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PRINTING & DISTRIBUTION

GEON

PRODUCED FOR ASSOCIATIONS FORUM BY MAHLAB MEDIA

www.mahlabmedia.com.au



CIRCULATIONS
AUDIT BOARD

Average Net Distribution
10,860 (as of March 2012)

Mahlab
MEDIA

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LIFT OUT

Destination spotlight:
Port Macquarie

Levels of financial reserves



While some associations and charities can only dream of being in the situation of having too much accumulated

financial reserves, other bodies do actually worry about accumulating too much money. Strong balance sheets are good so long as sufficient funds are being spent on supporting the cause, profession or industry that the NFP represents. Money in the bank reduces pressure and opens up possibilities.

At budget time, associations and charities consider how much money they should make in a particular year. The decision reached should stem

from asking a longer-term question: what reserves should we have, say, by 2020, and why? Then the answer is to set budget targets to achieve this long-term goal.

Boards may have personalities that influence spending or saving. Some directors are adamant that members wouldn't want them making any surplus, while others refuse to unlock funds so more staff can be put on when they are desperately needed. A starting point is to have reserves equal to one year's expenditure. Once achieved, new goals can be set.

Dominant personalities remind us that a finance committee of at least three people is better than just one person as treasurer.

There is a myth that regulators of

associations in Australia may revoke the concessions, such as income tax exemption, "because we made too much profit". Regulators should cease financial advantages to organisations that break the rules, but making a profit is not a reason for this to happen.

I welcome calls or emails to discuss how Associations Forum can help.

John Peacock
General Manager
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