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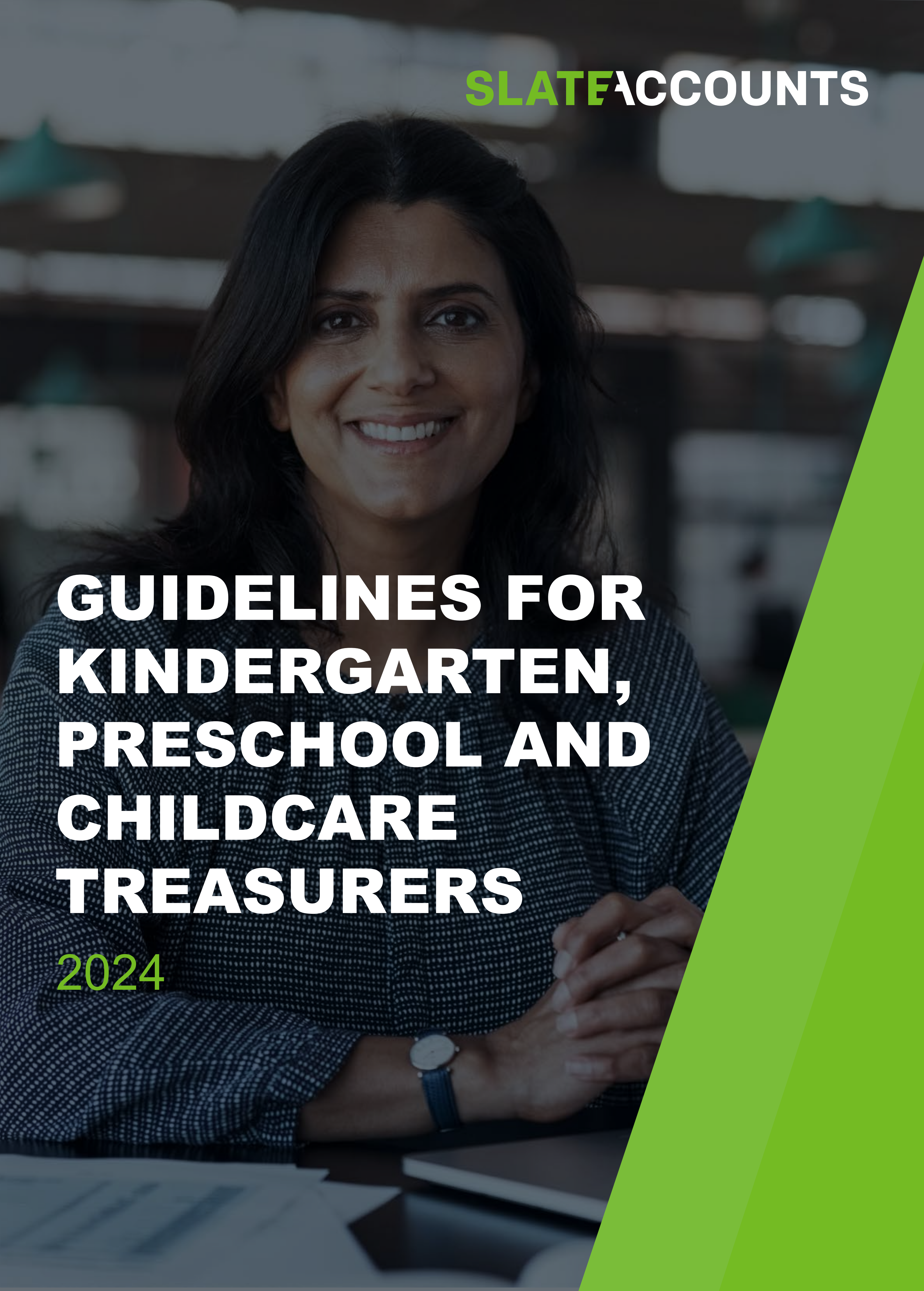

GUIDELINES FOR KINDERGARTEN, PRESCHOOL AND CHILDCARE TREASURERS

2024

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1.

