

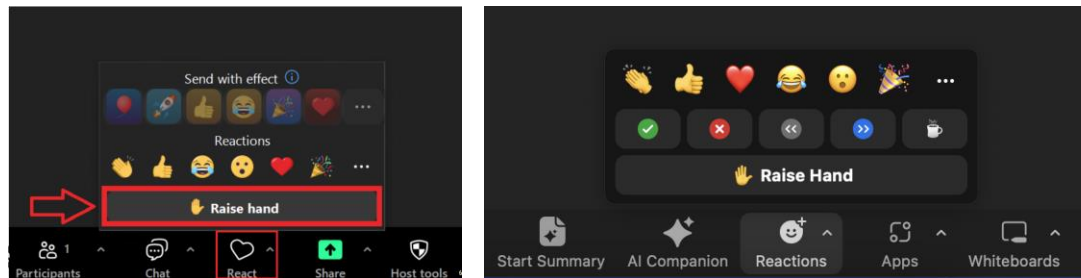


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Questions your board should be asking about the finances

Housekeeping

- When you'd like to share with the group, please use the raise hand function.



- Chat function is for everyone to use. Feel free to share your experience and advice, respond to prompts and answer any questions that arise if possible.
- You will receive the slides and the recording via the email you registered with.
- Please don't use AI to summarise or record this session.
- Please mute yourself unless you are speaking to the group.

Nina Laitala

- 20 + years community leadership
- Former CEO Victorian Student Representative Council
- Musician
- Experienced chair, deputy chair and secretary



What we'll cover today:

- Why do we need to worry about the finances?
- Ask the right questions
- Read, understand and act upon financial papers
- How to include financial matters in decision-making processes
- Participate in financial decision-making

Why do we need to worry about the finances?

- Changes to economic environment
- Changes in government funding
- Increased competition for funding/donations/volunteers/clients/audiences
- Increasingly cautious/insistent donors
- New funding/purchasing arrangements
- Workforce changes
- Volunteer changes and.....

It's a legal matter for all directors



Legal duties

- Duty to act bona fide in the best interests of the company
- **Duty to exercise powers for proper purposes**
- Duty to retain discretion
- Duty to avoid conflict of interest
- Improper use of position in the company
- Use of confidential information
- **Related-party transactions**
- **Payments to directors**
- **Duty of care, skill and diligence**
- **Duty to prevent insolvent trading**



EXCLUSIVE

Hillsong donations plunge \$100k a week amid probe by Australian Taxation Office

No time out for mother who stole \$200,000 from netball club to pay for Bali trip

Former NSW RSL president Don Rowe charged with fraud

What should I know before making a decision?

Individually and collectively, you are responsible for the decisions you make.

The board acts as one legal entity.

Ask questions ... and be satisfied with the response.

Trust but validate.

“The accounting information being passed on [to the board] wasn’t accurate, and so the board didn’t have the opportunity to pick up and fix it up,” Former club president Peter Carew



“Since being advised in September 2023 of the extent of the financial loss, the Kooyong Lawn Tennis Club Board has had to confront the fact that not all the necessary checks and balances were in place to promptly identify inadequate financial management practices,” (Kooyong President Darren) O’Loughlin said.

Accounting giant Grant Thornton found that poor financial management and reporting were to blame for the multimillion-dollar loss.

Do you know...

- major accounting terms - current assets; current liabilities?
- how to tell if you are solvent?
- how you are funded - how do you keep afloat?
- where are finances most likely to fail and why?

His Honour held that:

Directors cannot substitute reliance upon the advice of management for their own attention and examination of an important matter that falls specifically within the Board's responsibilities as with the reporting obligations. The Act places upon the Board and each director the specific task of approving the financial statements. Consequently, each member of the board was charged with the responsibility of attending to and focusing on these accounts and, under these circumstances, could not delegate or 'abdicate' that responsibility to others.

