Policy:	Policy Manual No.	Authorised By:	Policy Section:	Effective:	Review Date:
Finance	Finance - FP	GCC Governance	Finance	March 2023	3-yearly

FINANCE POLICY (FP) & GUIDELINES

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1 Purpose:

The purpose of this policy is to provide effective, safe, and professional finance policy and guidelines for financial practices, management, administration, reporting, oversight and compliance of the Glenfield Community Centre ("GCC").

Policy and guidelines are kept simple, clear, usable, and wherever possible concise. The need for revision should be minimal, and guidance just enough for efficient/effective operations and governance.

Having all the policies together helps with consistency, and avoids duplication.

2 Maintenance:

This document should be checked annually, or whenever specific amendments are required. The date of review should be reflected in the document, even if no changes are made.

Ensuring finance policy is kept up-to-date is the joint responsibility of the GCC Manager and Treasurer.

The Governance and Finance Sub-Committee may amend policy, except where it is stated that full Governance approval is required, or where changes in authority are proposed. This approval requirement does not apply to the APPENDIX checklist that should be amended whenever necessary.

Overall responsibility for the financial wellbeing of GCC rests with the full Governance. All key financial decisions are made, or approved, by the Governance and all major expenditure is approved by it.

The Governance has delegated much of the financial oversight to a sub-committee, known as the Finance Sub-Committee (FSC). The coordinator of the FSC is considered to be the GCC Treasurer (a role required by some funders).

Any actions taken in line with this policy must align with GCC's Strategy and Values.

This policy is intended to meet or exceed obligations under current legislation.

3 Oversight and Decisions:

While the GCC Governance has overall responsibility and oversight, responsibility for GCC ***financial operations*** lies with the GCC Manager. Specific authorities are delegated to them by Governance. Such authorities may be altered only through a quorate Governance decision.

Access to Information:
The Governance must have access, via the Chair and Treasurer, to all financial information and records of the organisation at any time.

Audits and Financial Year:
The GCC financial year ends on 30th June each year.
The GCC auditors are appointed annually by Governance [see APPENDIX].

Once an audit is complete and agrees with the accounting software, the financial year must be locked.

Statutory Requirements:
After audit, the accounts (as part of the XRB [External Reporting Board] Standard Performance Report) are signed-off by Governance and submitted to Charities Services. Information held by the Companies Office is amended as required (Trust Deed, organisation information and Officer details). Both submissions are online.
Details of usernames and passwords are held by the Centre Manager and Chair.

GCC reports under Tier 3 of the XRB Not-for-profit reporting standards, and uses accrual accounting as far as possible.

Accounting Preparation:
An external Chartered Accounting firm (in consultation with the GCC Manager) is responsible for accounting from source data to preparation of an XRB compliant Performance Report for audit. The GCC Manager is responsible for completion of the service performance section of the Performance Report. Advice may be sought if needed from Governance (particularly the Treasurer or FSC) otherwise from an expert outside source.

Accounting Software Used:
GCC uses Xero accounting software online, set up in such a way that financial reporting complies fully with the latest XRB reporting standards.

The GCC Manager acts as the payroll officer, with the GCC Accounts Clerk trained as a backup. The online payroll platform Thank You Payroll is currently used.

Expenditure Authority Levels:
Any expenditure that is **outside** of the Governance-approved annual Budget may be approved in compliance with the following authority levels (amounts are exclusive of GST):

Authority Level	Position
A	Chair/ Governance
B	Manager
C	Office Administrator

Day to day costs and Credit Card	Level to Approve
Single Invoice of $1,000 or more	A and B
Single Invoice of $250 to $999	B or Higher
Single Invoice of up to $250	C or Higher

Asset Purchases and Long Term Contract	Level to Approve
Total Value $2,000 or more	A and B
Total Value $500 to $1,999	B or Higher
Total Value up to $499	C or Higher

The overall liability of a lease (or any other financial commitment spread out over a period of time) shall also apply to these authority levels.

