



Best Practice Guide for Treasurers

An outline of basic financial
management requirements for Lions
Clubs & District Cabinets

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BEST PRACTICE GUIDE FOR TREASURERS

OBJECTIVE OF THIS GUIDE

The objective of this best practice guide is to give treasurers an outline of basic financial management practices that the Multiple District Council would desire Lions clubs and District Cabinets to be aware of when managing and reporting financial matters at the club and District levels.

STATUS OF LIONS CLUBS AND ASSOCIATED CHARITABLE TRUSTS

Lions clubs are generally regarded as non-profit organisations and in tax literature are part of the group described as clubs and societies.

The introduction of the Charities Act 2005 required each Lions club and District Cabinet to create a Charitable Trust in order to obtain income tax exemption on funds collected from the public and those funds held in the old Club Projects Account.

Lions clubs and District Cabinets are therefore required to keep accounting records and produce financial statements for two separate entities:

- (1) For club or District administration in accordance with the requirements stated in the club or District constitutions, and
- (2) For club or District “project activities” in accordance with the requirements stated in the Charitable Trust deed.

PART A – CLUB ACCOUNTING

The following comments describe the basic requirements of a club treasurer. This best practice guide is not intended to be a detailed description of what to do; rather it is a reminder of rules to be followed, or where to go to read more about a subject. Some material has been taken from training material used by Districts for the training of club treasurers.

Role of the Treasurer

The role of a treasurer is to maintain the club's financial records in an accurate manner and in a form that can be made available and understood by most club members.

In practice this means having a clear understanding of the definition of the General or Administration Account and the Projects or Activities Account. These definitions should be known and understood by all members.

Simply speaking, the club's funds are split into members' money, and public money held on trust for eventual distribution by the club.

If your club has a registered charitable trust, then the Administration Account (members' money) is managed by the club board of directors, and the Projects Account (public money) is managed by your charitable trust trustees. Some clubs will have a single treasurer handling all their accounts; others may choose to divide the role between an administration treasurer and a trust treasurer.

The standard Lions Clubs International (LCI) club constitution describes the duties of the treasurer as follows:

He/she shall:

- (1) Receive all monies, from the secretary and otherwise, and deposit the same in a bank or banks recommended by the finance committee and approved by the board of directors.
- (2) Pay out monies in payment of club obligations only on authority given by the board of directors. All cheques and vouchers shall be signed by the treasurer and countersigned by one other officer, determined by the board of directors. No two officers authorised as signatories may reside in the same household.
- (3) Have custody and keep and maintain general records of club receipts and disbursements.

- (4) Prepare and submit monthly and semi-annual financial reports to the board of directors of the club.
- (5) Give bond for the faithful discharge of his/her office in such sum and with such surety as determined by the board of directors.
- (6) Deliver, in a timely manner, at the conclusion of his/her term of office, the financial accounts, funds and records of the club to his/her successor in office.

Put another way, the treasurer is responsible for the financial management of the club and apart from banking money and paying bills, will invoice members for dues, create budgets for all club activities, report regularly to the board and trustees, manage club investments, file GST returns (if necessary) and ensure that annual returns to the Registrar of Incorporated Societies and Charities Commission are filed by due date.

The volume of work will depend on the size of the club, the number of activities the club gets involved in, and whether the club owns or leases its own facilities.

The personal qualities of being a good club treasurer may be hidden in the following traits:

- (1) Having enthusiasm for the job
- (2) Being well organised
- (3) Able to devote time to do the job
- (4) Able to work in an orderly manner
- (5) Willing to learn new skills
- (6) Accurate with numbers and adept in money matters

Board of Directors

It is important to understand the duties and powers of the board of directors. The standard LCI club constitution describes it this way:

In addition to those duties and powers, express and implied, set forth elsewhere in this constitution and by-laws, the board of directors shall have the following duties and powers:

- (a) It shall constitute the executive board of this club and be responsible for the execution, through the club officers, of the policies approved by the club. All new business and policy of this club shall be considered and shaped, first, by

the board of directors for presentation to and approved by the club members at a regular or special club meeting.

- (b) It shall authorise all expenditures and shall not create any indebtedness beyond the current income of this club, nor authorise disbursement of club funds for purposes inconsistent with the business and policy authorised by the club membership.
- (c) It shall have power to modify, override or rescind the action of any officer of this club.
- (d) It shall have the books, accounts and operations of this club audited annually or, in its discretion, more frequently and may require an accounting or have an audit made of the handling of any club funds by any officer, committee or member of his club. Any member of this club in good standing may inspect any such audit or accounting upon request at a reasonable time and place.
- (e) It shall appoint, on recommendation of the finance committee, a bank or banks for the deposit of the funds of this club.
- (f) It shall appoint the surety for the bonding of any officer of this club.
- (g) It shall not authorise, nor permit, the expenditure for any administrative purpose, of the net income of projects or activities of this club by which funds are raised from the public.
- (h) It shall submit all matters of new business and policy to the respective standing or special club committee for study and recommendation to the board.
- (i) It shall maintain at least two (2) separate funds governed by generally accepted accounting practices. The first fund to record administrative monies such as dues, tail-twisting fines and other internally raised club funds. A second fund shall be established to record activity or public funds raised by asking support from the public. Disbursement from such funds shall be in strict compliance with Section (g) of this article.

Fundraising

Public (Activity) Funds

All funds raised from the public must be returned to public use, including money accumulated from invested public funds. The only deductions that may be made from the activity account are the direct operating expenses of the fundraising activity. Money accumulated from interest must also be returned to public use.

Administrative Funds

Administrative funds are supported through contributions from members through dues, fines and other individual contributions.

Clear separation between the administration account and the projects account

The administration account is solely for club members' money, not community or project or trust monies.

Conversely the projects account (your club's charitable trust account) is solely for community/project/public related monies.

Remember – **the two accounts should never meet!** To dispel a common myth, you should never transfer public monies to your administration account using a formula like 10% of income or profit from an activity as a contribution to assist the administration account. You can only reimburse the administration account for actual expenditure incurred by the administration account.

Solicitation of Funds

No funds shall be solicited from the club during meetings by any individual or individuals who are not members of the club. Any suggestion or proposition made at any meeting of the club calling for the expenditure of money for other than the regular obligations shall be referred to the appropriate committee or to the board of directors for further review.

Budget preparation

Clubs will require a number of budgets for their fiscal year:

- (1) An administrative budget, and
- (2) An activities budget for standing costs, as well as a budget for each individual project activity to be undertaken, that will prove that the project to be undertaken is profitable.

As the treasurer, it is your responsibility to coordinate the forthcoming year's budget(s). Budgets are a statement of the likely income and anticipated costs. You should prepare the budget with the help of your president and committee members. The budget should show both administration costs and programme costs, therefore sub-committees in charge of various programmes (e.g. Youth Exchange) must have an input into developing the budget.

Each committee and the treasurer should initially identify all possible sources of income and all likely areas where accounts will have to be paid. Then make a

calculated guess as to the amounts likely to be spent and received. You may be able to use the previous year's figures to determine amounts. Adjustments for inflation (e.g. add 3%) and likely increased costs need to be made. For some items it will be possible to calculate the exact amount which has to be paid or charged. This is necessary where there are large items of capital expenditure, e.g. replacing plumbing or purchasing a new piece of equipment.

Presenting the budget to the first meeting after your change of officers is valuable as it involves all the club members in the planning. Remember it is their club and their money you have control of.

Example

BUDGET FOR YOUR LIONS CLUB FOR 20xx - 20xx

Administration Account

Income

Expenses

Subs
Raffles
Tail-twisting
Meal charges
Interest
Donations

District and Multiple District dues
International dues
Venue hire
Catering
Bank charges
Postage
Bulletin

Total

Total

Surplus/(deficit) \$.....