Australian Securities and Investments Commission v Healey [\[2011\] FCA 717](#)

1. Do we know enough about our operations to understand what changes will impact our financial position and annual budget?
2. Do recent bank statements match the information provided in finance reports?
3. Are there appropriate delegations of authority in place and appropriate approval processes?
4. Are we getting the appropriate information (amount, presentation, relevance)?
5. Does everyone feel satisfied they can make an informed decision?

How much is too much?

- [198] The papers provided to the Board each month were **voluminous**. However, it is to be recalled that this is a matter that is **within the power of the Board to control**. It is the Board's responsibility to determine the information it requires or does not require. The papers usually comprised around **450 pages**. They were divided into three sections.
- [229] In relation to this submission relating to the extent of the papers, I also make the following observations. A board can control the information it receives. **If there was an information overload, it could have been prevented.**

The aims of sound financial management are to ensure that your organisation:

This will assist your organisation to be recognised through your community as one that is worth supporting and belonging to.

You are also contributing to your organisation's ability to survive.



Can meet all of its financial obligations



Is prudent and has processes to protect against fraud



Complies with all relevant legislation



Is professionally managed and directed

Establish a financial management system:



- Who does what, when and why?
- Policies and procedures
- Authorities and delegations
- Check and balances and compliance
- Controls
- Reporting
- Monitoring and evaluating

Key financial documents and reports

- Budget
- Statement of financial position (Balance sheet)
- Statement of financial performance (Profit and loss)
- Statement of cash flows

Budget

Definition:

An estimate of future income and planned expenses for a period of time (usually a year)

Budgeting is the process of planning your organisation's finances for 12 months. It's all the activities you plan to undertake in the next 12 months, expressed in terms of money.

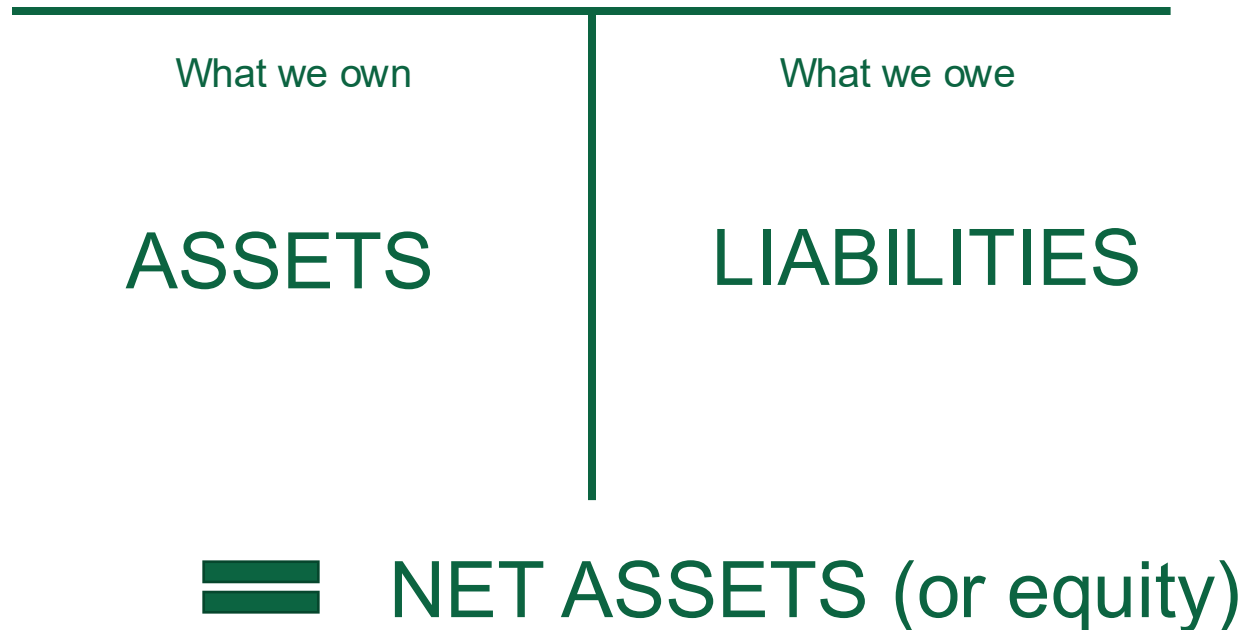
The board must approve the budget, every year.....and must be minuted before the new financial year starts.

