

AUGUST 2006

TREASURER'S UPDATE

BY: HEIDI BRAUER, CMA

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

In "Part 1" of our July Treasurer's Update we discussed the cash and the accrual method of accounting. Next is Unrestricted/Externally Restricted Cash and Deferred Capital Contributions.

Part 2

UNRESTRICTED/EXTERNALLY RESTRICTED CASH

As you know, you have unrestricted cash, which is your general operating cash received from e.g. memberships, hall rentals, sports registrations, newsletter advertising etc. The unrestricted cash is recorded according to the accrual method, where we recognize revenue when received or reasonable assurance is given, that it is receivable. You also have externally restricted cash. This is your casino, bingo or grant funding. It is externally restricted as the fund provider wants you to spend the cash according to approved objectives.

If you are not using the fund accounting method, where your funds from various sources are kept separate in the balance sheet/statement of financial position/statement of funds and in the income statement/statement of operations/statement of revenue and expenses, the prescribed method of accounting per CICA is the deferral method. According to this method, revenue from externally restricted assets like gaming cash or grant funding, is recorded when spent. This way we are measuring revenues and expenses.

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Your unspent funds are a liability until spent. Remember you have to return any unspent gaming funds or grant funding, if you don't spend them within the assigned time period. Gaming funds have to be spent within a two year time period. Make sure you inform yourself about the time period for the grants you were able to obtain, and spend your funds for the approved objectives.

If you record your operating grant funding when you receive it, you will not have the matching expenses. If you received \$ 25,000 during the month of July and you recorded this as revenue, your bottom line looks great for this month, but for the next following months, when you spend this cash, the bottom line may show a deficit. Again here, only record the cash spent as revenue and defer the portion of the unspent grant as a liability for the next month.

DEFERRED CAPITAL CONTRIBUTIONS

You may have received grant funding to purchase capital items. If you recorded this grant funding as income for the month you received it, your bottom line looks great, and it will continue to look great all through the year, unless you recorded the capital expenses as operating expenses.

Remember we are trying to match revenues and expenses. If the capital expenses are recorded in the Statement of Financial Position, where are the expenses? Your capital assets are losing value and we set up a book expense called amortization.

Take as an example: We just purchased some capital assets from grant funding and also from casino cash. According to accounting regulations to match revenues and expenses, these funds spent on capital assets will be set up in the balance sheet between liabilities and net assets as deferred capital contributions and amortized on the same basis as we amortize the capital assets purchased with these funds. This way we are measuring revenue with expenses. In your income statement you will find the expense called "amortization" and you will find the revenue called "amortized deferred contributions", where we are bringing the externally restricted funds into income e.g. we are measuring revenues with the matching expenses. As you also will have purchased capital assets with unrestricted cash, your amortization expense will always be larger than the revenue you are recording from externally restricted assets.

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.

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