ABOUT THE GUIDELINES

Taking on the role of a childcare or preschool treasurer can be a rewarding yet challenging experience. You'll get to make an impact by playing a crucial role at your service, but to do so, you'll also need to get up close and personal with the financial processes. And for many people - including those with solid commercial experience - this can be unfamiliar territory.

The 'Guidelines for kindergarten, preschool and childcare treasurers 2024' gives you the practical steps you need to follow to meet your treasurer responsibilities and help your service operate more effectively. Designed to make your job easier, the guidelines cover:

- The treasurer role, responsibilities, and goals
- What you need to do when starting your new role
- Ongoing responsibilities
- Checklists to support processes and planning
- Best practice tips and industry insights

The guidelines will help a range of services within the early childhood education and care (ECEC) sector. This includes preschools, childcare centres, and kindergartens operating under not-for-profit structures.

ABOUT THE AUTHOR

Michael Kent is a qualified Chartered Accountant, experienced commercial manager, and CEO of bookkeeping and advisory business Slate Accounts. Michael was also treasurer of his daughter's kindergarten, and despite his commercial background, found he wasn't quite sure where to start or how to best help when he started the role.

Fast forward several years and Michael has now advised dozens of treasurers of ECEC services via Slate Accounts. It's through this experience, as well as his own, that he saw the need for a simple guide to help treasurers get started, and know where to focus their efforts. This paper is the "how-to" guide Michael wished he had.

2.

THE TREASURER ROLE, RESPONSIBILITIES, AND GOALS

The role of today's treasurer within the ECEC sector is focused on the checking and understanding of financial administration – and not the doing. Typically, this means you'll most likely have a team of service staff, bookkeepers, and an auditor, to get the job done, while you focus on the bigger picture. This includes ensuring that:

1. The service has enough cash.
2. All assets are protected.
3. Spending is monitored and approved.
4. Compliance obligations are met.
5. Financial records are properly kept.

To do these things, you'll need to quickly **get up to speed on the service** and then **develop a system** for reviewing and progressing action items throughout your term.

> **"An effective treasurer is the guardian of their services' financial health. To succeed in this role, you'll need to make sure resources are managed effectively and efficiently while advising the committee, so that it can make a positive impact in the community".**
>
> **– Michael Kent, CEO of Slate Accounts**

3.

STARTING THE TREASURER ROLE

Are you starting your new role as treasurer, but don’t know where to begin? Here are eight key tasks you need to do to transition into the role:

1. UNDERSTAND YOUR SERVICE’S OBLIGATIONS

ACTION: *Read the association’s Governing Act, your service’s rules, and any finance policies*

- [ ] **Review the act that governs associations in your state:** This applies if your service is an incorporated association. Review the section in the act that covers account keeping, reporting, reviews, and auditing obligations.

- [ ] **Read your service’s rules or constitution:** These go into more detail and will spell out the treasurer obligations.

- [ ] **Read any finance policies:** Your service will have one or more finance-related policies, which you should read to check that practices reflect these, or consider if you want to propose changes (which committees could approve). Important things to look out for include:
    - The rules associated with parent fees, including communication of changes and debt collection protocols.
    - Whether the treasurer or anyone else can get authority to spend and what these limits are; or if each payment needs to be authorised by the committee.
    - If there are any special restrictions or guidance for the use of budget reserves.

2. UNDERSTAND THE FINANCE PROCESSES

ACTION: *Review processes, especially spending authorisation and controls.*

☐ **Reviewing key finance processes helps you understand how they work, who does what, and identify where any risks may lie.** These processes might include:

Paying bills (also called accounts payable)	Invoicing and collections (also called accounts receivable)
Payroll	Accounting
Expense claims	Compliance lodgements
Petty cash	Reporting

TIP – It's highly likely you'll find documentation missing for some processes, so any documentation you can add - even if brief and simple - will add great value to the service and finance function.