400 INCOME	Core	Maintenance	Advocacy	Special projects	Total
4-1000 GRANTS	\$ 300,000	\$ 600,000	\$ -	\$ -	\$ 900,000
4-1100 DONATIONS	\$ -	\$ 175,000	\$ 250,000	\$ 75,000	\$ 500,000
4-1200 RENT	\$ 120,000	\$ -	\$ -	\$ -	\$ 120,000
4-1300 INTEREST ON TERM DEPOSIT	\$ 53,000	\$ -	\$ -	\$ -	\$ 53,000
4-1400 MISC	\$ 14,400	\$ -	\$ -	\$ -	\$ 14,400
TOTAL INCOME	\$ 487,400	\$ 775,000	\$ 250,000	\$ 75,000	\$ 1,587,400
600 EXPENSES					
6-1000 ADMINISTRATION	\$ 15,000	\$ 15,000	\$ 5,000	\$ 10,000	\$ 45,000
6-1100 INSURANCE	\$ 20,000	\$ 10,000	\$ -	\$ -	\$ 30,000
6-2000 REPAIRS AND MAINTENANCE	\$ -	\$ 35,000	\$ -	\$ -	\$ 35,000
6-3000 STAFF	\$ 800,000	\$ 250,000	\$ 150,000	\$ 150,000	\$ 1,350,000
6-4000 STAFF LEAVE	\$ 34,000	\$ 18,000	\$ 4,000	\$ 12,000	\$ 68,000
6-5000 DEPRECIATION	\$ 20,560	\$ 12,008	\$ -	\$ -	\$ 32,568
6-6000 MISC	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	\$ 15,000
TOTAL EXPENSES	\$ 889,560	\$ 345,008	\$ 164,000	\$ 177,000	\$ 1,575,568
NET PROFIT/DEFICIT	-\$ 402,160	\$ 429,992	\$ 86,000	-\$ 102,000	\$ 11,832

BALANCE SHEET

Definition:

A point in time statement of what the organisation owns and what it owes.



ASSETS	Everything the organisation owns: cash, inventory and vehicles
<u>CURRENT ASSETS</u>	What the organisation <u>owns</u> that is expected to be turned into cash <u>within a year</u>
Cash at Bank	Cash held in bank accounts
Funds on Hand	Cash held in petty cash and non-bank sources
Debtors	Invoices issued for amounts owing to your organisation (aka Accounts Receivable)
Stock	Goods held by your organisation, awaiting sale (aka Inventory)
Prepaid expenses	Items the organisation has paid for but not yet gained the full use of (although they will do so within the next 12 months). Includes items such as rent and insurance.
<u>NON-CURRENT ASSETS</u>	What the organisation <u>owns</u> that is not a current asset, such as assets that cannot be easily converted into cash.
Investment Funds	All investments held with a maturity greater than one year (eg: term deposits)
Land & Buildings	All land and buildings that are owned in the organisation's name
Office Equipment	All office equipment, such as furniture and computers (valued at original purchase cost)
Depreciation	All non-current assets decline in usefulness as they age. Depreciation is a non-cash item that systematically spreads the cost of each asset (except land) over its useful life.

LIABILITIES	Everything the organisation owes: loans and creditor invoices.
<u>CURRENT LIABILITIES</u>	What the organisation <u>owes</u> that is expected to be paid back <u>within a year</u>
Short-Term Debt	The amounts owing on overdrafts and credit cards.
Current portion of Long-Term Debt	The amount owing within the next 12 months on any long-term loans held in the organisation's name.
Creditors	Amounts owed that the organisation has been invoiced for but has yet to pay (aka Accounts Payable).
Employee entitlements	Items the organisation has gained full use of but not yet paid for (although they will need to do so within the next 12 months). eg: salaries, leave loading and taxes.
Unearned revenue	Payment for a good/service that hasn't been delivered yet
<u>NON-CURRENT LIABILITIES</u>	What the organisation <u>owes</u> that is not a current liability, that is due to be repaid in <u>more than a year</u> .
Long-Term Debt	Total of all loans owed by the organisation with a maturity of greater than one year.
Employee entitlements	With a longer than 12month timeframe eg. Provision for long service leave