You may need several attempts to draw up an accurate budget for the year. To prevent an anticipated deficit it is advisable to examine areas where reductions in expenditure can be made or to identify means to raise additional funds. A good method is for the treasurer to draw up the draft budget and then discuss this at a meeting with all members present.

The budget becomes a "measuring stick" against which your actual financial position at the end of the year can be tested.

Taking over from the previous Treasurer

Insist on a copy of the 30th June bank reconciliation being given to you and make sure you understand the methodology used. This should be available within a few days of the end of the financial year.

Later on you will need a copy of the balance sheet. Ask for a list of all accruals for accounts receivable and accounts payable used in the construction of the balance sheet if your club uses accrual accounting. You will need this information.

Many clubs will prepare their financial statements on a simple receipts and payments basis and there is nothing wrong in doing just that.

Cash Flow

Cash flow refers to the actual amount of "hard" cash available to the club to spend at any one time. When predicting, in your budget, the likely income and expenditure it is also wise to anticipate when periods of high/low income and high/low expenditure are likely to occur. This allows you to plan in advance so that accumulated cash is available to meet high expenditure periods when income is low. Lions clubs generally receive all their income at either the start of the year, or again half way through and it has to be sufficient to meet costs throughout the year.

Cashbook

The cashbook can take the form of Excel spread-sheets, an accounting software package or an 18-column cashbook maintained manually. Which one you choose will depend on the financial activity level of the club.

For those familiar with Excel spread-sheets, the flexibility offered by this software is excellent for maintaining cashbooks and preparing all manner of financial reports.

An example of a receipts cashbook follows. The same format would apply to a payments cashbook with appropriate changes to the column headings.

2010/11 – RECEIPTS

Date	Received From	Amount Banked	Raffle	Small coin collection	Tailtwisting	Meals	Interest
12-Jul-10	Tea meeting receipts	392.10	37.00	6.70	7.40	341.00	
Monthly Total		392.10	37.00	6.70	7.40	341.00	0.00
4-Aug-10	Tea meeting receipts	664.80	49.00	6.80		268.00	
20-Aug-10	Tea meeting receipts	433.60	40.70	15.80	9.10	368.00	
Monthly Total		1,098.40	89.70	22.60	9.10	977.00	0.00
8-Sep-10	Tea meeting receipts	456.20	43.00	7.80	7.20	398.20	
	Meal money	32.00				32.00	
Monthly Total		488.20	43.00	7.80	7.20	430.20	0.00

Inwards cash, receiving and banking money

Inwards cash is an area where treasurers are vulnerable to concerns from other members that cash has been lost or worse. A good practice to help to avoid these concerns is to have another club member count the cash and record their tally on a piece of paper and signing and dating it or, count the cash and write a receipt immediately in front of the person giving it to you. Try to avoid receiving uncounted cash.

Keep club money separate from your own personal money. All money that you have received for banking needs receipting at source, e.g. raffle takings, specific fund raising money, membership subscriptions etc. Place all incoming funds into the correct club bank account as soon as possible. Remember interest is paid on money held in the bank, so it's a good idea to bank all money received promptly.

Although these guidelines sound simple enough, much confusion has reigned for the person who has bundled all the money together over a few days or weeks and then has to spend many hours sorting it all out.

Do not take short cuts - it will only create confusion and error. Write down the details for all money as it is given to you as this assists in avoiding any confusion.

Outwards cash - making payments

Outwards cash should always be by cheque. Doing this means the payment is traceable later if necessary and no doubts occur about whether the right person received payment.

Avoid agreeing to “offsets” or paying out small reimbursements in cash.

Avoid cash cheques – all cheques should be “Not Transferable” with “or bearer” cancelled. Exceptions would be for cash floats for functions/projects and for these you should always re-bank the total float separately from takings and balance it off against the initial cheque when doing financial reports.

All cheques should be approved by the board of directors and minuted. The treasurer should check this area of the minutes carefully. Any urgent cheques paid out between meetings should be ratified “After the Fact” by the board. There should be a cheque number continuity from one set of minutes to another.

The General and Projects accounts should be reconciled at least monthly with the cashbook.

All accounts should be paid within one month of receiving the invoice or claim. It is especially important to pay out-of-pocket expenses to members promptly.

In general all payments will be for budgeted items and therefore can be paid promptly, subject to ratification at the next meeting. If the item is not budgeted, do not pay until club approval has been given.

All payments must have an accompanying voucher or account before being paid. This includes member expenses: e.g. copy of phone bill, petrol receipt etc. Never give blank cheques and never make payments without sighting receipts or vouchers.

Monthly financial performance statement (also known as a Profit & Loss Account)

A financial performance statement should be prepared from the reconciled cashbook for the board each month for each account. The financial performance statement should show the year to date income and expenditure and be reconciled with the bank balance at the closing date of the financial statement.

Remember that your charitable trust (if you have formed one) must also hold trustee meetings. The legal minimum is two per financial year, but it is more prudent to hold one per month to allow for decisions and disbursements to be made in a timely manner, and allow your club to run efficiently. If your trustees join your board meetings, or the board are the trustees, then all accounts, decisions and disbursements can be discussed at the same meeting. If your trust holds separate meetings then you may only need a financial performance statement for the administration account at the board meeting, as the projects account would be discussed at the trustee's meeting. Each club should have made decisions about who reports what to both the board and trust meetings.

The treasurer should feel free to comment on how he/she sees the "financial health" of the club's accounts. This keeps the "big spenders", "squirrels" and "committee convenors" on the board informed.

An example of a financial performance statement is shown on the next page.

Lions Club of(Incorporated)			
Administration Account for the period 1 July xxxx to 31 December xxxx			
Last year		This year	Budget for year
\$		\$	\$
	Income		
8,807	Meal receipts		
3,509	Dues from members		
157	Tailtwisting		
747	Raffles		
23	Interest		
	Donations		
	Expenses		
	Meals		
	Dues (Int'l, MD & District)		
	Raffle tickets & prizes		
	Bulletin costs		
	President's costs		
	Function costs		
	Club supplies		
	P O Box rental		
	Surplus/(deficit) for period to date		
	Accumulated funds from prior years		
	Accumulated funds at 31 December xxxx		

The balance sheet is now called a Statement of Financial Position. It reconciles the assets and liabilities and must agree with the balance of accumulated funds shown at the bottom of the statement of financial performance.

An example of a financial position statement is shown below.

Lions Club of xxxxxxx (Incorporated)		
Financial Position		
As at 31 December xxxx		
2,329	Accumulated funds	
	Administration account	2,169
	These funds are represented by:	
	Current assets	
1,870	Cash at bank	1,310
3,059	Accounts receivable	2,447
4,929	Total current assets	3,757
	Less current liabilities	
2,580	Accounts payable	1,588
2,580	Total current liabilities	1,588
2,329	Net assets	2,169

To prove that these figures are correctly balanced, a small reconciliation can be performed to prove that the financial records are in agreement with the financial statements presented to the board.

The reconciliation would look like this.

Lions Club of xxxxxxxx(Incorporated) Bank reconciliation – administration account	
[A] CASHBOOK BALANCE	
Cashbook balance at start of year	1,870.00
Plus cashbook receipts to date	1,060.93
Less cashbook payments to date	(804.18)
CURRENT CASHBOOK BALANCE	2,126.75
Balance per accounts to Board	2,126.75
[B] BANK ACCOUNT BALANCE	
Bank statement balance at (date)	2,569.77
Plus deposits made since	55.63
Less unpresented cheques	
No. 1000236 Whitcoulls	(95.00)
No 1000239 Joe Smith – caterer	(403.65)
ADJUSTED BANK BALANCE	2,126.75

End of year financial statements

At the end of the club's financial year (30 June) the treasurer will need to prepare a set of accounts to be presented to members at an annual general meeting. From records kept during the year the final Statement of Financial Performance and Statement of Financial Position can be presented for approval.

