INSTITUTE OF COMMUNITY DIRECTORS AUSTRALIA
▸Knowledge ▸Connections ▸Credentials

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Where not-for-profits go for help

Setting the foundations for effective financial governance

Pre-course webinar

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Tuesday 22 September 2026

Course outline:

- Financial language and core concepts
- What financial governance means for boards
- Roles, systems and accountability
- Budgeting and financial planning
- Understanding key financial reports
- Monitoring performance and asking questions
- Risk, controls and fraud prevention
- Compliance, audits and reporting obligations
- Using financial information to support purpose and sustainability

Financial governance includes:

- making sure there are clear systems and structures in place
- understanding who is responsible for what
- ensuring appropriate policies, delegations and controls exist
- monitoring performance and asking questions when things change
- ensuring compliance obligations are met.

You can delegate tasks, but you cannot delegate responsibility.

What should I know before making a decision?

- The board acts as one legal entity
- Individually and collectively, you are responsible for the decisions you make
- Ask questions … and ensure you're satisfied with the response
- **Trust but validate**

Policies and procedures to support financial governance

- Financial Controls Policy
- Reimbursement Policy
- Delegations Policy
- Fraud Risk Management Policy
- Budget Planning Policy
- Ethical Fundraising Policy
- Investment Planning Policy
- Sponsorship Policy

Templates are available at the Institute of Community Directors Australia's Policy Bank:
https://www.communitydirectors.com.au/tools-resources/policy-bank

Cash vs accrual accounting

Accrual accounting: Income and expenses are recognised and recorded when a transaction occurs rather than when payment is received or made.

Cash accounting: Income and expenses are recognised and recorded at the time the cash is received or paid out.

Type of accrual	What it means	Example
Accrued expense	Expense incurred, but not yet paid	Receiving a bill in April for the electricity you consumed between January and March
Prepaid expense	Already paid for, will be used later	Purchasing an annual gym membership and paying the fee upfront at the start of the year
Accrued revenue	Earned but not yet received	Servicing a car and issuing an invoice to the customer. Payment is due a month after the service was performed
Deferred revenue	Received but not yet earned	Ordering customised tea towels. The seller receive payment from the customer before making the tea towels and providing them to the customer

Deferred revenue

Balance Sheet

As at 31 August 2021

	31 Aug 2021	31 Aug 2020
Assets		
Bank		
Everyday account	$355.47	$355.30
Term Deposit	$37,214.36	$36,967.44
Statement account	$2,308.55	$5,211.78
Savings account	$431,249.60	$359,208.34
Total Bank	**$471,127.98**	**$401,742.86**
Current Assets		
Accounts Receivable	$9,075.00	$65,999.00
Rental bond	$3,500.00	$3,500.00
Total Current Assets	**$12,575.00**	**$69,499.00**
Fixed Assets		
Office Equipment:At Cost	$14,664.01	$11,085.47
Office Equipment:Less Accumulated Depreciation	-$8,347.88	-$4,327.13
Total Fixed Assets	**$6,316.13**	**$6,758.34**
Total Assets	**$490,019.11**	**$478,000.20**
Liabilities		
Current Liabilities		
Accounts Payable	$4,355.24	$12,913.37
Employee Clearing Accounts:Superannuation Payable	$3,960.01	$0.00
Grants in Advance: Government	$17,872.00	$0.00
Grants in Advance: Business	$12,365.00	$0.00
Grants in Advance: Grant	$10,000.00	$0.00
Grants in Advance: Program	$23,570.00	$0.00
GST	-$623.80	$21,577.09
Provision: - Annual Leave	$27,299.82	$0.00
Provision: - Long Service Leave	$21,203.00	$17,170.00
Taxes Owing:PAYG Withholding	$10,822.00	$0.00
Total Current Liabilities	**$130,823.27**	**$51,660.46**
Non-Current Liabilities		
	$0.00	$0.00
Total Non-Current Liabilities	**$0.00**	**$0.00**
Total Liabilities	**$130,823.27**	**$51,660.46**
Net Assets	**$359,195.84**	**$426,339.74**
Equity		
Current Year Earnings	$55,694.36	$210,206.74
Retained Earnings	$303,503.28	$216,133.00
Total Equity	**$359,197.64**	**$426,339.74**

Sample profit and loss statement

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

Warning signs when looking at the profit and loss statement

Income / revenue

- Revenue has dropped compared to previous periods.
- Income includes unusual "one-off" amounts without clear explanation.
- Income sources aren't clear.

Expenses / costs

- Spending has gone up but income has not.
- Costs are higher than in previous years without a clear reason.
- There are unusual or unexpected large expenses.
- Expense sources aren't clear.

Sample 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	$ 2,151,200	$ 2,151,200	$ 2,150,500
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	$ 88,788
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

Warning signs when looking at the balance sheet

- 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

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
PROCEEEDS FROM SALE OF INVESTMENTS	$	-
FINANCING ACTIVITES		
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

Sample statement of cash flows

Warning signs when looking at the cash flow statement

- The organisation does not have enough cash to cover current or future debts.
- Cash flow is unstable or unpredictable overtime.
- There are big swings in cash flow without a clear explanation.

