

Community Centres SA Finance Training

June 2025



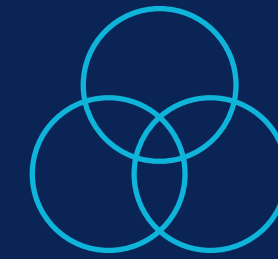
PKF values

Our values guide our interactions, define our beliefs and represent our dedication to common principles, as we work together to propel the success of our clients, our colleagues, and our community.



Passion:

Be the change



Community:

Belong together



Integrity:

Stay authentic

Finance Topics to Cover

- Financial Management
- Financial Risk Management
- Audit
- Internal Controls
- Cyber Security
- Business Cases

Finance Training

1. Definition and Purpose:

Financial accounting for not-for-profit organisations involves recording, summarizing, and reporting financial transactions to provide transparency and accountability.

2. Importance of Financial Accounting:

It ensures that the organisation's financial activities are accurately tracked and reported, which is crucial for maintaining stakeholder trust and securing funding.

3. Regulatory Requirements:

Not-for-profit organisations must adhere to specific accounting standards and regulations to ensure compliance and proper financial management. Some regulators are specific to NFP sector such as ACNC and government departments that provide grant funding.

Organisation Structure

The organisation structure will determine how the organisation operates.

In particular the constitution sets out:

- Organisation's Purpose
- The way it is governed
- How it makes decisions
- How profits and assets are distributed

Financial Governance

Financial governance provides the overarching structure and principles for businesses to manage their financial activities effectively

It identifies who can make decisions, who has the authority to act on behalf of the organisation and who is accountable for how an organisation and its people behave and perform.

Financial Governance includes internal controls, financial policies, internal and external audits, data security

Financial Governance is an important part of an organisation's governance.

Key Difference between For-Profit and Not-for-Profit Accounting

1. Purpose and Objectives:

For-profit organisations aim to maximize profits for shareholders, while not-for-profit organisations focus on achieving their mission and serving the community.

2. Revenue Sources:

For-profit organisations generate revenue through sales and services, whereas not-for-profit organisations rely on sales as well as donations, grants, and fundraising activities.

3. Financial Reporting:

Not-for-profit organisations report along project lines which will usually align with funding, while for-profit organisations often report along product/regional/departamental lines.

The principles of accounting are the same, however the application of reporting rules will differ.

Conceptual Framework

Elements of Financial Statements

- Assets
- Liabilities
- Equity
- Revenue
- Expenses

Cash V Accrual Accounting – timing of recognition of revenue and expense. Eg a transaction may occur and the cash is not received until later.

Financial Statements

1. Statement of Financial Position:

Also known as the Balance Sheet, it provides a snapshot of the organisation's assets, liabilities, and net assets at a specific point in time.

2. Statement of Financial Performance:

Also known as Profit and Loss Statement. This statement shows the organisation's revenues and expenses over a period of time, highlighting the financial performance.

3. Statement of Cash Flows:

It details the cash inflows and outflows from operating, investing, and financing activities, providing insights into the organisation's liquidity and financial health.

Cash flow is crucial to the financial well-being of the organisation and office bearers need to ensure that the entity can pay its debts.

Revenue Recognition

1. Revenue Recognition Principles:

Not-for-profit organisations recognize revenue when it is earned and realisable, following specific guidelines for different types of contributions and grants.

2. Some revenue is provided for a specific purpose and needs to be accounted for separately eg CCSA Projects

3. Recognising revenue by project enables an acquittal report to be prepared by project which is often required by the organisation providing the funding.

Expense Reporting and Allocation

1. Expense Categories:

Not-for-profit organisations categorize expenses into various groups of similar items, eg employee costs, property expenses, marketing, program costs, training etc to provide clarity on how funds are used.

2. Allocation Methods:

Expenses are allocated based on direct and indirect costs, ensuring that each program or activity is accurately charged for the resources it consumes.

For example, staff involved in a program would have their labour cost allocated to that program, a manager may only have a percentage of labour allocated to the program.

3. Reporting Requirements:

Detailed expense reports are required to demonstrate accountability and transparency, often including functional expense statements and schedules.

Compliance and Regulatory Reporting

1. Regulatory Bodies:

Not-for-profit organisations must comply with regulations set by various bodies.

2. Reporting Standards:

Adherence to standards such as GAAP (Generally Accepted Accounting Principles) ensures consistency and transparency in financial reporting.

3. Annual Reporting:

Depends upon the nature of the organisation. There may be internal requirements to report as specified in the constitution and there may be regulatory reasons to report as well.

Financial Compliance

Financial compliance ensures that businesses adhere to the legal and regulatory requirements within that framework

Examples of regulation includes:

- ATO
- Australian Charities and Not-for-profits Commission (ACNC)
- Funding Bodies re Grant Acquittals
- Local Government

Audit and Data Security form part of the financial governance. We will discuss later in the presentation.