Audit Report

An audit report means that the financial records have been audited by a person qualified to do so, such as a chartered accountant. The auditor will express an opinion on the financial statements provided to him/her by the club, and report that to the club members.

Some clubs, because of their rules, require their annual accounts to be audited and that the auditor not to be a member of the club.

I have always looked upon an audit as a form of protection for both the treasurer and the members. A good auditor will give you tips on how to work more efficiently and report meaningful information. It is advisable that you find an accountant who will audit your books on a voluntary basis as auditing fees can sometimes be considerable. Give that person plenty of time to audit the accounts because they will often be doing the work in their free time.

Incorporation

Your club should be incorporated under the Incorporated Societies Act in order to protect its members. This is a mandatory requirement by the Council of District Governors.

Incorporation means that the members of an incorporated body are not personally liable for any of the club's debts. For more detailed information about incorporation refer to www.companiesoffice.govt.nz

A copy of the annual financial statements must be sent to the Registrar of Incorporated Societies at P O Box 92061 Auckland as soon as they have been accepted by the members at an annual general meeting. The financial statements must be endorsed by a certificate stating that the financial statements have been accepted by the members at a general meeting on a particular date. This must be signed by an officer of the club, usually the president.

The endorsement can be in the following form:-

"I hereby certify that the attached financial statements have been duly submitted to and approved by members of the (Your club name) Lions Club at a general meeting held on

Signed..... President"

If the financial statements are not audited then the certificate above should include the words *"...and it was resolved that no auditor be appointed"*.

The financial statements can be filed with the Registrar by posting hard copies to the address above or filed electronically using the website www.companiesoffice.govt.nz

Dues and levies

There are four levels of dues and levies that affect a Lions club:

[a] International dues and levies charged by Lions Clubs International, Chicago, USA

Your club will receive a monthly account from Lions Clubs International (LCI) for all charges due. The amounts are billed in US dollars and converted to NZ dollars by an exchange rate printed at the bottom of the invoice. The exchange rate can change each month, and unless the treasurer pays the invoice promptly, small variations (plus and minus) will appear on subsequent invoices. All payments of the LCI account are made in NZ dollars using a special Westpac deposit book in your possession. There is no need for you to pay in US dollars.

A new club member will incur a joining fee of USD25. In some clubs this charge is paid by the club and is not a charge against the new member. You will need to know how your club treats this charge.

Each club member is charged a half-yearly due of USD20.50 (2012-13) or USD21.50 (2013-14) on a pro rata basis. Ensure your club secretary is aware that LCI use membership numbers as at 31 May and 30 November each year. Any dropping of numbers in June and December will produce credits on the next monthly account.

If a new member has been recorded in the LCI database as a "family member", the half-yearly charge reduces by 50% to USD10.25 (2012-13).

Life members of the association are not billed International dues by LCI, but continue to pay Multiple District, District and club dues and levies unless there is some arrangement with the club that it will pay these costs on behalf of the life member.

[b] Multiple District 202 dues and levies charged by the Lions national office located at Orewa, NZ

[a] Article VI, section 1, of the Constitution and By-Laws of Multiple District 202 allows the Multiple District Council to levy all Lions Clubs of the Multiple District for each Lion member, an amount that shall be determined from time to time by the Multiple District Convention. Such levies shall be based upon the membership of each Lions club as at the 1st day of July and the 1st day of January respectively in each year. New and re-organised Lions clubs of the Multiple District shall commence paying Multiple District fees as from the 1st day of January and the 1st day of July next after the date of official issue of such club's charter, or re-organisation (as the case may be).

The Multiple District fees shall be collected from the Lions clubs of the Multiple District by the Cabinet Secretary or the Cabinet Treasurer of each District who shall forthwith pay the same to the Executive Officer or the Treasurer of the Multiple District Council.

[b] Article VI, section 2 requires Lions clubs of the Multiple District to contribute to the costs of the Lion magazine South Pacific Edition and the Multiple District Directory as shall from time to time be determined by the Multiple District Council.

[c] Article VI, section 4. There shall from time to time be paid into the International Officers Support Fund such money contributed on a per-capita basis by each of the Lions clubs of Multiple District 202 as the Multiple District Convention shall from time to time decide.

[d] Article VI, section 5. There shall from time to time be paid into the Multiple District Youth Programme Fund such money contributed on a per-capita basis by each of the Lions clubs of Multiple District 202 as the Multiple District Convention shall from time to time decide.

The Multiple District dues and levies per member are currently as per the table below.

2011 - 2012	July to Dec	Jan to June
MD administration	8.25 plus GST	8.25 plus GST
MD convention	0.75 plus GST	0.75 plus GST
MD directory	2.20 plus GST	Nil
NZ Lion magazine	3.00 plus GST	2.00 plus GST
Int'l officers support	2.00 plus GST	Nil
Youth exchange	1,00 plus GST	Nil
Youth activities	0.50 plus GST	Nil
Leos	0.50 plus GST	Nil
Insurance – under 80 years	3.60 plus GST	Nil
Insurance – over 80 years	2.31 plus GST	Nil

[c] District dues and levies charged by your District Governor

Article XV, section 1 of the Constitution and By-Laws of Multiple District 202 gives authority to the District Governor to levy each Lions club in his/her District such amount as the District Cabinet shall from time to time determine to defray the annual District administrative expenses.

District fees shall be based on the membership of each Lions club as at the 1st day of July and the 1st day of January respectively of each year.

New and re-organised Lions clubs shall commence paying District fees as from the 1st day of July and the 1st day of January next after the date of official issue of such club's charter or re-organisation (as the case may be).

Article XIII, section 1, allows the District Convention organising committee to incur such expenses and make such charges as are necessary for the administration and running of the District convention.

The amounts charged for these activities will vary between Districts.

[d] Your own Club's dues and levies

Your own club's constitution provides for the board of directors to levy members for the administration costs of the club. The amount charged will vary between clubs.

Billing members is handled in various ways. Some clubs bill half yearly and send a tax invoice for dues. Tea meetings are paid for at the door and this is collected by the greeter or treasurer.

Some clubs bill quarterly for both dues and tea meetings with refunds given in the next quarter for unattended meetings where a timely apology has been received. Some clubs bill annually for dues and meals with payment evenly distributed over quarterly payments.

The right way is the one the members like, and the treasurer finds efficient.

Dues register

A dues register should be kept by the treasurer, to keep track of membership subscriptions. The form of the register will vary with individual club requirements. The best method is to allow a separate page for each member, headed with their name and address. As the half yearly dues become payable they are debited and the corresponding credit made as each member pays. Sending out the accounts for dues at 1 July and 1 January has considerable advantages as, on receipt of account most members will react by writing a cheque immediately, whereas they may be more dilatory in making payment if other methods are used. Many clubs debit members quarterly in advance for payment of both meal charges and membership dues. While sending out accounts undoubtedly places more work on the treasurer, it is a system appreciated by most members (and one that works!).

Specimen Dues Register

Name:
Address:
.....
Phone.....Res.....Bus.....

Dues to	Subs	Meals	Total	Receipt	Date paid
31-12-08	50.00	35.00	85.00	123	20-07-08
30-06-09	55.00	37.50	92.50	234	10-02-09

Responsibilities for making timely payments to the right place

The club treasurer is responsible for making timely payments for items purchased by the club, the payment of District, Multiple District and International dues and donations to many worthy causes. It is important that these payments go to the correct place with sufficient notation for the recipient to know what the payment is for. The following paragraphs may be of help to you.

Payments to Lions Clubs International (LCI)

Your Lions club has a specially encoded Westpac deposit book for depositing payments to Lions Clubs International. The deposit book is encoded with your LCI club reference number and requires no other information for LCI to identify your payment. All deposits are made in New Zealand dollars.

Do not send any other statement forms or information, or use any other forms or method of payment for payments to LCI.