BALANCE SHEET

Balance sheet with prior period and prior year						
	May-25		Apr-25	May-24		
ASSETS						
CASH						
OPERATING ACCOUNTS	\$	69,651	\$	20,655	\$	78,998
SAVINGS MAXIMISER ACCOUNT	\$	567,008	\$	567,008	\$	500,000
TERM DEPOSITS	\$	830,000	\$	830,000	\$	800,000
PETTY CASH	\$	360	\$	400	\$	500
CURRENT ASSETS						
ACCOUNTS RECEIVABLE	\$	2,345	\$	38,000	\$	7,689
NON CURRENT ASSETS						
NON CURRENT ASSETS	\$	2,459,283	\$	2,611,691	\$	2,317,893
TOTAL ASSETS	\$	3,928,647	\$	4,067,754	\$	3,705,080
LIABILITIES						
CURRENT LIABILITIES						
ACCOUNTS PAYABLE	\$	20,737	\$	40,540	\$	12,988
CREDIT CARDS	\$	9,108	\$	2,088	\$	5,662
GST	\$	18,023	\$	21,230	\$	17,665
FUNDS RECEIVED IN ADVANCE	\$	75,000	\$	150,000	\$	70,833
STAFF LEAVE PROVISIONS	\$	156,888	\$	162,766	\$	69,000
STAFF PAYROLL	\$	19,066	\$	21,098	\$	4,233
NON CURRENT LIABILITIES						
LOAN	\$	57,000	\$	58,567	\$	75,800
TOTAL LIABILITIES	\$	355,822	\$	456,289	\$	256,181
NET ASSETS						
	\$	3,572,825	\$	3,611,465	\$	3,448,899
300 EQUITY						
3-800 RETAINED EARNINGS	\$	3,448,899	\$	3,448,899	\$	3,303,221
3-900 CURRENT YEAR EARNINGS	\$	123,926	\$	162,566	\$	145,678
TOTAL EQUITY	\$	3,572,825	\$	3,611,465	\$	3,448,899

How do you validate this?

Net assets

Governance factors to consider in relation to the balance sheet

- A lack of clarity as to the source of funds
- Significant variation in liabilities (debt) in comparison to forecasts
- A reduction in the value of net assets (assets ↓ OR liabilities ↑)
- Current liabilities (short term debts) are greater than current assets (assets that are cash or easily converted to cash)
- Net assets are negative
- Accrued expenses are huge
- Accounts payable are excessive

- When was the last time we valued our assets?
- Were these assessed independently?
- What are the trends over time?
- Is our financial position improving or deteriorating?

Profit and loss statement

Definition:

A retrospective look at where cash has come from and gone to over a set period.