Your initial priority should be to review spending processes. This is because it's these processes where error risks and the potential for fraud are the greatest, and also where you'll likely be part of the approval process. The aim is to make sure there are appropriate controls and limits in place, and ideally, written processes that reflect your finance policy. You need to check:

☐ There is an appropriate level of review by someone who would reasonably know what the purchase was, such as a director or experienced administrator. You should not be asked to approve bank payments without knowing someone else has reviewed the invoice or purchase.

☐ The review and approval are recorded in a system that you can access at any time.

☐ There is a segregation of roles so that the people making payments are not doing the accounting.

☐ If required by your rules, dual authorisation of bank payments is enforced.

Spending authorisation and controls

Bank authorisation rules are often unclear, especially when information is passed from committee to committee without being written into financial policy. This can lead to old signatories being left on the account, so we recommend requesting a list of authorised signatories on the service's bank accounts. You can then remove old signatories and update permissions if required.

TIP - The safest and simplest option for bank signatories is to use an online banking service that requires dual authorisation. Best practice would also involve making sure approvers can easily see copies of invoices and are not just approving a list of payment amounts at the bank. If you need help structuring these rules, you can talk to an independent bookkeeper, accountant, or auditor.

3. KNOW YOUR FUNDING SOURCES AND AGREEMENTS

ACTION: *Get to know your funding sources and any rules that apply*

Your service is likely to be receiving funding from sources such as the Child Care Subsidy, a state government department, or other organisations. This can be confusing for those new to the industry, so it's worth talking to your wider support team, such as the service staff, bookkeeper, and auditor to help you list all funding sources in one place.

As part of this review, include details such as:

- [ ] The approximate amount of funding the service receives
- [ ] How the amount is determined
- [ ] Any associated reporting or finance obligations

TIP – To meet funding requirements, check how often you need to submit financial information and if there is any obligation to keep an asset register.

TIP – Having a record of all your funding sources in one place will give you clarity and confidence when working with the numbers, advising the committee, and reviewing the budget.

4. REVIEW THE LAST AUDIT OR REVIEW

ACTION: *Read the last auditor's (or reviewer's) report and talk to them about the results and process.*

You will likely need to have the service's accounts audited or reviewed during your term, so it's important to be across the most recent audit or review so you can prepare.

As part of this review, include details such as:

- [ ] If the audit report has identified problem areas to address, speak to the auditor and others close to the process to better understand the issue.
- [ ] Talk to the finance team (such as the bookkeeper and/or finance manager) to understand how the service will be audited, and how you can prepare for the next audit.

TIP – Whether your service had any issues raised in the last audit or not, it's worth talking to the auditor to find out how the last audit went, if anything was difficult and time-consuming, and find ways to ease the burden for the next round.

5. CHECK RECORD-KEEPING

ACTION: *Check that appropriate record-keeping processes are being followed for tax receipts, timesheets, and staff employment records.*

Good record-keeping is a legal requirement and essential for audit purposes and in demonstrating transparency with your association's members and stakeholders. Bookkeepers should be able to find information, such as tax receipts, timesheets, and staff employment records, easily. We also suggest periodic checks throughout the year. For example, you can check timesheets against payroll or request copies of the documentation behind a handful of transactions. Many treasurers do this each month.

BEST PRACTICE TIP – SET UP A TREASURY FOLDER

A treasury folder contains everything you and future treasurers will need, to do the job effectively. The folder should be easy to find, easy to keep up to date, and be securely stored on a cloud storage service. Ideally, it would include:

- The act that governs the service
- Funding agreements
- Funding sources list
- Finance policies
- Documented finance processes
- Historical monthly financial reports to the committee
- Historical audited annual accounts and auditor reports
- Annual compliance filings such as with the ACNC and education department
- A treasurer manual that explains the role and how to go about it.

