RUNNING AN INCORPORATED CLUB – FINANCIAL OBLIGATIONS

Financial reporting requirements

For the purposes of financial reporting, an incorporated association may be classed as a **level 1, level 2 or level 3** association, depending on its current assets and revenue. The three levels have different financial reporting requirements.

Current assets are assets that are easily turned into cash. They include cash itself, shares, accounts receivable and short term investments. Current assets do not include property or depreciable assets.

Total revenue is an incorporated association's total income during its last financial year before any expenses are deducted.

If your incorporated association's activities are governed by more than one piece of legislation, then you will need to make sure the financial reporting requirements of all the legislation are met.

For example, if your level 2 or level 3 association is required to have an audit under *the Collections Act 1966, Gaming Machine Act 1991* or under any law for any other purpose, the financial statements must be audited.

Level 1	Current assets of more than $100 000 **or** total revenue of more than $100 000.	An auditor or certified accountant must audit the financial statements.
Level 2	Current assets between$20 000 and $100 000 **and/ or** total revenue between $20 000and $100 000.	**Level 2 incorporated associations required to have audit under the *Collections Act1966*, *Gaming Machine Act 1991* or under any law for any other purpose:** An auditor or certified accountant, or person approved by the Office of Fair Trading, must audit the financial statements.

		For other level 2 incorporated associations: An auditor or certified accountant, or person approved by the Office of Fair Trading, must verify the financial statements. The verification statement must state 'I have sighted the association's financial records and the financial records show that the association has book keeping processes in place to adequately record the association's income and expenditure and dealings with its assets and liabilities'.
Level 3	Current assets of less than $20 000 and total revenue of less than $20 000.	**Level 3 incorporated associations required to have an audit under the *Collections Act 1966*, *Gaming Machine Act 1991* or under any law for any purpose:** An auditor or certified accountant, or person approved by the Office of Fair Trading, must audit the financial statements. **For other level 3 incorporated associations:** The President or Treasurer must verify the financial statements: The verification statement must state 'The association keeps financial records in a way which properly records the association's income and expenditure and dealings with its assets and liabilities'.

Source: Incorporated Associations –'Smart Business Guide': Fair Trading Queensland

Auditors and persons able to verify financial affairs

Where your incorporated association's financial statements are required to be audited or verified by an auditor or certified accountant, one of the following persons should be appointed:

- a person registered as an auditor under the Commonwealth
- *Corporations Act 2001* (a register of auditors may be searched on www.asic.gov.au)

- a member of CPA Australia (www.cpaaustralia.com.au) who is entitled to use the letters CPA or FCPA
- a member of The Institute of Chartered Accountants in Australia (www.charteredaccountants.com.au) who is entitled to use the letters CA or FCA
- a member of the National Institute of Accountants (www.nia.org.au) who is entitled to use the letters MNIA, FNIA, PNA or FPNA.

The model rules require an incorporated association to appoint its auditor or verifier for the present financial year at the annual general meeting.

You will need to provide your auditor or verifier with:

- cash receipts
- register of receipt books
- receipt books containing duplicates of issued receipts
- unused receipt books
- duplicate bank deposit slips
- cash receipts journal
- cash payments
- vouchers for payments made in chronological order
- cheque butts (used, unused and cancelled)
- cash payments journal
- cash at bank
- ledger account (if applicable)
- bank statements for the year, plus one month before and one month after
- bank reconciliations for financial year, and from the previous financial year
- petty cash
- petty cash voucher
- petty cash summary
- depreciable assets
- register of all non-current assets including any additions or disposals that occurred during the financial year

- documentation supporting disposals
- accounts receivable
- list of all amounts due at end of financial year
- indication of number of days account has been outstanding and when payment is expected
- liabilities
- list of all amounts owing at end of financial year
- list of loans payable, to banks or otherwise, including interest rates, principal outstanding and repayments
- minute books
- a copy of your incorporated association rules
- register of members
- any other documentation the auditor or verifier requests.

Annual returns

Your incorporated association must prepare an annual return. The management committee must ensure financial statements are prepared and presented to the AGM for adoption.

Within one month of the AGM, your incorporated association must complete and lodge *Associations Incorporation form 12— Annual return of association*. You will be sent this form within one month of your incorporated association's financial year ending. Lodgement details and fees are included on the form.

The annual return must include a copy of the financial statement presented at the AGM, signed and dated by either the President or the Treasurer, including:

- a profit and loss statement (income and expenditure)
- a balance sheet (assets and liabilities)
- details of all mortgages, charges and securities that affect any of your incorporated association's property at the close of the financial year.

The annual return must also include a copy of the signed audit report or verification statement.

The Office of Fair Trading will send a *Associations Incorporation form 12—Annual return of association* to your incorporated association's Secretary within one month of your incorporated association's financial year ending.

If your incorporated association would like a receipt for the annual return fee, request one when you lodge the return.

Reportable financial year

Under normal circumstances, an incorporated association's reportable financial year is 12 months. Most incorporated associations select a financial reporting period of either January to December or July to June.

Record keeping

Financial recording requirements for your incorporated association include keeping:

- a cash book or statement of amounts received and paid
- a receipt book of receipt forms
- all association bank statements
- a register of assets
- a petty cash book.

All financial records for your incorporated association must be kept for at least seven years after the final entry.

Cash book and receipt book

Your incorporated association's cash book is used to record all cash or cheque payments (expenditure) and receipts. It is generally kept in chronological order and split into two sections, one for payments and one for receipts. Your receipts should reconcile with your bank statements.

All monies received should be recorded and a receipt issued. Your incorporated association is required to keep a duplicate of all receipts, and you'll need these at audit time.

You also need to keep a register of these receipt books. Generally, incorporated associations use more than one receipt book each financial year, and this will help you and your auditor or verifier keep track of them.

The cash book should be balanced at regular intervals (e.g. monthly), and a reconciliation made between the cash book and bank balance.

Bank statements and petty cash book

Your incorporated association must hold an account with a financial institution in Queensland.

The management committee must be recorded in meeting minutes as either approving or ratifying all payments. Therefore, any invoices that need to be paid must be raised by the Treasurer at a management committee meeting for approval.

Any payment over $100 must be paid by cheque or electronic funds transfer. Any amount less than this can be paid from your incorporated association's petty cash. All payments from petty cash must be recorded in the petty cash book.

Asset register

The asset register is a place for your incorporated association to record the details of all assets acquired and owned since incorporation. You need to include details such as the date of acquisition, cost, depreciation, location (if applicable) and disposal of assets. This register will assist your management committee to keep track of your association's assets, and will also be needed at audit time.