Signatories and Disbursements:
All significant disbursements of GCC funds or assets must be authorised either by a budget holder, where such disbursement is within their budget, or as per the authority levels above.

["***Assets***" refers to anything belonging to GCC that has value to GCC. This value may be measurable in terms of cash or not (intangible). "***Significant***" is a subjective term, but refers here to values that can not be considered petty cash.]

Any expenditure from the GCC bank accounts requires any two of the four authorised signatories. Authorised signatories are the Chair, Deputy Chair/Treasurer (or nominated Board Members), and GCC Manager.

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Most GCC banking is carried out online using ASB Fastnet. Authorised bank signatories are generally also the online banking signatories. The maximum daily expenditure limit on the GCC bank accounts is $100,000. By default this is also the daily limit of each signatory. The Governance may decide that any of the signatories shall have a lower daily limit than this.

IRD deductions and GST:
GCC is a not-for-profit entity and is not liable for income tax on any surplus.
The organisation is GST-registered, submitting 2-monthly returns on the payments basis via online filing.
PAYE returns are also submitted online by thank You Payroll.
The GCC Manager holds all usernames and passwords.The Manager role is authorised with the IRD.

Financial Reporting:
Draft finance reports are prepared by the GCC Manager, and presented to the Finance Sub-Committee for consideration. The Finance Sub-Committee Chair/ Treasurer then presents the final reports to the Governance — either at a Governance meeting or as preparation for a meeting. Reporting is required to be presented in a way that is transparent, accurate and easy to follow. Reports must also be as current as reasonably possible, and should include the following:

- Performance (profit and loss) information for the current month and year-to-date;
- Position (balance sheet) information at the time of the report;
- Accounts payable (creditors);
- Accounts receivable (debtors);
- A schedule of grants in advance by project (opening balance, received, utilised, closing balance);
- Projected variance against budget for the rest of the financial year [optional]; and
- A written explanation of notable exceptions/variances (both positive and negative).

Funding with Conditions (including Grants in Advance):
[see attached Explanatory Notes]

Funds received with certain specific accountability criteria (see below) are “tagged” and treated as deferred income. These tagged funds are not received into income immediately, but are shown in the Balance Sheet as a liability until actually spent, or the conditions otherwise satisfied. Only when the conditions are satisfied are the funds considered to belong to GCC.

The process is carried out monthly and reconciles progress to date. Amounts spent are transferred from liabilities to income. This ensures that tagged funds are monitored, and used only for their intended purpose.

Once all conditions have been satisifed, a final reconciliation is carried out and any remaining balance is either transferred to income or returned to the funder as applicable and/or appropriate.

Criteria:
Funds received (or a portion thereof) are treated as tagged under the following circumstances:

1) If the funds are received for a specific (nominated) **purpose** and accountability is vs. that purpose.
2) If the funds are intended to be used in a particular **time frame**, and all or a portion of that time frame lies in a future financial period.

Funds complying with 1) above are **not** treated as tagged for accounting entry purposes under the following circumstances:

- a) If the funds are received as a reimbursement (i.e. after expenditure has been incurred).
- b) If the full sum received will be expended before the end of the month of receipt.

Apart from the general criteria above, the GCC Governance has adopted a specific accounting policy regarding conditional funding:

Specific Conditional Funding Policy:
Whenever funding is received with explicit or implied conditions for use, GCC follows in the first instance such conditions as written in the applicable agreement between GCC and the funder. If such written agreement between the parties does not specifically address the purpose or timing of conditions, the entity considers itself ethically bound to adhere to the spirit of such conditions, whether verbal or implied. As a result of this, conditional funding is treated as follows.

- GCC directly connects receipt of conditional funding with the timing or purpose required to satisfy such conditions, and will return any funds not able to be utilised for the purpose given or within the timeframe intended, unless a variance to the conditions is agreed with the funder.
- GCC treats all conditional funding that will not be spent in the immediate financial reporting period as a liability until any conditions are met, at which time the funding is deemed the property of GCC and is accepted as income. This ensures that income

with conditions is matched to satisfaction of such conditions, and enables GCC to accurately compare income and revenue with budget.