6. REVIEW KEY FINANCIAL STATEMENTS

ACTION: *Review month-on-month changes across key financial statements including the balance sheet, profit and loss statement, and cash flow statement.*

Reviewing key financial statements across the previous two years can help you identify potential issues. Ideally, you'll be able to discuss these with the exiting treasurer and/or staff before making any decisions.

We include key information to look out for under each key financial statement below. Remember that there is no right or wrong position for each piece of information, although the review will highlight risks or potential issues to investigate. Also, you're not expected to be the expert, so you can talk to the bookkeeper or accountant for more details, or the committee can hire an external resource to help.

Balance sheet

- [ ] How are net assets (total assets less total liabilities) trending? For not-for-profit services, this doesn't need to be trending up, but at the same time shouldn't be trending down.
- [ ] Are the bank accounts reconciled?
- [ ] How much cash is in the bank and what is the trend?
- [ ] What debt does the service have? Note that long-term debt is quite rare for not-for-profit businesses.
- [ ] How large are receivables and what is happening to them over time?
- [ ] Are liabilities such as superannuation, PAYG, and GST being paid on time?
- [ ] Do the fixed assets and depreciation schedules look right?
- [ ] Does the service have a buffer in cash reserves?
- [ ] Are there provisions for long service and sick leave?
- [ ] How much capital has been spent in recent years?

Profit and Loss Statement (also known as the Income Statement or P&L)

- [ ] Is the service profitable (or is it roughly breaking even)?
- [ ] Are there any unusual expense entries or month-on-month inconsistencies?
- [ ] Are the major costs stable and do these look reasonable?
- [ ] Is the categorisation of income and expense into the different accounts appropriate for the business size and type?

Cash flow statement

- [ ] When does cash come in from fees?
- [ ] Are fees paid in a reasonable amount of time?

HOW MUCH CASH IS ENOUGH?

Non-for-profit early childhood services often grapple with the question of what levels of cash reserves to retain. While some level is healthy, holding on to too much cash can mean your members are missing out on potential service benefits. To help your committee decide what cash reserve levels are right for your service, consider how much you'll need to cover:

- Current and future capital spending.
- Leave liabilities.
- Compliance and tax liabilities.
- 3-6 months of operating expenses.

TIP – Your job as treasurer is to identify any issues and resolve them throughout the year, balancing the risks and priorities with the time, energy, and resources of the service. The committee should pay for external resources for any issues that can't be fixed by service staff or the bookkeeper.

7. REVIEW THE BUDGET

ACTION: *Check the budget is appropriate, and that you'll receive regular reports comparing actual versus budgeted income and spending.*

While preparing and maintaining a budget can be a state or federal funding requirement, it's also part of prudent financial management. A budget can act as a financial forecast for the service while also helping delegate spending authority from the committee to account signatories.

If you find the budget is unreasonable or needs changing, you can discuss changes with the manager or bookkeeper and then take it to the committee to approve the change. Typically, the policies and rules allow for the committee to change the budget as needed, and most committees appreciate their treasurer being on the front foot of any need for changes.

Cash planning

An important part of reviewing the budget is to consider the expected cash movement for the year against the service's cash reserves. To forecast the expected change in cash for the year, you can use the below calculation as a rough guide:

START WITH
expected profit or loss for the year

ADD
any depreciation or amortisation on the profit or loss (as this is not paid in cash)

SUBTRACT
any balance sheet repayments (other than standard quarterly items like Superannuation, GST, and PAYG)

SUBTRACT
any new capital spending not included on the profit or loss

Add or subtract this cash movement figure from your opening cash balance to approximate your closing cash balance. If this amount is less than three months of operating expenses, it might be worthwhile doing some more detailed cash forecasting.

SHOULD YOUR NOT-FOR-PROFIT BUDGET FOR PROFIT?

The decision about whether your not-for-profit service makes a profit is not one for the treasurer to decide, but instead, the committee. In making the decision, the committee will need to consider:

- Does the committee want to break even as a minimum?
- Does the service have a future need that it needs to make and retain profit for?
- If there are high levels of reserves, how can these best be invested in the interest of members? This might include investing in fixed assets, upskilling staff, or holding off fee increases.