It is the responsibility of the club treasurer to review the monthly LCI statement for accuracy and make payment. It is not necessary to obtain board of director's approval before making payment. The invoice must be paid promptly (before the 20th of the month) if you want to receive credit at the same exchange rate shown on the invoice. Any disputes as to the accuracy of an account should be resolved subsequently.

Some clubs are very slow at making payments and the following LCI policy statement should be noted:

The District Governor receives a monthly listing of all amounts unpaid by clubs in his/her District. This report is called the "LCI re-cap listing". It is a duty of the club to pay all outstanding amounts promptly and not have a small balance carried forward from month to month. Any amount outstanding over USD50 may incur interest charges.

Payment is expected within the established terms for all club account balances. Effective July 1, 2007, any club that has past due balances in excess of US\$20 per member or US\$1,000 per club whichever is less, **outstanding past 150 days will be automatically suspended**, including the charter, rights, privileges, and obligations of the Lions club for a period not to exceed 90 days. During this time, the club must pay the entire amount billed to the club before the suspension status is lifted. If the club does not pay this amount within 90 days, the club will be cancelled." (As printed in the LCI Club Officer Manual)

Direct any enquiries concerning the club's account to the Accounts Receivable Department. The fax number is 001 630-571-1683. The email address is accountsreceivable@lionsclubs.org

New Westpac deposit books should be sought from:
executiveofficer@lionsclubs.org.nz

Lions Clubs International Foundation (LCIF) Payments

Use the encoded deposit book for Lions Clubs International.

To ensure your donation reaches LCIF, it is crucial to indicate on the deposit slip that the donation is intended for LCIF. Write "LCIF donation" across the face of the deposit slip.

Lions Clubs International Foundation (LCIF) also handles applications and payments for Melvin Jones Fellowships and Life Memberships. If you are making payments for either of these, again write across the face of the deposit slip "MJF for xxxx (the recipient's name)" or "Life membership for xxxx (the recipient's name)". The bank teller may say that this information will not be shown on the statement but our Executive Officer sees copies of all deposit slips and annotates the LCI statement.

Lloyd Morgan Lions Clubs Charitable Trust (LMLCCT) payments

Send your club cheque to PO Box 1335, Palmerston North – preferably with a "Bright Eyes" brochure donation form which will tell them exactly what the payment is for. This form can be downloaded from www.lionsclubs.org.nz.

New Zealand Club Supplies payments

Send your club cheque made out to Lions Clubs Supplies and post to PO Box 691, Orewa 0946, as shown on the invoice. Enclose the remittance slip with your payment.

District and Multiple District dues payments

Send your club cheque to your District Cabinet Treasurer.

Note:

Clubs need to be "in good standing" for their delegates to be eligible to vote at District, Multiple District and International conventions. Please ensure all subscriptions (payable to both LCI and the District Treasurer) are paid in full by the **1st of March** each year.

Filing Reports with the Companies Office and the Charities Commission

If you are an **incorporated society** then you must file your annual financial statements with the Companies Office. They will send you a reminder with instructions on how to file your statements on line. You may send them a paper copy and file manually if you prefer.

If you have registered a **charitable trust** then you must file your completed annual return and your trust's financial statement with the Charities Commission within six months of your balance date.

If you are **both** an incorporated society and you have registered as a charitable trust you need to file two sets of accounts. The financial statement for your administration account needs to be filed with the Companies Office **and** your trust's annual return and financial statement with the Charities Commission.

Conclusion

With care, attention to detail and using an orderly method you can be an excellent treasurer for your club. It can be enjoyable and rewarding. Do not forget your own personal management also benefits immensely.

If you are under pressure or confused seek help immediately. Remember you are a volunteer making an important contribution to your club's wellbeing, not a professional accountant. Without you the club may not be able to survive at all. If in doubt consult your District Treasurer who is also a volunteer.

CLUB ADMINISTRATION ACCOUNT AND POSSIBLE INCOME TAX LIABILITY

The following guidance is given to clubs to remind them of a need to consider whether their **club administration account** has an income tax liability after completing their annual club administration accounts.

All income in the **club's charitable trust** is exempt from income tax and is not part of this guidance.

The IRD rules for clubs and societies are as follows -

*** All New Zealand clubs and societies must file a tax return each year unless they derive only exempt income.**

* If your club has a certificate of exemption from RWT on interest and dividends this does not mean your income is exempt income.

* A club's taxable income is based on its net profit or loss from revenue sources only including:

Interest, dividends and rents

Sponsorship and admission fees

Advertising revenue from club journals, magazines or other printed material

* Any membership subscriptions or levies are not income for tax purposes

* Certain transactions the club does with its members may be liable for income tax. This includes the purchase of trading stock and the supply of services.

* Deduct any costs incurred in earning income from taxable sources when you calculate the club taxable income.

* The maximum income deduction is \$1,000

Explanatory Comments

The majority of clubs do not file an annual tax return because they believe that all their net profit from revenue sources in the club's administration account is exempt income. It is the club's responsibility to prove that their thinking is correct.

It's important to understand the IRD words that taxable income is based on **net profit or loss from revenue sources only**.

How do you find the answer to this?

After completing the club administration accounts for the year to 30 June you look at the **income entries only** and determine which amounts are liable for taxation and which amounts are exempt from taxation.

Write down the entries that are liable for taxation and add them up.

To assist in this part of the exercise the following table may be of help.

	Liable for income tax	Not liable for income tax
Club member subscriptions		√
Donations (tailtwisting)		√
Koha		√ *
Bequests		√
Grants		√
Unconditional gifts		√
Subsidies		√ **
Suspensory loans	√	
Trading activities	√	
Raffles or housie proceeds		√ **
Admission fees to events	√	
Affiliation fees	√	
Sale of donated goods or services		√

* The tax treatment of koha depends on what it is.

** Liable in certain situations

When you consider the above table all income within the 'circle of membership' (all transactions between the club and its members) is generally not liable for income tax. The income items you write on your list will be those where income has been received from 'outside the circle of membership' such as bank interest, catering for people who are not members, money received from doing a stock-take to reduce subs etc.

You are entitled to deduct any costs incurred in earning the income from taxable sources. Work out the amount of expenses and deduct it from the total amount of taxable income you wrote down. If the answer is positive that is the net profit from taxable sources that may be subject to taxation. If the answer is negative that is the net loss from taxable sources that may be carried forward to later taxation returns if you were to submit a tax return to the IRD.

\$1,000 income deduction

If your club earns under \$1,000:

If your club's net income is under \$1,000 per year, then the deduction effectively means you are exempt from income tax.

Therefore you won't be taxed on any income you earn and don't need to file any income tax returns.

However it is recommended that your club keeps records of any financial transactions in case they are required for future reference.

You should note that an exemption or deduction of income tax doesn't automatically qualify your club for an exemption to all taxes. You may still be liable to pay other taxes, such as GST.

If your club earns over \$1,000:

If your club's net income is above \$1,000 per year, you may be eligible for a deduction of up to \$1,000. If you subtract this amount from your club's income, you reduce the amount of tax to pay.

To qualify for this deduction, your club needs to have written rules. A club without rules or a constitution won't qualify for the \$1,000 income deduction.

A Lions club is a non-profit organisation and is allowed a deduction for the amount equal to the lesser of:

- \$1,000, or
- The amount that would be the net income of the club

Limit on bank account balances at 30 June

There are a number of statements being made by Lions clubs about how much money they are allowed in their administration bank account at 30 June each year. The simple answer is that **there are no limits**.

The Inland Revenue is only interested in the collection of income tax from all liable sources and a Lions club administration account is not exempt from that process.

The only limitation is the \$1,000 income deduction mentioned above after which income tax becomes payable on all net profit from revenue sources.