- Where a funder provides operational funding to cover a specified period, GCC feels bound to divide the funding provided by month across the funding period specified or implied, holding as a liability any funding intended as income for future periods. This ensures that budgeting is able to be accurately monitored throughout the financial year.

Budgets:

Operational budgets are prepared annually by the GCC Manager, generally in consultation with the FSC and/or Treasurer. Budgets have no force until approved by the full Governance.

Since the Annual Budget is also a reflection of the organisation's annual **operational plan**, it is ideally presented in partnership with the plan and shows the relationship between planned for activities and associated costs and revenues.

After 6 months of each financial year, the GCC Manager must present to the Governance an evaluation of how actual performance is tracking vs. the Budget. This serves as a reminder, but also gives time for remedial action to be considered. If necessary, a budget revision may be considered by Governance.

Annual Budget Guidelines:

- The Budget should be soundly prepared reflecting a mix of ongoing operational requirements and the organisation's critical strategic issues as identified in the Strategic Plan. The budget shows both expenditure and revenue projections.
- In line with the GCC Chart of Accounts, expenditure in the budget is separated into overheads and activity (or project) expenditure. Specific projects are reflected as separate lines in both revenue and expenditure, allowing monitoring of performance.
- In order to ensure a "stretch" growth target, the Budget may include speculative revenue and expenditure — provided such lines are separate and clearly annotated.
- When presented, the Budget should have enough detail to provide a good picture of what is planned, but not so much detail that it becomes confusing overall. Additional detail may be provided as annexures, or simply by answering of questions.
- Budgets must comply with the GCC stated objectives and priorities.
- If possible, a simple table showing known, or likely, capital expenditure requirements projected for the following 5 years should be appended to the budget.

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Specific Responsibilities:

- The GCC Manager is responsible for the annual Budget presentation, along with any additional information to enable full understanding by Governance members.
- During the year, the GCC Manager is responsible for submitting to Governance explanations for significant variances from the approved Budget.
- The GCC Manager must ensure that all recommendations to the Governance for major non-budgeted expenditure is supported by a clear explanation of expected costs, risks and benefits.

Cash-flow Monitoring:

The GCC Manager is responsible for cash-flow monitoring and projects it forward on a regular basis for the term of each budget, using the latest information available.

4 Policy Development:

Investment Policy:
Investment decisions must be structured so that GCC can meet cash-flow requirements on an ongoing basis.

As with most not-for-profits, investments tend to be with the bank, and conservative. A business saver account is used for short-term investment and holding of cash, and term investments are used for short to mid-term investment. The requirement to give 31 days notice to break a term deposit must be considered before moving funds from saver to term deposits.

Short-term investment decisions are made by the GCC Manager. If funds are planned to be tied-up for longer than a year, approval of the FSC and/or Governance is required.

Reserves Policy:
[see attached explanatory notes]

Reserves Policy is to aim to hold enough funds overall in bank and investment accounts to cover all balance sheet liabilities plus 6 months operating budget expenditure (excluding depreciation). A minimum of 3 months operating budget expenditure is desirable.
[Other current assets may be included in the calculation if they are considered liquid and reliable enough.]

The main reasons for having this policy are:
- To provide breathing space if any expected funding fails to materialise;
- To provide as much job security as possible for employees;
- To cover any possible redundancy or lease obligations; and
- To provide the ability to invest in growth.

5 Financial Management:

Fraud:
In order to ensure the smooth running of GCC, financial controls are in place to protect against fraud, to ensure adequate controls are placed on expenditure. The Board has fiscal responsibility and oversees the financial health of the organisation.

GCC will not tolerate fraud in any aspect of its operations.

The GCC Manager or Governance will investigate any suspected acts of fraud, misappropriation or other similar irregularity in the management of funds or resources. Any confirmed fraud shall constitute grounds for dismissal.