When compared with the budget it is called budget vs actuals

Profit and loss statement compared to budget	May-25					YTD (Jul 24 - May 25)				24-25 FY	
	Actuals	Budget	Variance \$	Variance %		YTD Actuals	Budget	Variance \$	Variance %	Annual budget	
400 INCOME											
4-1000 GRANTS	\$ 75,000	\$ 75,000	\$ -	0%		\$ 825,000	\$ 825,000	\$ -	0%	\$ 900,000	
4-1100 DONATIONS	\$ 500	\$ 20,833	-\$ 20,333	-98%		\$ 221,667	\$ 250,000	-\$ 28,333	-11%	\$ 250,000	
4-1200 RENT	\$ 6,000	\$ 8,000	-\$ 2,000	-25%		\$ 90,566	\$ 95,333	-\$ 4,767	-5%	\$ 104,000	
4-1300 INTEREST ON TERM DEPOSIT	\$ -	\$ -	\$ -	0%		\$ -	\$ 36,000	-\$ 36,000	-100%	\$ 36,000	
4-1400 MISC	\$ 30,000	\$ -	\$ 30,000	30000%		\$ 35,000	\$ -	\$ 35,000	35000%	\$ -	
TOTAL INCOME	\$ 111,500	\$ 103,833	\$ 7,667	7%		\$ 1,172,233	\$ 1,206,333	-\$ 34,100	-3%	\$ 1,290,000	
GROSS PROFIT	\$ 111,500	\$ 103,833	\$ 7,667	7%		\$ 1,172,233	\$ 1,206,333	-\$ 34,100	-3%	\$ 1,290,000	
600 EXPENSES											
6-1000 ADMINISTRATION	\$ 3,467	\$ 3,750	-\$ 283	-8%		\$ 42,777	\$ 41,250	\$ 1,527	4%	\$ 45,000	
6-1100 INSURANCE	\$ 2,545	\$ 2,090	\$ 455	22%		\$ 28,000	\$ 22,920	\$ 5,080	22%	\$ 25,000	
6-2000 REPAIRS AND MAINTENANCE	\$ 6,500	\$ 2,917	\$ 3,583	123%		\$ 28,556	\$ 32,083	-\$ 3,527	-11%	\$ 35,000	
6-3000 STAFF	\$ 66,667	\$ 75,000	-\$ 8,333	-11%		\$ 850,000	\$ 825,000	\$ 25,000	3%	\$ 900,000	
6-4000 STAFF LEAVE	\$ 358	\$ 5,667	-\$ 5,309	-94%		\$ 60,554	\$ 62,333	-\$ 1,779	-3%	\$ 68,000	
6-5000 DEPRECIATION	\$ 2,714	\$ 2,714	\$ -	0%		\$ 29,854	\$ 29,854	\$ -	0%	\$ 32,568	
6-6000 MISC	\$ 5,000	\$ 1,250	\$ 3,750	300%		\$ 8,566	\$ 13,750	-\$ 5,184	-38%	\$ 15,000	
TOTAL EXPENSES	\$ 87,251	\$ 93,388	-\$ 6,137	332%		\$ 1,048,307	\$ 1,027,190	\$ 21,117	2%	\$ 1,120,568	
NET PROFIT/DEFICIT	\$ 24,249	\$ 10,445	\$ 13,804	132%		\$ 123,926	\$ 179,143	-\$ 55,217	-31%	\$ 169,432	

Governance questions to consider/ ask about in relation to the income statement.

INCOME/REVENUE

- Has there been an unexpected reduction in revenue in comparison with previous years in any areas
- Is there “one-off” income – if so what is the context?

EXPENSES/COSTS

- Have we seen an Increased expenditure without increased income – what is the story behind this if so?
- Has there been an unexpected increase in costs in comparison with previous years?
- Any unusual and unexpected but significant expenses
- Insufficient breakdown of income or expenses

CASH FLOW STATEMENT

Definition:

A retrospective look at where cash has come from and gone to over a set period.

STATEMENT OF CASH FLOWS

APRIL 2025-MAY 2025

OPERATING ACTIVITIES

RECEIPTS FROM CUSTOMERS	\$	35,655
PAYMENTS TO SUPPLIERS	\$	19,803

INVESTING ACTIVITIES

INTEREST RECEIVED	\$	-
PROCEEDS FROM SALE OF PROPERTY OR EQUIPMENT	\$	30,000
PROCEEDS FROM SALE OF INVESTMENTS	\$	-

FINANCING ACTIVITIES

NET INCREASE/DECREASE FOR THE PERIOD	\$	48,956
CASH AT THE BEGINNING OF THE PERIOD	\$	1,418,063
CASH AT THE END OF THE PERIOD	\$	1,467,019

CASH AT BANK

OPERATING ACCOUNTS AND PETTY CASH	\$	70,011
SAVINGS MAXIMISER	\$	567,008
TERM DEPOSIT	\$	830,000
TOTAL CASH AT BANK	\$	1,467,019

Governance questions to ask about the cash flow statement

- Do we have enough cash to manage our current liabilities? Future liabilities?
- Is our cash flow relatively stable over time?
- If there is big variance that we observe what is the story behind it?