WHO WE ARE. OUR MISSION.

We are a Not-for-Profit leader and member based organisation in local, place based community development.

It is our mission to find the strength, uniqueness and possibilities in our communities and to speak of them, magnify them and bat for them by nurturing the local community spaces and people that support community connectedness.

Because local responses, that tell the local story and deeply know and value a community's own strengths and assets, will always lead to better outcomes.

Meaningful community connectedness helps to solve tough problems like loneliness, anxiety, racism, unemployment, illiteracy, and family breakdown.

We enhance community connectedness through advocacy, research, capacity building and training. We support and walk alongside our 170+ member Community Centres and Neighbourhood Houses and other community organisations.

These are organisations who share our ethos and who have the skills and deep local community insights to support the most hard-to-reach people.

Audit Summary

1. Purpose of Audits:

Audits provide an independent assessment of the financial statements, assessing internal controls and the reliability of financial statements and compliance with accounting standards.

2. Types of Audits:

Common types include financial audits, compliance audits, and operational audits, each serving different purposes.

3. Audit Process:

The audit process involves planning, site visits, reporting, and follow-up, with auditors examining financial records and internal controls.

Overview of Audit Process

5 main components to audit process:

- 1 Engagement and Planning
- 2 Preliminary Risk Assessment
- 3 Testing
- 4 Audit Conclusions
- 5 Report

Internal Controls

Internal Controls help protect the organisation from fraud, ensures compliance with laws and regulation and are essential for financial reporting.

Internal controls are specific to the organisation. There are many options to consider including the following:

- 1 Governance – Board of Directors, Policies and Procedures
- 2 Audit of financial accounts
- 3 Financial Controls
 - separation of duties
 - dual signatories for bank accounts
 - bank reconciliations
- 4 IT – limit access to systems to job requirements

Best Practices and Common Challenges

1. Best Practice includes:

Maintain accurate records, regular financial reviews, and transparent reporting can enhance financial management.

2. Common Challenge includes:

Not-for-profit organisations often face challenges such as limited resources, compliance with regulations, and managing donor expectations.

3. Overcoming Challenges:

Implementing effective strategies, seeking professional advice, and continuous improvement can help.

Cyber Security

1. Importance of Cyber Security:

Cyber security is crucial in protecting sensitive data from unauthorized access and cyber threats.

2. Common Cyber Threats:

Not-for-profit organisations face threats such as phishing, ransomware, and data breaches, which can compromise financial information.

3. Best Practices for Cyber Security:

Security software such as anti-virus and firewalls, implementing strong passwords, regular software updates, and employee training are essential practices to enhance cyber security.

Most importantly, please work with your IT provider for cyber security advice and to support your cyber security strategy.

Cyber Security is an ongoing activity for your organization.

Cyber Security

Information is valuable and needs to be protected.

- 1 What data do you hold?
- 2 Where is your data stored?
- 3 How is that data secured and protected?
- 4 What is the procedure if a breach occurs?
- 5 Have you considered the need for Cyber Insurance?
- 6 It is a complex area – suggest obtaining specialist advice

Day-to-Day Financial Management

Effective financial management helps maintain financial stability and help achieve financial goals

Key components

- Budgeting and forecasting
- Invoicing
- Expense monitoring, recording, payment

- Record Keeping
- Financial Statements
- Program Reporting



Community Centres SA Profit & Loss YYYY Example Budget	
	Budget
Income	
Grants	
Department of xxx xxx	
Project 1	
Project 2	
Project 3	
Project 4	
Project 6	
Total Department of Xxx Xxx	\$0
Other Grants	
Project	
Total Other Grants	\$0
Total Grants	\$0
Membership Income	
Members	
Associate Members	
Corporate Members	
Total Membership Income	\$0
Revenue from Other Operating Activities	
Fee for Service Income	
Conference Revenue	
Sponsorship	
Total Revenue from Other Operating Activities	\$0
Total Income	\$0
Expenses	
Program Costs	
Program Costs	
Employee Salaries and Wages Costs	
Total Program Costs	\$0
Operating Expenses	
Administration Employee Salaries and Wages Costs	
Other Employee Costs	
Administration Expenses	
Premise Costs	
Events & Marketing	
Total Operating Expenses	\$0
Other Operating Activities Costs	
Fee for Service Activity Costs	
Fee for Service People Costs	
Conference Expenses	
Total Other Operating Activities Costs	\$0
Total Expenses	\$0
Operating Profit/(Loss)	\$0

Profit and Loss - sample
COMMUNITY CENTRES SA INCORPORATED
For the month ended 31 May 2025