Any questions on income tax liability should be directed to MD Treasurer Stuart Patterson at stuartandrae@xtra.co.nz

Other tax liabilities

GST

If a club provides goods and services in excess of \$60,000 per annum, it is required to be registered for GST.

A number of clubs were registered for GST before the creation of club charitable trusts because of the level of club activities being undertaken, and the fact that back then the annual threshold was much lower.

The transfer of project funds from the club's name to the club's charitable trust (which is a completely separate entity) raises two issues. Firstly, the club's GST registration is likely to be no longer required under the law, and secondly, the club's charitable trust probably needs to be registered for GST if it is providing goods and services in excess of \$60,000 on an annual basis.

Whatever your situation, the IRD has specific forms for each process and these can be obtained on-line or by contacting IRD. Do not assume that your club or charitable trust is required to register for GST just because it receives \$60,000 or more in a year. The IRD literature needs to be read and considered as there are a number of situations, like donated goods, that are exempt from GST.

Any questions on GST should be directed to MD Treasurer Stuart Patterson at stuartandrae@xtra.co.nz

Income Tax

As at 1 July 2008 all clubs who **have not** registered a Charitable Trust with the Charities Commission and transferred their Projects Account to that Trust have **lost their income tax exemption on their projects account money.**

For clubs who have registered a charitable trust be aware that the income tax exemption only applies where funds are used by the charitable trust for charitable, benevolent, philanthropic or cultural purposes wholly or principally within New Zealand. If you use funds for those purposes **outside New Zealand**, you're required to maintain a separate account which clearly identifies those funds. Charitable trust records must be kept for seven years and show the source of donations received and how these funds have been used, whether in New Zealand or overseas.

For the Administration account be aware that all activities that earn money (net of expenses) over \$1,000 pa from sources outside the circle of membership is assessable for income tax. It is the responsibility of the club to calculate whether it has a liability to pay income tax and submit the necessary return to Inland Revenue.

PART B - DISTRICT CABINET ACCOUNTING

This section of the guide is written more in the form of bullet points to highlight matters to be thought about, and not in lengthy paragraphs detailing all actions required.

Qualities to look for in your District Treasurer

- A person who is competent at keeping financial records and producing acceptable financial statements. A computer is necessary if the accounting work is to be done quickly and easily.
- A person does not need to hold a formal accounting qualification.
- Has time to do the job. All too often the job is much bigger than expected, and everyone suffers.
- Is knowledgeable about financial matters, GST, banking etc.

Relationship with the Lions MD Office

- The District acts as agent for the collection of Multiple District dues and levies.
- A letter will be sent to the District Treasurer (copied to the District Governor) in July for the amount required for the first half-year Multiple District dues and levies 1 July to 31 December.
- The calculation is based on the number of members in your District on 1 July as advised to the Lions MD Office by the District Governor. The due date for payment to the Lions MD Office is 10 September. [Article VI, Section 1(a) MD Constitution]
- A similar request is sent in January for Multiple District dues and levies 1 January to 30 June. The due date for payment of this invoice is 10 March. [Article VI, Section 1(a) MD Constitution]
- Multiple District dues collected by a District **MUST NOT BE INCLUDED IN ANY DISTRICT GST RETURN**. The District is an agent only for the Multiple District and is not required to account for GST on MD dues and levies.
- The Lions MD Office does **NOT** collect or distribute District donations to worthy causes, including the Lloyd Morgan Lions Clubs Charitable Trust and LCIF. Districts and clubs should deal directly with the organisations concerned.

- Invoices for club supplies are sent from the Lions MD Office. A District may be asked to assist in debt collection from a Lions club if such a situation arises.

Authority to levy clubs

- Article XV of the MD Constitution gives authority to the District Governor to levy every Lions club for administrative expenses as the District Cabinet shall from time to time determine.
- District fees are based on membership as at the first day of July and the first day of January.
- New and re-organised clubs commence paying District fees as from the first day of January or the first day of July next after the date of official issue of such club's charter or re-organisation (as the case may be).
- District fees must remain in the District administration account and shall be disbursed only for District administration expenses as approved by the District Cabinet.
- Cheques must have two signatures.
- All District fees received and not disbursed in the year of receipt, together with the reserve funds in existence, shall be held in a District Reserve Account.
- A District's Reserve Account and accretions thereto may be used to reduce District fees as determined by the District Cabinet or disbursed only as authorised or ratified by the delegates at the District annual convention.
- The District Governor and his/her Cabinet shall incur expenses in excess of the total of the District fees received only in the following circumstances –
 - That such expenditure is in relation to the Reserve Account by way of a reduction in District fees; or
 - That such expenditure is necessary to be incurred due to the occurrence of exceptional circumstances; and that any such expenditure so incurred shall be ratified at the District convention following the date or dates of such expenditure.

District financial statements

- All District books of account after the close of the fiscal year shall be audited by an auditor duly qualified according to the requirements of the Institute of Chartered Accountants of New Zealand.

- Audited District financial statements to be filed with the Registrar of Companies.

District financial policies

- Financial policies are no more than “financial rules” under which your Cabinet is going to work.
- Are the financial statements to be kept GST inclusive or GST exclusive?
- Do Cabinet members understand the way in which the District Governor is supported financially? What level of additional support is to be given to the District Governor by his/her District? How is this additional support calculated? What events or activities is this District support intended to cover? How does the District Governor complete his/her LCI expense claims and what happens to the funds he/she receives from Lions Clubs International?
- What rate of mileage allowance is payable to Cabinet officers? Is this rate within the IRD rules and not liable for tax?
- A contribution towards the expenses of the District Governor Elect in connection with his/her attending the International Convention shall be considered a District administration expense, and the amount allowed shall be determined by the District Cabinet. [Article XV, Section 3 MD Constitution].
- No salary shall be paid to any officer of a District.

Don't ignore the IRD

- DON'T IGNORE IRD RULES, they will only come back and haunt you.
- Get the IRD booklets on *GST guide* (a guide to working with GST and *Clubs and societies* (a tax guide for clubs, societies, non-profit bodies, associations and other groups). Read them and comply with all the requirements.
- Do not claim GST credits when you don't hold the required documentation.
- Complete GST returns before the due date.
- Income credited to an Administration Account from members' receipts, eg. subscriptions and other income from members, is not liable to income tax. However, income derived from outside the circle of membership such as interest or dividends on administration funds invested would be liable for income tax to the extent that such income exceeds \$1,000 a year in total. All clubs are required to file an income tax return, but in practice we ignore this

requirement when we know that the club's liability is within the \$1,000 exemption.

- Lions clubs may apply to their local IRD office for a Certificate of Exemption from resident withholding tax to cover interest received on the Administration Account.

Charitable Trusts

- Income derived from community fundraising and credited to a charitable trust, including any interest on those funds, will be exempt from income tax.
- Payments from the charitable trust must be in accordance with the Charities Act 2005.
- Be aware of the time period to file the annual return and financial statements to the Charities Commission, and the consequences if the rules are not complied with.

Job requirements for the District Treasurer

From what I have heard and seen, I believe that there have been misunderstandings of the job requirements for the District Treasurer function. If you asked me "what do we do to make it work properly" I would tell you that each District needs to restate the rules which it will operate under, and the following bullet points will give the reader an appreciation of what I mean.

- Review the financial policies included in the annual accounts. Bring them up to date and follow them.
- If accounting policy requires financial statements to be prepared on a GST exclusive basis, then all entries should reflect that policy.
- Budgets (GST inclusive) for all activities should be approved at the first Cabinet meeting. There should be sufficient time allocated to allow Cabinet members to discuss the thinking behind the creation of budget numbers. Any delay in Cabinet giving approval to budgets should not be accepted.
- The annual financial statements prepared by a District Governor for audit will not be amended or changed by any person other than the District Governor who created them. Last minute changes to financial statements are not encouraged. The timetable for completing the convention booklet should allow adequate time for the Treasurer to agree last minute changes with the auditor and to check that the financials have been correctly typeset.