Any serious case of fraud, whether suspected or proven, may be reported to the relevant and appropriate authorities such as the Police.

Any person who suspects a colleague, volunteer or contractor of fraud or irresponsible management of funds or resources, related to the operations of GCC is required to immediately report it to a GCC Manager or appropriate person in authority. Any person reporting a fraud, or a suspected fraud, shall not be penalised for raising a concern of this nature.

Reimbursements and Advances:
The basic principle is that for any legitimate cost incurred on behalf of GCC, reimbursement may be claimed for the same amount.

All general policy regarding authorisation of expenditure applies where a reimbursement or cash advance is requested. Generally, authorisation should not be by the same person claiming the reimbursement.

In all cases a receipt detailing the date, amount, and reason for the disbursement must be kept and approved in the usual way. This should be retained as a record of the transaction, and handed to the GCC Manager along with a completed staff reimbursement form.

Petty Cash:
The use of Petty Cash has been discontinued and instead small purchases that are made by Administration Staff are subject to the Reimbursement Policy noted below.

Credit Card Policy:
The Manager will be issued with a GCC debit (credit) card with a maximum limit of $1,000. This is to allow for the payment of expense items that cannot be paid for in any other way (e.g. international website services). They are responsible for keeping the card safe, and ensuring that only legitimate GCC expenses are paid for with the card.

GCC policy is that credit cards may be used only under the following conditions:
- Within the specified limit;
- For the payment of agreed GCC expenses, which have a budget allocation;
- Within allocated budget for the expenditure item; and
- Not for cash withdrawals or personal use.

Each use of a credit card must be documented and allocated to a cost centre by keeping receipts and marking them with the appropriate budget code.

Debtors and Invoicing:
GCC issues invoices regularly and, as a GST-registered entity, is obliged to charge GST and ensure that a compliant tax invoice is issued. The Accounts Clerk/ Office Administrator/ GCC Manager are responsible for invoicing.

The GCC Manager is responsible for carrying out, or overseeing, debtor follow-up. As is indicated on GCC invoices, statements are not generally sent out.

Credit notes may only be issued by the Accounts Clerk, and require authorisation from the GCC Manager or relevant budget holder.

Creditors:
Accounts Payable is used, but generally only for regular suppliers with whom GCC has a credit account. Authorisation for payments shall be by the Accounts Clerk and signed off by the Chair or Manager as part of the checking process.

Accruals:
Creditor accruals may be used for occasional suppliers where the invoice has not been received by the end of the accounting period. [An example would be to accrue an audit fee].

Debtor accruals are used mainly where significant non-invoiced income relates to the current accounting period, but is not received within that period. [An example would be the Auckland Council operating grant].

Receiving of Funds:
Most income is received directly as a deposit into the bank account.

If cash is received, this should be in the presence of two or more GCC staff (where reasonably possible). Cash must be handed to the Accounts Clerk and banked as soon as reasonably possible.

Receipts/Donations In Kind:
Donations in kind are treated as income if they are of real and material value to GCC. Volunteer time is not treated as a donation in kind.

6 Assets:

Fixed Assets / Capital Expenditure:
The cost of GCC fixed assets are depreciated using diminishing value percentages obtained from the IRD website. GCC maintains this information using an Asset Register maintained by the GCC Manager.

A depreciation estimate is entered every month, with an annual reconciliation between the accounting software and the asset register.

- The GCC Manager must be advised of any fixed asset acquisition.
- Disposal of any listed asset must be documented, and brought to the attention of the GCC Manager and external Accountants/ Auditor.

Policy on Fixed Assets:
[see attached Explanatory Notes]

Only items of significant value (over $1,000) and with a useful lifetime of more than 1 year are required to be considered as fixed assets. Several small items that collectively cost over $500 (e.g. a large quantity of stationery) is not a fixed asset unless it comprises a set (e.g. a set of chairs). A consumable costing over $500 is also not a fixed asset.