P&L Monthly, YTD and annual budget	May-25				YTD (Jul 24 - May 25)				24-25 FY	
	Actuals	Budget	Variance \$	Variance %	YTD Actuals	Budget	Variance \$	Variance %	Annual budget	
400 INCOME										
4-1000 GRANTS	\$ 75,000	\$ 75,000	\$ -	0%	\$ 825,000	\$ 825,000	\$ -	0%	\$ 900,000	
4-1100 DONATIONS	\$ 500	\$ 20,833	\$ -20,333	-98%	\$ 221,667	\$ 250,000	\$ -28,333	-11%	\$ 250,000	
4-1200 RENT	\$ 6,000	\$ 8,000	\$ -2,000	-25%	\$ 90,566	\$ 95,333	\$ -4,767	-5%	\$ 104,000	
4-1300 INTEREST ON TERM DEPOSIT	\$ -	\$ -	\$ -	0%	\$ -	\$ 36,000	\$ -36,000	-100%	\$ 36,000	
4-1400 MISC	\$ 30,000	\$ -	\$ 30,000	30000%	\$ 35,000	\$ -	\$ 35,000	35000%	\$ -	
TOTAL INCOME	\$ 111,500	\$ 103,833	\$ 7,667	7%	\$ 1,172,233	\$ 1,206,333	\$ -34,100	-3%	\$ 1,290,000	
GROSS PROFIT	\$ 111,500	\$ 103,833	\$ 7,667	7%	\$ 1,172,233	\$ 1,206,333	\$ -34,100	-3%	\$ 1,290,000	
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6-2000 REPAIRS AND MAINTENANCE	\$ 6,500	\$ 2,917	\$ 3,583	123%	\$ 28,556	\$ 32,083	\$ -3,527	-11%	\$ 35,000	
6-3000 STAFF	\$ 66,667	\$ 75,000	\$ -8,333	-11%	\$ 850,000	\$ 825,000	\$ 25,000	3%	\$ 900,000	
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NET PROFIT/DEFICIT	\$ 24,249	\$ 10,445	\$ 13,804	132%	\$ 123,926	\$ 179,143	\$ -55,217	-31%	\$ 169,432	

Balance sheet with prior period and prior year			
	May-25	Apr-25	May-24
ASSETS			
CASH			
OPERATING ACCOUNTS	\$ 69,651	\$ 20,655	\$ 78,998
SAVINGS MAXIMISER ACCOUNT	\$ 567,008	\$ 567,008	\$ 500,000
TERM DEPOSITS	\$ 830,000	\$ 830,000	\$ 800,000
PETTY CASH	\$ 360	\$ 400	\$ 500
CURRENT ASSETS			
ACCOUNTS RECEIVABLE	\$ 2,345	\$ 38,000	\$ 7,689
NON CURRENT ASSETS			
NON CURRENT ASSETS	\$ 2,151,200	\$ 2,151,200	\$ 2,150,960
TOTAL ASSET	\$ 3,620,564	\$ 3,607,263	\$ 3,537,687
LIABILITIES			
CURRENT LIABILITIES			
ACCOUNTS PAYABLE	\$ 20,737	\$ 40,540	\$ 12,988
CREDIT CARDS	\$ 9,108	\$ 2,088	\$ 5,662
GST	\$ 18,023	\$ 21,230	\$ 17,665
FUNDS RECEIVED IN ADVANCE	\$ 75,000	\$ 150,000	\$ 70,833
STAFF LEAVE PROVISIONS	\$ 156,888	\$ 162,766	\$ 69,000
STAFF PAYROLL	\$ 19,066	\$ 21,098	\$ 4,233
NON CURRENT LIABILITIES			
LOAN	\$ 57,000	\$ 58,567	\$ 75,800
TOTAL LIABILITY	\$ 77,737	\$ 99,107	\$ 26,788
NET ASSETS			
300 EQUITY			
3-800 RETAINED EARNINGS	\$ 1,446,789	\$ 1,446,789	\$ 1,245,508
3-900 CURRENT YEAR EARNINGS	\$ 123,926	\$ 162,566	\$ 145,678
TOTAL EQUITY	\$ 1,570,715	\$ 1,609,355	\$ 1,391,186