- The procedure to claim reimbursement for any expenses from Cabinet will be included in Rules of Audit. The procedure requires the completion of a form and attachment of supporting papers to justify the requested payment and to provide tax invoices to support the GST return to the IRD.
- Financial reports to each Cabinet meeting will show actual revenue and expenditure against budget, a listing of all payments made since the last Cabinet meeting for Cabinet members to ratify and reconciliations to prove that current bank account balances agree to the financial statements being tabled to the Cabinet meeting.
The District Cabinet has a responsibility to ensure that appropriate financial information is reported to each Cabinet meeting. It's important that the outgoing District Cabinet report to the first meeting of the incoming Cabinet with financial statements of its stewardship to 30 June together with a final listing of payments made since the last Cabinet meeting up to 30 June for ratification. An outgoing District Treasurer also needs to make available to the incoming District Treasurer information on bank account balances, details of accounts receivable and accounts payable that are being included in the draft accounts of the year just concluded, to allow the incoming treasurer to be quite clear on his/her opening position. The draft annual accounts for each year should be tabled no later than the November Cabinet meeting. It is appreciated that these annual accounts are still subject to audit but the financial information contained in them is vital to the management function.
- A methodology should be agreed for calculating the District Governor and Vice District Governor allowances. What does the allowance cover, how it's paid and the attachments expected to support each payment.
- Recoveries from LCI for postage and District bulletin etc. will be treated in the following manner.....(detail how they will be treated).
- Rules of Audit will be established, agreed by Cabinet and promulgated. (This statement will include something along the following lines)

Rules of Audit Governing Reimbursement of Expenses

These Rules of Audit apply to all claims for reimbursement of District expenses.

Submission of Claims

Payment of claims shall be reimbursements of expenses and not financial advances unless approved and recorded in Minutes of the Cabinet.

Claims for expenses are to be rendered on the official form (see below) which shall be signed and dated by the claimant, and certified as correct for payment by the treasurer.

Expenses are to be properly itemised with substantiating documentation for each item claimed.

Claims can only be made for allowable expenses detailed in this Policy Code or in approved minutes of a Cabinet Meeting.

All expense claims must be submitted to the treasurer for approval and payment. All payments are to be ratified by the District Cabinet.

Deadline

Expense claims shall be rendered promptly and regularly.

Payment of claims delayed for more than 120 days will be at the discretion of Cabinet.

Claims delayed for more than 180 days and also items not covered by Rules of Audit will not be recognised as just claims against the District and will not be honoured.

Travel

All travel must be made by the most economical means.

Motor car

The allowance for using a private motor car is NZ\$0.35 cents per kilometre.

Railroad and Bus

Actual fare will be reimbursed.

Air travel

The maximum reimbursement will be the most economical fare. Cancelled airline tickets or E-ticket, if applicable, itinerary / receipt and proof of payment must be submitted with the expense claim. Any other related expenses are not covered.

Taxis/Shuttles

Actual and reasonable fares will be reimbursed. It is expected that the most economic cost is incurred.

Rental Car

Only a portion of rental car costs will be reimbursed. Reimbursement will be on the basis of NZ\$0.35 cents per kilometre.

Hotel

The actual and reasonable cost of lodging is allowed, provided an original itemised and paid receipted bill from the hotel is attached to the claim. No credit card receipts will be accepted unless an itemised bill is also provided.

No further deduction shall be made for members of families unless an entitlement is specifically mentioned in this Cabinet policy code.

Meals

Reimbursement for meals approved or required will be the actual cost up to the maximum determined by Cabinet. The current maximum is Breakfast \$15, Lunch \$15, Dinner \$30 per day.

Itemised meal receipts are required.

Liquor/Refreshments

No expenses will be paid for entertainment, liquor or refreshments.

Telephone and Postage

Telephone claims shall be accompanied by a copy of the relevant account with those claimable items with a notification detailing the person called and purpose.

Postage - Actual costs will be reimbursed

Partners and Family Members

Expenses incurred by partners or family members will not be reimbursed unless specifically mentioned in the Cabinet Policy Code.

Multiple District Convention Registration

No payment will be made by Cabinet for attendance of any person to the Multiple District Convention.

International Guests

When an International guest visits the District, it is acknowledged that a higher level of cost may be incurred because of the hotel being used, additional personnel required to accompany our guests and the possibility of entertainment and refreshment costs etc. Prior approval from the District Governor and Treasurer is required to incur costs associated with the visits of international guests.

There shall be no other allowable expenses or give-away claims against the District Cabinet other than those listed in this schedule. Cabinet may approve further one-off special expense claims only by resolution of the Cabinet which shall be recorded in the Cabinet minutes.

A policy will be established about the supply of District Governor banners with specific statements on number of banners, maximum number of colours and if appropriate a maximum cost (GST inclusive) that the District will pay.

A policy will be established about the supply of Cabinet badges with specific statements on size, manufacture and cost.

District Convention finance and accounting

The rules concerning District conventions are contained in the MD Constitution. The rules are as follows:

- The organising committee, subject to directions from the District Governor, shall be authorised to incur such expenses and make such charges as are necessary for the administration and running of the District convention. [Article XIII, Section 1 MD Constitution]
- All surplus money collected by the organising committee shall be handed to the District Governor to be held in a Convention Reserve Fund which shall be available from year to year at the discretion of the incumbent District Governor only for District convention expenses.
- The organising committee of the District convention shall submit to the District Governor and all Lions clubs in the District audited financial statements of the convention not later than 90 days after the close of the convention, such audit having been made by an auditor duly qualified according to the requirements of the Institute of Chartered Accountants of New Zealand who shall not be a member of the host club or the Convention organising committee.

The particular points from these rules that are of interest to the District Treasurer are as follows:

- The District convention is under the control and direction of the District Governor, not the organising committee
- Surplus funds from a convention are handed back to the District Governor who must hold it in a Convention Reserve Fund for subsequent years. All losses will come out of the Convention Reserve Fund. A reader of the District financial statements must therefore be able to see a Convention Reserve

Fund on the statement of financial position and the current balance in that fund.

- While the constitution suggests that audited financial statements of the convention are sent out by the organising committee, in practice as the District cabinet can incur costs that it will need to include in the convention financial statements, it is more practicable for the organising committee to send its financial statements to the District Treasurer for incorporation in the District financial statements, be audited by the District auditor and presented to members at the District convention along with all other District accounts.
- For audit purposes, the District auditor will require all documents handled by the organising committee to be handed over to the District Treasurer. The documents will include registration forms, bank statements, invoices paid and all papers supporting revenue entries.

LCI re-cap listings of debts outstanding by clubs

Some Lions clubs are very slow at making payments to LCI and the following LCI policy statement should be noted:

The District Governor receives a monthly listing of all amounts unpaid by clubs in his/her District. This report is called the “LCI re-cap listing”. It is a duty of the club to pay all outstanding amounts promptly and not have a small balance carried forward from month to month. Any amount outstanding over USD50 will incur interest charges.

Payment is expected within the established terms for all club account balances. Effective July 1, 2007, any club that has past due balances in excess of US\$20 per member or US\$1,000 per club whichever is less, outstanding past 150 days will be automatically suspended, including the charter, rights, privileges, and obligations of the Lions club for a period not to exceed 90 days. During this time, the club must pay the entire amount billed to the club before the suspension status is lifted. If the club does not pay this amount within 90 days, the club will be cancelled. (As printed in the LCI Club Officer Manual)

A District Treasurer may be required to follow-up on amounts outstanding by clubs.