8. CHECK COMPLIANCE IS UP-TO-DATE

ACTION: *Create a compliance calendar that outlines the service's compliance obligations throughout the year.*

Treasurers are responsible for overseeing key compliance tasks, including:

- [ ] Lodging Business Activity Statements (BAS) and Instalment Activity Statements (IAS).
- [ ] Paying superannuation.
- [ ] Organising an annual audit or review.
- [ ] Presenting audited (or reviewed) findings at the annual general meeting.
- [ ] Lodging the required annual financial accountability and enrolment data with your state education department.
- [ ] Lodging annual financial statements with the state body that administers your entity type (if required).
- [ ] If your service is a registered charity, lodging an annual return with ACNC.

TIP – You can expand your compliance calendar to include other items, such as term dates, committee meetings, and grant or funding application due dates.

TIP – The bookkeeper can help when checking the BAS, IAS, and superannuation. For example, they can provide a copy of the ATO's 'Integrated Client Account' which outlines all the previous BAS and IAS lodged.

ONGOING TASKS AND RESPONSIBILITIES

In addition to working on the issues identified in your initial review, you'll have ongoing tasks as part of your role. These tasks will help you oversee financial administration and help you prepare for monthly committee meetings. They include two key areas:

REVIEWING RESPONSIBILITIES	REPORTING RESPONSIBILITIES
• Checking accounts for accuracy. • Checking finance processes and controls are being followed.	• Presenting clear reports to the committee to describe financial performance (via the P&L) and the position (via the balance sheet) of the service.

We suggest managing these processes by working through a checklist each month. A checklist can help simplify the process, ensure you don't miss any steps, and help the bookkeeper do their job effectively.

REVIEWING TASKS

The reviewing process should include the following steps:

THE BALANCE SHEET	
RECONCILIATION	
Why?	Making sure all bank transactions have been entered into the accounts is critical in getting the accounts correct.
How	Reconcile accounts by checking that the balance shown in bank accounts, petty cash accounts, and loan accounts matches with another source of truth, such as a bank statement. The bookkeeper can produce a bank reconciliation report, which explains any differences between the bank balance in the accounts and the actual balance reported by the bank.
ACCOUNTS RECEIVABLE	
Why?	Checking accounts receivable lets you know how much cash has and will come into the business, and helps with cash flow management.
How	Check invoices have been issued correctly, are being paid on time, and that the correct processes are being followed for overdue invoices. Review the aged receivable report for invoices that haven't been paid and how old they are. If necessary, creating a collections report that lists collections actions taken against overdue invoices can help you keep track.
ACCOUNTS PAYABLE	
Why?	Checking accounts payable helps you track what money is owed, and can help you see whether the service is relying too much on credit.
How	Check all expenses have been recorded, paid on time, and that the correct processes for making payments are being followed. Review the aged payables report for invoices that haven't been paid and how old they are. Run occasional spot checks of payments made.

THE BALANCE SHEET	
COMPLIANCE LIABILITIES - SUPERANNUATION, GST, AND PAYG	
Why?	Every pay run, the amount withheld from staff for superannuation and PAYG is recorded as a liability that must be paid later to super funds or the ATO. In contrast, GST is usually owed to your service with each quarterly BAS. This is because your service can claim back GST on purchases made, and this amount is likely to be greater than the amount of GST collected in sales (GST typically applies to only a limited number of income types with early childhood education businesses). Usually, super is paid quarterly, PAYG monthly, and GST quarterly through a BAS. You'd expect to see the superannuation, PAYG, and GST accounts moving up and down with each quarterly cycle, but not trending consistently in any direction. These simple checks help ensure the service is making its required compliance filings and payments.
How	Check the ATO Integrated Client Account, the service's account with the ATO for PAYG, and GST filings and payments. If the balance owing is $0 and you can see the necessary quarterly BAS and monthly IAS filings, your service is up to date. The bookkeeper can provide reconciliation reports for GST and PAYG. This area can get complicated, so if necessary, get help from an independent bookkeeper or accountant.
THE PROFIT AND LOSS STATEMENT	
BUDGET VARIANCE AND REPORTING	
Why?	Tracking budget variance reports can help you spot gaps in income, signs of over-spending, or that the budget may need adjusting.
How	Compare the P&L against the budget to check income is as predicted and the service isn't overspending. Review the actual vs budgeted variance report for the month, and also year to date.