Account	May 2025	May 2025 Budget	Variance
Trading Income			
Grant Revenue			
Grant A			0.00
Grant B			0.00
Grant C			0.00
Grant D			0.00
Total Grant Revenue	0.00	0.00	0.00
Membership Income			
Members			0.00
Members			0.00
Members			0.00
Members			0.00
Total Membership Income	0.00	0.00	0.00
Operating Activities			
Training			0.00
Conference			0.00
Total Operating Activities	0.00	0.00	0.00
Other Income			
Other fees			0.00
Other fees			0.00
Total Other Income	0.00	0.00	0.00
Total Trading Income	0.00	0.00	0.00
Program Expenses			
General Program Costs			0.00
Overhead / Operating Cost Allocation			0.00
Program Car Parking			0.00
Program Catering			0.00
Program Consultants			0.00
Program Mileage			0.00
Program Motor Vehicle Expenses			0.00
Program Training & Development			0.00
Program Travel & Accommodation			0.00
Total Program Expenses	0.00	0.00	0.00
Gross Profit	0.00	0.00	0.00
Operating Expenses			
Employee Expenses			
Salaries & Wages			0.00
Superannuation			0.00
Annual Leave Expense			0.00
Long Service Leave Expense			0.00
Workover			0.00
Total Employee Expenses	0.00	0.00	0.00
Administration Expenses			
Accounting, Audit & Bookkeeping Fees			0.00
Bank Charges			0.00
Board/Governance Expenses			0.00
Printing & Stationery			0.00
Staff Travel & Accommodation			0.00
Sundry Expenses			0.00
Total Administration Expenses	0.00	0.00	0.00
Event & Marketing Expenses			
Community Centre Awards & Sponsorship			0.00
Conference Expenses			0.00
Event Costs			0.00
Marketing Contractors & Consultants			0.00
Total Event & Marketing Expenses	0.00	0.00	0.00
Premises Expenses			
Cleaning & Pest Control			0.00
Rent & Outgoings			0.00
Security & Fire Monitoring/Serviceing			0.00
Test & Tag Costs			0.00
Utilities			0.00
Telephone & Internet Costs			0.00
Repairs & Maintenance			0.00
Total Premises Expenses	0.00	0.00	0.00
Total Operating Expenses	0.00	0.00	0.00
Operating Profit	0.00	0.00	0.00
Other Income			
			0.00
			0.00
Total Other Income	0.00	0.00	0.00
Net Profit	0.00	0.00	0.00

Balance Sheet - Sample
COMMUNITY CENTRES SA INCORPORATED
As at 31 May 2025

Account	31 May 2025	30 June 2024
Assets		
Bank		
Bank Account 1		
Bank Account 2		
Petty Cash		
Total Bank	0.00	0.00
Current Assets		
Accounts Receivable		
Total Current Assets	0.00	0.00
Non-current Assets		
Motor Vehicle (At Cost)		
Motor Vehicle Accumulated Depreciation		
Total Non-current Assets	0.00	0.00
Total Assets	0.00	0.00
Liabilities		
Current Liabilities		
Accounts Payable		
Accrued Annual Leave		
Accrued Expenses		
GST		
PAYG Withholding Payable		
Total Current Liabilities	0.00	0.00
Non-current Liabilities		
Total Non-current Liabilities	0.00	0.00
Total Liabilities	0.00	0.00
Net Assets	0.00	0.00
Equity		
Current Year Earnings		
Retained Earnings		
Total Equity	0.00	0.00

Day-to-Day Financial Management

Financial Statements

Complete set of financial statements comprises

- (a) statement of financial position as at the end of the period;
- (b) a statement of profit or loss and other comprehensive income for the period;
- (c) a statement of changes in equity for the period;
- (d) a statement of cash flows for the period;
- (e) notes, comprising significant accounting policies and other explanatory information;

Each report can include comparative information in respect of the preceding period.

Community Centres SA Incorporated

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Financial Risk Management

Financial risk management involves identifying, assessing, and mitigating risks that could negatively impact an organisation

Market Risk – risk of loss due to market changes, eg pricing, interest rates, economic variables

Credit Risk – risk that a borrower will default on loan obligations

Liquidity Risk – risk that the organisation is unable to meet short term obligations eg not able to pay wages, invoices

Operational Risks – risk of loss due to failure of process, people or system

Other Risks include grant funding for NFP organisations

Assessing a Business Case

Assessing a business case involves a thorough evaluation to determine its feasibility, benefits, and alignment with organisational goals.

Problem Statement:

What is the problem you are trying to solve?

Some projects maybe essential but not have a purely commercial business case
eg Community well-being, health, safety,

Proposed Solution:

Assessment will depend on the nature of the project and the business case itself.

Cost Benefit Analysis

Risk Assessment

Implementation Plan

Thank you & Questions

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