STATEMENT OF CASH FLOWS	
APRIL 2025-MAY 2025	
OPERATING ACTIVITIES	
RECEIPTS FROM CUSTOMERS	\$ 35,655
PAYMENTS TO SUPPLIERS	\$ 19,803
INVESTING ACTIVITIES	
INTEREST RECEIVED	\$ -
PROCEEDS FROM SALE OF PROPERTY OR EQUIPMENT	\$ 30,000
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FINANCING ACTIVITIES	
NET INCREASE/DECREASE FOR THE PERIOD	\$ 48,956
CASH AT THE BEGINNING OF THE PERIOD	\$ 1,418,063
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CASH AT BANK	
OPERATING ACCOUNTS AND PETTY CASH	\$ 70,011
SAVINGS MAXIMISER	\$ 567,008
TERM DEPOSIT	\$ 830,000
TOTAL CASH AT BANK	\$ 1,467,019

How do I keep track?

At every meeting you should get:

- A statement of financial position, or balance sheet
- A statement of financial performance, or profit and loss
- A comparison of budget versus actual
- A forecast to the end of the financial year
- Some commentary on variances and other assumptions
- A cash flow statement
- An up-to-date download of the current bank account balances

You should also ensure that someone apart from the treasurer has verified that the bank accounts actually reflect what the treasurer is reporting.

Finance sub-committee

- Why?
- What do they do?
- Who's on it?
- What's the cost/benefit of it?

Benefits:

- Helps to prepare the board with “better” information
- Can reduce the workload and may liaise with stakeholders on board's behalf
- Can monitor and review policy and standards
- Can act independently on “issues”
- Can help succession planning

Needs an instrument of delegation (clear charter)

How are we going?

- Are we generating enough income to cover the work we need to do?
- If we're losing money, do we have the reserves to cover it?
- How much it costs to progress our mission?
- Is our budget sustainable? Are we including enough costs for administration, evaluation, planning?
- Can we pay our debts? Now and in the future?
- How sustainable is our income?

Balance sheet with prior period and prior year						
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NON CURRENT ASSETS	\$	2,459,283	\$	2,611,691	\$	2,317,893
TOTAL ASSETS						
	\$	3,928,647	\$	4,067,754	\$	3,705,080
LIABILITIES						
CURRENT LIABILITIES						
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TOTAL EQUITY						
	\$	3,572,825	\$	3,611,465	\$	3,448,899

How quickly could we liquidate this if required?

Can we afford to cover these costs?

Reserves

You also need to check:

- **Aged creditors** – how long do we take to pay debts?
- **Aged debtors** – how long do we take to get paid money we are owed?
- **Cash flow projection** – what payments and receipts are coming in the next couple of months?
- Are we compliant with regulatory requirements (e.g. Annual reports, ATO, ACNC)?
- Are we discharging our duties for superannuation (or LSL) - if appropriate?

Adelaide charity marks 150 years of helping kids

South Australian charity Can:Do 4Kids has reached a notable milestone, marking 150 years of helping children living with hearing or vision impairments to reach their full potential.

Doctor swaps hospital ward for cockpit in 27,000km fundraising effort

A Melbourne doctor is swapping the hospital ward for the cockpit, setting off on a solo flight around the country to raise more than \$4 million for children with rare diseases.

Irish couple donates \$1 million plane to Australian children's charity

An Irish couple living in Sydney have donated a \$1 million plane to the Australian children's charity Little Wings.

Where to next:

[Institute of Community Directors Australia \(ICDA\) | Tools and...](#)

[CCD: Unit 4 \(Managing your funds\) \(communitydirectors.com.au\)](#)

[Financial management for community boards -
OnlineCompactCourses\(communitydirectors.com.au\)](#)

[WTF – Where's the Funding? \(communitydirectors.com.au\)](#)

Feedback



<https://www.surveymonkey.com/r/2025FOCD>

ICDA Membership

Now free! Join today.

communitydirectors.com.au/membership

