods sold and advertising.

Cash versus profit

Unless all your transactions are cash, it is most unlikely that the profit or loss shown in this period will equal the 'cash received' minus the 'cash paid' in the same period.

Reasons for the differences include:

- Some of your debtors may not yet have paid your invoices.
- You may have paid for some goods and services with credit, rather than cash.
- It is not appropriate to charge the entire cost of a capital expenditure in one year. The cost is depreciated (or written off) over the life-span of the item, rather than treated as a one-off charge at the time of purchase.

Constructing a profit and loss statement

Construct the profit and loss statement using the accounting-matching principle – in other words, match profit and loss items against each other in categories. Include the figures from the end of the previous year as a comparison.

How to write good reports

Minutes and agenda are usually the responsibility of the chairperson and secretary in consultation with the treasurer.

The treasurer needs to provide monthly and often quarterly reports to the board. If your organisation has staff, they can prepare much of the detail of the reports well in advance of the meeting. It is good practice to circulate these reports before the meeting so people have time to read and understand them.

At each meeting, you should give an updated estimate of the year-end result, after taking actual results to date into account. As well as providing an overview of your organisation's finances, you need to separate the accounts for specific programs and projects.

It is your responsibility to make sure your fellow board members understand the budget and your monthly reports. Your reports must communicate complex financial information to people who don't necessarily understand figures. You must be able to explain in everyday language, the meaning behind the figures. If people don't understand, they will either switch off or you will have unnecessary discussions at each meeting about the same information.

Profit & Loss

DEF Limited

Profit and Loss

	This year	Last year
	Jan-Dec 2003 \$	Jan-Dec 2002 \$
Sales	500,000	425,000
Cost of sales		
Opening stock	75,000	57,000
Purchases	235,000	215,000
	310,000	272,000
Closing stock	(65,000)	(75,000)
Cost of goods sold	245,000	197,000
Gross profit	255,000	228,000
	51%	53.6%
Expenses		
Wages and salaries	101,230	95,000
Rent	13,740	13,740
Rates	6,400	6,400
Heat and light	2,350	2,420
Communications	4,400	3,980
Insurance	1,200	1,100
Depreciation	4,100	3,500
Legal & professional fees	2,500	2,300
Accounting & auditing fees	5,000	4,500
Travel expenses	12,000	11,800
Advertising and PR	24,350	24,220
Repairs	3,720	2,790
Printing & stationery	6,240	5,950
Sundry expenses	940	800
Bank interest & charges	1,110	1,200
Total operation expenses	189,280	179,700
	37.9%	42.3%
Net profit	65,720	48,300
	131.1%	11.4%

Effective reports

- Are comprehensive and concise
- Are easy to understand
- Are up-to-date
- Are broken down into programs and projects
- Compare actual figures to date with budgeted figures
- Highlight discrepancies

Your reports should be as detailed as possible so you can answer questions such as:

- How much money goes into particular aspects of a program (for example,

how much goes into advertising and how much into administration?)

- Are there any unbudgeted or unusual revenue or expenses?
- What is the cash balance and are there any cash-flow problems?
- Are we meeting our financial commitments on time, for example, payroll taxes, GST returns and superannuation?
- Are we having to dip into reserves or restricted funds?
- Are we relying on credit too much?
- Is board approval needed for any major purchases?
- Do we have many unpaid bills? Who is chasing them up?

