

OCTOBER 2006

# TREASURER'S UPDATE

BY: HEIDI BRAUER, CMA

## 2006 WINTER WORKSHOPS

November 16th

**TREASURER'S**

7:00 pm

@ FCC Office

December 7th

**GRANTS**

7:00 pm

@ FCC Office

Mark your calendar  
and complete the  
Registration Form  
in this **FCCNews**



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## 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. Why is this cash externally restricted? If you do not spend your casino or bingo funds within a two year period, you will have to return it to Alberta Gaming, unless you receive permission to keep this funding for a special project.

Grant funding usually has a time period within which you will have to spend the funds. If you don't spend it within this time period and don't ask for an extension, you will have to return the funding. Make sure you inform yourself about the time period, in which the grants have to be spent and try and spend your funds for the 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 and in the income statement/ statement of operations, the prescribed method of accounting per CICA is the deferral method. According to the deferral method, revenue from externally restricted assets like gaming cash or grant funding, is recorded when spent. This way you are measuring revenues and expenses for a certain period in time e.g. the fiscal year or the month. Your unspent funds are a liability, as you will have to return them if you don't spend the money.

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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 the 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 into income for the month you received it, your bottom line looks great, and it will continue to look great all through the year, if you did not record the capital expenses as operating expenses.

If you recorded the capital expenses as such, they will never show up in the operating statement. Remember we are trying to match revenues and expenses. So where are the expenses here? 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 will be 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.

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## **WORKSHOPS**

- **Alberta Gaming is hold their information workshop again. Consult their website at [www.aqlc.gov.ab.ca](http://www.aqlc.gov.ab.ca) or phone 1-866-307-7499 for session dates.**
- **We will have two GST Workshops in February of 2007**

**If you are interested in any other workshops, please let us know.**