- Assets listed in the books of GCC should be allocated a unique asset number using coding rules listed in the asset register (and in the Xero accounting software).
- Where an asset is not easily able to be uniquely identified, it should have the asset number marked on it (where physically possible).

Capital Expenditure:
The need for urgent capital expenditure should ideally never come as a surprise to the Governance, or the GCC Manager. This is why basic capital expenditure planning is part of the budget (see budgeting), and provides time to seek funding for the expenditure.

Process:

- An evaluation is carried out to document (briefly) why the acquisition is considered necessary. This may take the form of a short cost benefit analysis, or simply a concise written summary.
- The GCC Manager then recommends this capital expenditure to the Chair or Treasurer (if costing above $1,000 and not in the Budget), or the Governance (if costing above $5,000 and not in the Budget) for authorisation.
- The purchase itself must follow standard GCC purchasing process for major items. At least 2 realistic and competitive quotes should be obtained.

- The GCC Manager must be notified in advance of ordering so that arrangements for payment can be made, and the potential impact on cash-flow considered.
- Once the asset is in GCC possession, it should be added to the Asset Register by the GCC Manager, and marked according to GCC asset numbering.

7 Liability:

Recognising and Reducing Risk:
One exercise that the Governance and operations team can usefully carry out jointly is a risk evaluation of the organisation, along with a strategy for ameliorating it. This process is supported by the GCC Risk Management Policy and procedure.

Employee Liability in Balance Sheet:
GCC includes holiday pay owing to employees as a liability on the Balance Sheet (as calculated in the Payroll software). A holiday pay-out is unexpected expenditure that is not included in budgets. Where possible, employees are encouraged to take leave owing so that this liability does not rise beyond 4 weeks at any given time.

GCC does not include redundancy in employment contracts, so this is not reflected.

Professional and Public Liability:
GCC does take out professional liability on behalf of the Governance and Public Liabiity Insurance (for at least the minimum that Auckland Council requires from contractors). See APPENDIX.

8 Document Management Control:

Prepared by:	GCC Policy Sub-Committee
Authorised by:	GCC Governance
Approved by:	Motion# and Date:
Date issued:	TBC
Review:	Annually
Last review:	August 2022
Next review:	August 2025
Effective Date:	January 2021

APPENDIX:

The purpose of this appendix is to provide in one place an up-to-date checklist of important finance-related information.

Where a person is listed as authorised or responsible for something, it is assumed that they hold the username and password required.

CHECKLIST:

	Details
Bank accounts and investments held	ASB Glenfield: 12-3072-0265757-00/02
Signatories on bank accounts	Cleressa van Niekerk (Chair), Charles Craig Pettit (Board Member), Frankie Godfrey-Robson (Treasurer), Nigel Green (Manager)
Persons authorised for internet banking	Cleressa van Niekerk, Charles Craig Pettit, Frankie Godfrey-Robson, Nigel Green
Administrator(s) of internet banking	Nigel Green, Cleressa van Niekerk
Persons authorised to deal with IRD	Nigel Green
Person authorised to deal with Companies Office	Nigel Green
Payroll software information	Thank You Payroll, Nigel Green
Payroll officer backup	Carol Young (Accounts Clerk)
Accounting software information	Xero, Chapmans Accounting Ltd.
Persons who have access to Accounting software	Nigel Green, Chapmans Accounting Ltd., Carol Young, Sandie Gorst (Office Administrator)
Administrator(s) of Accounting software	Chapmans Accounting Ltd
Auditor information	William Buck Ltd
Insurer details	Vero, Methodist Church of NZ
Summary of professional and public liability	See Insurance File
GCC credit card information	Nigel Green
Members of the Governance Finance Sub-Committee	Nigel Green, Cleressa van Niekerk, Frankie Godfrey-Robson
Person responsible for updating the Inc. Soc. Register	Nigel Green

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Supplementary Notes:

These notes do not form part of the GCC Finance policy, but they serve to explain some of the reasoning applied when policy decisions are made.