If it is necessary to communicate with LCI you should direct any inquiries concerning a club’s account to the Accounts Receivable Department. The fax number is 001 630-571-1683. The email address is accountsreceivable@lionsclubs.org

Please note that replacement deposit books for making payment to LCI should be sought from executiveofficer@lionsclubs.org.nz

Form and content of District annual financial statements

I have had an opportunity to review District annual financial statements and find that they fail to meet the requirements of the Constitution and By-Laws of Multiple District 202, and do not meet the reporting standards I consider to be a minimum.

As a first step in trying to improve the reporting standards, I include below a suggested outline of a District's annual financial statements and identify a number of specific requirements to be checked off.

The descriptions used in these examples are indicative only and not mandatory. District Treasurers should describe their financial activity in sufficient detail so that members can understand the results of financial management during the financial year and feel comfortable about accepting the financial accounts when presented for adoption at the annual District convention.

Lions Clubs International – District 202x Administration Account Statement of Financial Performance For the year ended 30 June 2011			
Jun 10 Actual \$		Jun 11 Actual \$	2010/11 Budget \$
	Revenue		
	Multiple District dues		
	District 202x dues		
	Bulletin advertising		
	Interest on administration funds		
	Other revenue		
	Total revenue		
	Expenses		
	Multiple District dues to National Office		
	DG, VDG & Cabinet officers' expenses (Note 2)		
	Administration costs		
	Awards & badges		
	Bulletin production costs		
	Cabinet meeting expenses		
	Youth portfolio expenses		
	LMLCCT portfolio expenses		
	Leadership training costs		
	Other expenses		
	Total expenses		
	Surplus/(deficit) for year		
	Accumulated funds brought forward		
	Accumulated funds at 30 June 2011		
	The accompanying accounting policies form part of these financial statements		

Lions Clubs International – District 202x District Convention – (Town/locality) 2011 Statement of Financial Performance For the year ended 30 June 2011			
Jun 10 Actual \$		Jun 11 Actual \$	2010/11 Budget \$
	Revenue		
	District convention levy on members		
	Convention registration fees		
	Grants/donations/sponsorships		
	Raffles, flower sales etc		
	Interest		
	Total revenue		
	Expenses		
	Venues & hires		
	Food & drinks		
	Entertainment		
	Partners programme		
	Convention booklet & satchels		
	Convention pin		
	Printing, stationery		
	Flowers & presentations		
	Administration costs		
	Total expenses		
	Surplus/(deficit) for year		
	Accumulated funds brought forward		
	Accumulated funds at 30 June 2011		
	The accompanying accounting policies form part of these financial statements		

Lions Clubs International – District 202x		
Statement of Financial Position		
As at 30 June 2011		
Jun 10 Actual \$		Jun 11 Actual \$
	Accumulated Funds	
	Administration Account	
	District Convention Account	
	Total accumulated funds	
	These funds are represented by:	
	Assets	
	(Bank) cheque accounts	
	(Bank) online saver account	
	Total cash at bank (Note 3)	
	Debtors and receivables (Note 4)	
	Total assets	
	Liabilities	
	Creditors and payables (Note 5)	
	Total net assets	
	(Name)	
	District 202x Treasurer	
	The accompanying accounting policies form part of these financial statements	

Notes to the Financial Statements should accompany the financial accounts. Note 1 should be a statement of the accounting policies used in the preparation of the financial statements. Further notes can be included to show a break-down of a figure in the accounts or to make an explanatory statement about any entry in the financial statements. A suggested outline may be along the following lines:

Lions Clubs International – District 202x

Notes to the Financial Statements

For the year ended 30 June 2011

Note 1 Statement of accounting policies

Reporting Entity

These general purpose financial reports are for the Lion members of District 202x which is the administrative body for Lions Clubs within (describe the location of your District).

These financial statements are prepared in accordance with generally accepted accounting practice in New Zealand.

Measurement Base

The measurement base is historical cost.

Accounting policies

The following particular accounting policies that materially affect the measurement of financial performance and financial position have been applied.

(a) **Debtors and receivables**

Receivables are recorded at estimated realisable value, after providing for doubtful debts.

(b) **Interest income**

Interest income is recognised in the period in which it is earned and is reported in the financial period to which it relates.

(c) **Property, plant and equipment**

Items of property, plant and equipment are expensed in the year of purchase as any charge for depreciation would distort the setting of fees and levies on members.

(d) **Consolidation**

The District 202x policy is to consolidate all operating funds within the District with internal transactions eliminated. Separate Fund Accounts will be maintained as required by the District constitution.

(e) **Inventories**

Inventories and stock are written off in the year of purchase.

(f) **Goods and Services Tax**

The financial statements are prepared on a GST inclusive basis.

	<p>(g) Taxation Income tax has been calculated on income derived from outside the circle of membership after allowing for deductible expenditure in accordance with Inland Revenue policy.</p> <p>(h) Changes in Accounting Policies There have been no changes in accounting policies since the date of the last audited financial statements.</p>
Note 2	<p>DG, VDG and Cabinet Officers' expenses A breakdown of this expense group is - District Governor allowance & expenses Vice District Governor allowance & expenses Cabinet officers expenses Banners for District Governor (Elect)</p>
Note 3	<p>(Name) Bank cheque accounts The (Name) Bank cheque account balances at 30 June 2011 were: Administration Administration online saver account Convention Total</p>
Note 4	<p>Debtors and receivables Debtors and receivables at 30 June 2011 were: xxxxx Lions Club – MD dues xxxxx Lions Club – District dues Total</p>
Note 5	<p>Creditors and payables Creditors and payables at 30 June 2011 were: xxxxxx Motor Lodge – Cabinet meeting expenses xxxxxx - June bulletin expenses Total</p>

PART C - LIONS CLUB CHARITABLE TRUST ACCOUNTING

Background

The introduction of the Charities Act 2005 required each Lions Club and District Cabinet to create a Charitable Trust in order to obtain income tax exemption on funds collected from the public and those funds held in the old Club or District Projects Account.

Lions clubs and District Cabinets are therefore required to keep accounting records and produce financial statements for two separate entities:

- (1) For club or District administration in accordance with the requirements stated in the club or District constitutions, and
- (2) For club or District 'project activities' in accordance with the requirements stated in the relevant charitable trust deed.

Charities Commission website

It is important that a club or District Treasurer obtain as much knowledge as they can about the requirements of the Charities Act 2005, and the best place to do that is by logging in to the Charities Commission website at www.charities.govt.nz. There is a wealth of information available to guide a new Treasurer on procedures to be followed, answers to frequently asked questions, forms available to download with explanations for completing, and clear instructions about filing the Annual Return.

Instructions from MD202 Legal Counsel on completing the standard trust deed

The following instructions were promulgated by the MD202 Legal Counsel on completing the standard trust deed template:

Charities Commission and Tax on Project Funds

At present Lions clubs are not-for-profit organisations and as such receive the benefit of tax exemptions on their income (being donations). However, the tax laws affecting not-for-profit organisations and charities has changed and will be effective from July 2008.

Under the law changes, only organisations registered with the Charities Commission will qualify for the current income tax exemptions. Unfortunately, as currently

constituted, Lions clubs do not qualify as charities under the law and therefore cannot be registered with the Charities Commission. As a result from July non-charity, not-for-profit organisations like Lions clubs, will lose their current tax exemption benefits.

However, if your club wishes to retain the current tax benefits you can establish a charitable trust, as a subsidiary entity to your currently constituted club, which can be used to receive and distribute your income/project money. This entity *can* be registered with the Charities Commission and will therefore attract income tax exemption benefits.

A draft Trust Deed has been prepared that can be adapted easily for your club if you decide to proceed. This can be downloaded along with a set of instructions on how to proceed from the Lions website on www.lionsclubs.org.nz

If your club decides to establish a subsidiary charitable trust, it can be named after your club eg. "Lions Club of [insert area] Charitable Trust". Your club would need to appoint Trustees to administer the Trust (say four senior members). This newly established Trust, once registered with the Charities Commission, would qualify for all the current income tax advantages. For this reason, it is this entity that should then be used to receive and distribute project money from 1 July 2008.

