

JULY 2006

TREASURER'S UPDATE

BY: HEIDI BRAUER, CMA

Why does audited data differ from our treasurer's information?

Audited financial statements are prepared according to Canadian generally accepted accounting principles. The data presented by your treasurer has been prepared according to the best of the accounting skills of your treasurer.

Often when I am discussing audited financial statements with the treasurer, the treasurer will pull out her/his own year-end financial statements to compare with the audited data. It is always easier to venture into the unknown, if you can use basic knowledge as a start.

How much data will differ depends on the accounting skills of your treasurer. As this is a comprehensive subject, I will discuss this in the next three issues [July, August and September] of my Treasurer's Update.

Part I

The main reasons for variances in the presentation of the data are:

Your treasurer is using the **cash** method of accounting. The auditor uses the **accrual** method.

Your treasurer is recording gaming income when received. The auditor is using the **deferral method**.

Your treasurer records grant income when received, the auditor will defer unspent **grant funding**.

Your treasurer will record grants and other **externally restricted funds** spent on capital assets as income, whereas the auditor records them in the balance sheet/statement of financial position.

Your auditor has liabilities called "**Deferred Cash Contributions**" and "**Deferred Capital Contributions**". They are nowhere to be found on your own financial statements.

Your treasurer may have missed recording data or recorded the data in the wrong accounts.

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Cash/Accrual Method

As mentioned before, the easiest method to record your data for someone with limited accounting knowledge is, to record the cash received and cash spent. You may only have an income statement presented at your board meetings. Preferably this should be comparable with your budget to give you a benchmark figure as to how you are operating according to your plan or budget.

As many community associations are glad to have someone taking on the position of a treasurer at all, they cannot be choosy about comprehensive accounting skills, but the least they can expect is:

1. that the person diligently records the cash received
2. where it came from
3. for which purpose
4. cash spent for what and which purpose
5. the treasurer should keep all backup information like receipts and deposit books with detailed information, where the cash came from and invoices or cash register tapes for money spent.

Few community associations are recording according to the accrual method, where money is recorded when earned or the expense occurred on a monthly basis, but it is important to make the cut-off at fiscal year end.

To have representative data we are measuring revenues and expenses within a certain time period, e.g. fiscal year. If we only record the cash coming in and cash going out, we do not measure the revenues and expenses completely. You may have had a hall rental on the last day of your fiscal year end e.g. December 31, but the renter is not paying until January 2 of the next fiscal year. In this case you would record the rent you received on January 2 as rent receivable but income for the fiscal year ended December 31.

You know that your utility invoices arrive sometime in the middle of the month. Make sure you have 12 utility payments for the year as expense, one for each month.

You may have made a purchase at the end of December, but the invoice does not arrive until sometime in January. This should be set up as a payable for the previous fiscal year.

This will be continued in the August Treasurer's Update

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VACATION TIME

It also is holiday time, and the accounting team would like to wish everyone an enjoyable and safe holiday season.

- Please remember, if you have a June or July year-end, bring in your books as soon as possible for the audit.
- Try to do this before you go on holidays. We have lots of June and July audits for fall annual general meetings, and we will complete them on a first come first serve basis.