Not-for-Profit (NFP) Accounting Generally:
Many people involved with NFPs do so voluntarily, and most of them come from a commercial background. For this reason it is very important to distiguish what is different about NFP financing versus the Commercial sector.

What we are taught in the Commercial sector is (necessarily) tightly-defined and we are told NOT to stray from very specific rules and procedures. This is particularly the case with auditors — many of whom do not appear to distinguish at all between the Commercial sector and NFPs.

In principle this rigidity is generally a good thing — however it is often taken too far in those areas where NFPs differ. The following material notes some of the key differences, and argues why they should be treated slightly differently if we consider why specific rules were put there in the first place.

Bottom Line:
Commercial entities are all about "profit". The "bottom line is king", and regulations need to be in place to prevent manipulation. Profits are taxed and the IRD is primarily interested in having the correct amount of profit declared. To avoid manipulation of tax, the general rule is rigid — income is declared immediately as it is received.

NFPs do not pay income tax. Their end goal is to deliver on their vision and mission, so manipulaton of tax is not an issue. Clearly income is better-off matched to purpose. In fact failure to match income to purpose can lead to funds donated for a specific project being received immediately into income in one financial year — inflating the surplus for that year — and leaving the next year with the project still to be delivered but now without matching income.

How to overcome this problem?

Funding With Conditions (Grants in Advance):
The finance policy above was developed after considering the following:

The term "Grants in Advance" ("GIA") is commonly used when talking about funding that is received with specific conditions attached. Such conditions are generally either to use the funding for a specified purpose, or within a specified time frame.

Essentially conditional funding does not belong to the receiving organisation until the conditions have been met. For this reason, GIA funding is held as a liability in the balance sheet and transferred to income as the conditions are met.

Accounting standards in New Zealand instruct auditors to allow GIA accounting in a Statement of Performance (P&L) Report only if there is a specific written requirement from the funder that any funding not used in line with intended purpose or timing shall be returned to the funder.

An auditor who is strictly adhering to this standard will insist that all funding not covered by a written return requirement must be received as income in the current financial year - even if the purpose or timing terms have not been met.

Not all auditors insist on this, but if they do, this can make things difficult for your organisation.
You may end up with no funding to cover specific expenditure — because you were forced to take it as income in the previous financial year.

If not all your funders have provided a return clause in writing, two options are realistic:

- Create ”tagged” reserves at year end to cover the cost of what still has to be done
- Treat the funding as grants in advance.

The first option is a work-around, and the second is recommended where possible.
In either case it makes sense to get your Governance to sign-off on a carefully-worded GIA Policy and include this in your Charities Services Performance Report.
Remember: the purpose of this policy is to allow your organisation to match conditional funds received in advance with the purpose and time they were provided for.

Reserves:
Reserves can be a fraught issue for NFPs, or can be very simple. In practice, simple works better.

Reserves do not have to be held in a separate bank account. In fact, doing so can make cash flow management difficult, and reduces the opportunity to optimise financial return on funds held.

Expenditure of reserves does not need a separate policy because this would duplicate (or even confuse) the specific policies regarding authorisation and approval that form part of the overall finance policy.

Fixed Assets and Depreciation:
In commercial entities, the primary **purpose** of depreciation is to put aside funds that will be needed to replace each capital asset at the end of it's life.

NFPs however, seldom pay for fixed assets from funds held back through depreciation. Instead they apply for funding, and are generally given the required asset. So why depreciate?

While this would suggest that depreciation for NFPs could be largely unnecessary, there is an unintended positive consequence for the organisation in question. Depreciation turns out to be one of the main ways a NFP is able to accumulate reserves. It is highly unlikely that funders will contribute directly to reserves, and in practice many even attempt to remove operational costs before they provide you with funding.

Prudent Fiscal Management:
As a community organisation that receives grants and public funding, there is a particular responsibility on GCC to be financially prudent. This means that great care should be taken to obtain and provide value for money for those who entrust resources to GCC.

Staff and Governance are encouraged to always seek better deals from suppliers and providers based on GCC being a valuable NFP community organisation.