P&L Monthly, YTD and annual budget	May-25				YTD (Jul 24 - May 25)				24-25 FY
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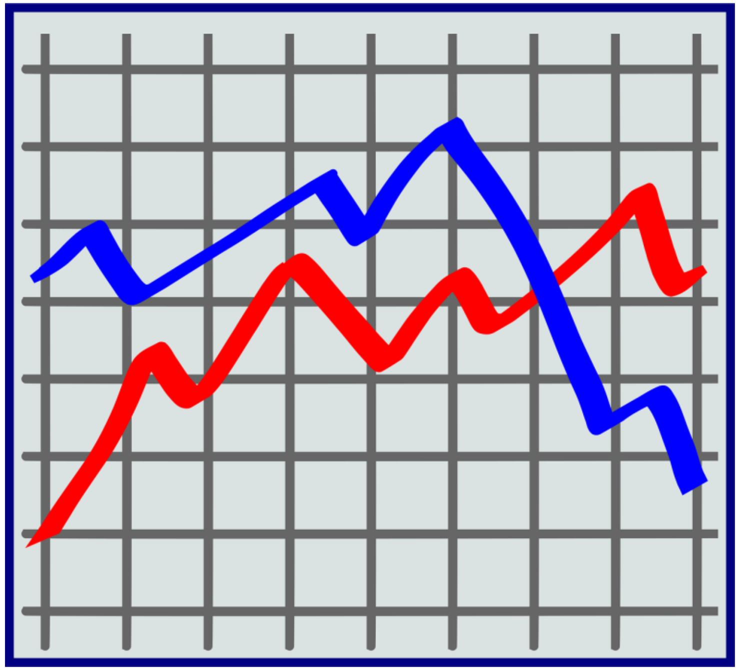
Using financial information

- What has changed since last time, and why?
- Are we tracking against budget and strategic priorities?
- Are there any emerging risks we should be aware of?
- Does this financial picture support our purpose and commitments?



A tale of two organisations

Northside Netball Club

Very small, volunteer led community sports club incorporated under a state Associations Act.

Not a registered charity.

Minimal financial reporting required.

Home & Safe Ltd

Medium-sized housing registered charity with DGR status.

Incorporated under the Corporations Act.

Audited financial reports required for regulators.

Audit your funding sources

4-0000 Income		
4-1205 Winter fees 2022	-$	150
4-1206 Winter fees 2023	$	52,000
4-1306 Summer fees 2022/2023	$	56,000
4-1400 Merchandise Sales	$	9,260
4-1458 Govt grant - Summer 2022/2023	$	2,200
4-1459 Govt grant - Winter 2022	$	6,500
4-1600 Fundraising	$	705
4-1900 Canteen/BBQ income	$	6,347
4-2100 Special event	$	720
4-2300 Social season 2022/2023	$	2,000
Total income	**$**	**135,582**

Fees: membership fees

Merchandise sales: products

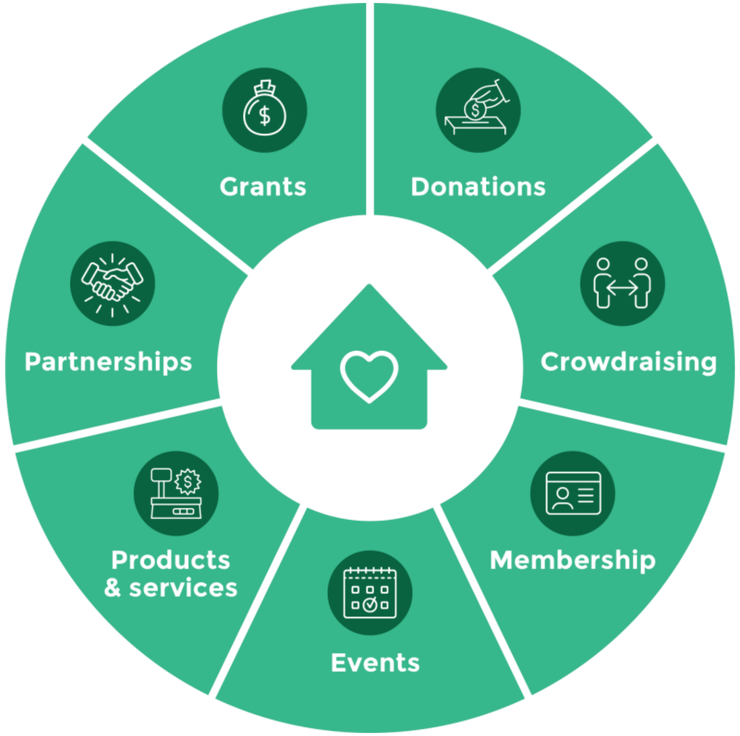
Govt grant: grants

Fundraising: ??
Donations/crowdraising

Canteen/BBQ: products and services

Special event: events

Social season: membership fees



Prepare for the self-paced online course

Review your organisation’s:

- Finance reports (P&L, balance sheet, statement of cash flows)
- Budget
- Strategic plan
- Finance policies

Next steps

- Complete "Financial management for community boards" before the next webinar on **Tuesday 6 October**
- You are already enrolled in the course, log into our Learning Management System (LMS) at https://training.communitydirectors.com.au/
- The link to our LMS can be found at anytime on the portal
- If you need any help throughout the online course, please contact: training@communitydirectors.com.au

Questions?