EXPENSE ACCOUNT REVIEW	
Why?	Reviewing expense accounts can help you find any missing or wrongly allocated expenses. You'll need to know whether expenses are recorded when they occur, or if they are accrued, as this will affect how the accounts look.
How	A multi-period P&L report comparing the current month to (for example) the past six months, in neighbouring columns can help. This highlights any anomalies or missing expenses for you to look into.

WHAT ARE ACCRUED EXPENSES AND THE ACCRUAL METHOD?

The accrual method records any expenses incurred or income earned in the periods they occurred, not when they were paid. By manipulating the timing of when certain transactions appear in the accounts, reports can better reflect when an expense or income was actually made or earned. These processes are generally referred to as "making an accrual" or "accruing", and there are three types you're likely to see:

Accruals for unpaid (and unbilled) expenses

Example: Accruing the expense of an audit in the year the audit will relate to, even though the work will be done and paid for in the following year.

Accruals for prepaid expenses

Example: Paying a year's worth of insurance in one payment then 'saving' this payment as an asset on the balance sheet as a 'prepayment'. The expense is split in 12 with each portion recorded (accrued) as an expense each month throughout the year.

Accruals for prepaid income

Example: Your service collects fees or deposits in Term 4 that relate to the following year. These will be saved on the balance sheet at year-end (in an account often called "pre-paid income") and then removed from that account and recorded as income in the following year.

If all that sounds a little confusing, your service's bookkeeper should be able to manage it all and explain it to you. And if not, many auditors step in beyond their role to help calculate and record the necessary accruals and pre-payments when finalising the accounts.

ACCOUNTS REVIEW CHECKLIST

BALANCE SHEET

- [ ] Reconcile bank accounts
- [ ] Reconcile loan accounts
- [ ] Review accounts receivable
  - All invoices sent
  - Payments made on time
  - All invoices are collectable
- [ ] Review accounts receivable
  - All invoices recorded
  - Payments made on time
  - All invoices are payable
- [ ] Check compliance liabilities are correct
  - GST
  - PAYG
  - Superannuation

PROFIT AND LOSS STATEMENT

- [ ] Income is close to forecast
- [ ] Spending is within budget
- [ ] Expenses look correct

REPORTING TASKS

Good reporting makes it easy for key decision-makers to find the information they need to make the best decisions for the service. A good reporting pack includes key information that highlights the financial health of the business, such as:

- The balance sheet and P&L showing each month of the year, and year-to-date.
- The profit and loss compared to the budget for the month and year-to-date.
- A detailed accounts receivable ageing report outlining outstanding payments and how long they are past due.

Ideally, your reports will include visual representations of data to make it easier for the committee to read and understand.

WHAT TO INCLUDE IN YOUR REPORTING COMMENTARY

Written commentary provides the committee with a succinct summary of results, and helps draw their attention to information to guide decision-making. For best results, we recommend the below approach:

Observe

When reviewing the reports, look for variances to the budget, changes in the balance sheet, and any trends in both. Consider environmental factors that can influence results, such as inflation and wages.

Analyse

The best commentary explains why and how your observation has taken place. For example, rather than simply stating that wages are 10% over budget, include additional detail as to why, such as paying higher casual rates to cover maternity leave. Talking to your service's staff before writing the commentary can help you understand the influences behind your observations.