Yours faithfully
A Knowsley
Legal Counsel
MD202

Instructions

1. Print off the draft Trust Deed and distribute to your board members for consideration and discussion.
2. Gauge support for establishment of the subsidiary Trust.
3. If the board decide to proceed, propose a motion to your members to establish the Trust.
4. Nominate the initial Trustees and put those nominations to your members.
5. Put a motion to pay an initial sum (eg. \$100) to the new Trust from your Lions Club Project account (see clause 2.1 of the Trust Deed regarding establishing the Trust Fund).
6. Complete the draft Trust Deed, inserting names etc as indicated, and have the Trustees sign it.

7. Complete the registration process with the Charities Commission, either online or by paper. (Forms can be downloaded from www.charitiescommission.govt.nz)
8. After notification from the Charities Commission that your Trust has been registered, send a copy of the executed Trust Deed, together with a completed IR596, to the IRD to register the entity and obtain an IRD number. (The IR596 form can be downloaded from the website www.ird.govt.nz)

Form of Trust Deed

A draft trust deed has been prepared that can be adapted easily for your club. This can be downloaded along with a set of instructions on how to proceed from the Lions website on www.lionsclubs.org.nz

Tax information for charities

The Charities Commission advises the IRD when an organisation is registered as a charity under the Charities Act. This means you are eligible for exemptions from income tax on all or some of your income, as well as being entitled to other tax benefits.

IRD numbers

All charities registered under the Charities Act need an IRD number.

Resident withholding tax certificate (RWT)

Banks and other financial institutions that pay interest or dividends are required to deduct RWT from the payment. Charities are eligible for an exemption from RWT. If you don't already have one, complete an *Application for exemption from resident withholding tax (RWT) on interest and dividends (IR 451)* form. You will have to show the certificate to those paying you interest or dividends.

Annual Return to the Charities Commission

The Charities Act 2005 requires all charities registered with the Charities Commission to file an Annual Return each year.

An Annual Return consists of a completed *Annual Return Form* and a copy of your accounts, audited or un-audited.

When the Commission confirms registration it will let you know when the first Annual Return is due. Then, closer to the due date, it will send a reminder.

You must send your completed Annual Return back to the Commission no later than **six months** after your balance date. However, you can also use your *Annual Return Form* to notify the Commission of changes to your organisation's details. In this case, you must send the Return back within **three months** of the effective date of the changes or of you becoming aware of them.

There are two ways to complete an *Annual Return Form* – online or on paper.

Online

You can get a customised Annual Return Form online by logging into your account at www.charities.govt.nz. If you have not used your online account before and would like help to activate it use their free information line **0508 242 748** or email info@charities.govt.nz. The online form has helpful notes and you don't have to complete it all at once. You can complete it in stages by logging in and out. You can send supporting documents, such as your financial statements, electronically or by post.

On paper

If you prefer to use a paper form, print a copy of Form 4 from the website www.charities.govt.nz. Alternatively, you can ask for a copy to be posted to you by either phoning their free information line **0508 242 748** or emailing info@charities.govt.nz

If your charitable trust has an annual gross income of less than \$10,000, you still have to file an Annual Return but you do not have to pay a fee.

The fee for filing an Annual Return on a paper form is \$75.

The fee for filing an Annual Return online (and either posting or uploading supporting documents electronically) is \$50.

You will be invoiced for the fee after you have filed the Annual Return.

The information you provide in your Annual Return, including your financial accounts, will be publicly available on the Charities Register. This means that members of the public, including potential donors, funders and volunteers, will be able to look at the information to help them find out more about your charity.

Incorporation societies and filing an annual financial statements

A change to section 23 of the Incorporated Societies Act says that Incorporated Societies who are also registered with the Charities Commission do not need to send an annual financial statement to the Companies Office. They only need to send an annual return to the Charities Commission.

Record keeping

You are required to keep business records. These include:

- Maintaining all financial records for a period of seven years
- Keeping adequate records in English to show the sources of all donations and how you have used these funds
- Providing, when requested, a tax return showing all funds earned in any year with sufficient details of the source and application of those funds

Producing charitable trust accounts

A lot of words could be written about the financial reporting of your charitable trust. The following words are taken from the Charities Commission website:

Financial management


This section has information to help you effectively manage money and be accountable to your stakeholders - including your funders, board, Inland Revenue, the Charities Commission and the public.


This can help your charity to:


- ensure the appropriate and effective use of funds
- give reliability to your use of funds
- avoid unexpected compliance requirements


What accounting standards should we be working towards?

These resources provide technical guidance and processes to make your financial reporting easier and more compliant.

 **Reporting guide & checklist** - The New Zealand Institute of Chartered Accountants [Not For Profit Reporting guide](#) and [disclosure checklist](#) is used in conjunction with sample financial statements in preparing NZ IFRS compliant financial statements.

 **Sample financial statements** - Financial statements have been prepared by the New Zealand Institute of Chartered Accountants for two fictitious entities, the [PBE Squash and Tennis Club \(Inc\)](#) and the [PBE Charitable Foundation](#).

 **FRA calculator** - check to see whether your organisation has a filing obligation under the Financial Reporting Act 1993, by using the Ministry of Economic Development's [interactive guide](#).

 **Potential changes** - The Ministry of Economic Development is tidying up some uncertainty in the charitable sector about changes to [Generally Accepted Accounting Practice](#) requirements under the Charities Act 2005.

There are many ways that you can set out your charitable trust accounts to be informative to those who read them. The following format is an illustration only. It separates funds held for specific projects (that may go on for longer than 12 months) from general funds available for day to day disbursement. Another way of treating short term funds from long term funds is to maintain two funds, one called "Income" for money available to the charitable trust for day to day disbursement and another called "Capital" for long term funds that may need to be accumulated and invested over a number of years.

Lions Club of Charitable Trust				
Statement of Financial Performance				
For the period ended xxxxx				
	Balance at start of year \$	Receipts \$	Expenses \$	Closing balance at xxxx \$
<i>[a] Specific project funds</i>				
Skate rink park				
Town directory				
Insulin pumps				
Scout Hall roof				
<i>Total specific funds</i>				
<i>[b] General project funds</i>				
Sale of firewood				
Moto X BBQ (net)				
Raffles				
Donations to -				
Blind Foundation				
Learn 'n Live Camp				
Interest				
Charities Commission				
<i>Total general funds</i>				
<i>Total all project funds</i>				

Lions Club of xxxx Charitable Trust

Statement of Financial Position

As at xxxxx

30 June (Last year) \$		xxxxx (This year) \$
	Accumulated Funds Specific project funds General project funds	
	Total funds	
	These funds are represented by:	
	Current assets Cash at xxx Bank Investments with xxxx Accounts receivable	
	Total current assets	
	Current liabilities Accounts payable	
	Total liabilities	
	Net assets	

Amendments to this guide

This best practice guide will be amended or updated at frequent intervals. Treasurers should feel free to offer comments on any sections in the guide and to suggest improvements to what is written. Correspondence should be directed to executiveofficer@lionsclubs.org.nz or posted to the Lions national office at P O Box 691, Orewa, Hibiscus Coast 0946.

References and further reading

The following references will provide more detailed information about finance and accounting procedures.

- Lions Clubs International = www.lionsclubs.org
- Lions MD202 = www.lionsclubs.org.nz
- Inland Revenue = www.ird.govt.nz
- New Zealand Companies Office = www.companies.govt.nz
- Charities Commission = www.charities.govt.nz
- Incorporated Societies Act
- Hillary Commission for Recreation and Sport "Club Administration Manual" Wellington 1991
- Lions Clubs International - Club Officers Manual
- Lions Multiple District 202 Directory 2012-13

PDG Stuart Patterson CA
MD202 Treasurer
10 April 2012