Predict

The ultimate goal of financial analysis is to predict the future. If possible, include reasonable predictions in your commentary such as, in the example above, an expectation that wages will return to budgeted levels when your staff member returns from maternity leave. This is also a great way to involve the committee in financial planning discussions. For example, the committee may decide to add an X% contingency in the wages budget next year to allow for more unplanned leave".

BEST PRACTICE FINANCE ADMINISTRATION

Once the basics are running well at your service, you might be interested in finding ways to improve how things are done. You can start by checking your service has adopted foundational best practice finance management by using:

- The act that governs the service
- Funding agreements
- Funding sources list

If your service is yet to achieve the above, we recommend you start by making these changes. See our **'Guidelines for Kindergarten Treasurers 3rd Edition'** for specific tips and advice.

Most services have these practices in place, so you may be interested in improvements, such as:

Expense management services

Expense management and payment services, such as Weel and Voloplay, can be an efficient alternative to using credit cards and staff expense claims to manage expenses. You can set spending limits across different staff members, automate payments, get real-time analytics, and remove the need for manual expense claims. They also offer flexible (and dual) approval workflows.

Digital staff timesheets and rosters

Digital timesheets and rosters are simple to set up, use, and administer. They integrate with accounting software, allow staff to input timesheets via their smartphone, managers to review and approve them, and help reduce payroll data entry and errors. Solutions, such as Deputy and Tanda, offer additional features to help with areas such as onboarding, and may be suitable for larger services. Canuwork is a simpler option for services looking for a digital tool to just manage casual staff.

Digital bill approval

Software, such as ApprovalMax, can be easily integrated with your accounting software, and help create secure controls around bill payments. The software includes approval workflows that ensure bills have been seen and reviewed by the right person before approval, and it also includes fraud prevention tools.

Digital enrolment and invoicing

If your service provides kindergarten or preschool services (rather than childcare services that use the childcare management system), then you may still be using basic software to manage enrolments and invoicing.

Enrolment software, such as EnrolNow, offers a more streamlined approach that also helps reduce errors and risk. Depending on the modules you choose, you can introduce automatic invoicing and payment collection, online tour bookings, and digital sign-in and sign-out.

If you run a childcare service and your CCMS is not already doing this, explore whether your current software has newer versions or modules that can streamline these processes.

INDUSTRY TIPS

Industry-specific advice to help you achieve more in your treasurer role.

PARTICIPATE IN STRATEGY

There is a lot of change occurring across the industry with state and federal governments working on policies to have children attend more hours of early childhood education and care. Policy changes have led to increased funding, which, in turn, has increased demand. At the same time, labour shortages and burnout for exhausted staff still prevail post Covid. As a result, services are revaluating their strategies so they can evolve with these changes.

While strategy is not the treasurer's responsibility, if you have some experience in this area, you may be in a position to help progress or facilitate it. Having a clear strategy that outlines the opportunities, challenges, and direction the organisation is headed, will also help you create more meaningful reporting to assist decision-making.

GET HELP FROM INDUSTRY ASSOCIATIONS

Find out what industry association your service is part of, and explore what resources they have available. Some of the larger associations include Community Early Learning Australia, the Community Childcare Association, and the Early Learning Association of Australia.

These associations provide affordable resources to members and non-members, including:

- Policy and management manuals.
- Professional development services.
- Advisory services, covering areas such as regulation, policy, and health and safety.

ELAA in particular also provides treasurer-specific resources such as training, templates, calculators, and advice.

KEEP ON TOP OF EMPLOYEE LEAVE ENTITLEMENTS

Employee leave entitlements can be one of the most complex areas of accounting you're likely to come across. Leave entitlements include long service leave, sick leave, and in some states such as Victoria, portable leave.

Most auditors and bookkeepers are aware of the complexities, so they typically have processes that make sure enough leave is provisioned. Some services may also keep separate bank accounts to cover leave entitlements. As treasurer, you should check balance sheet provisions, and understand the calculations behind them.

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KEEPING FINANCES HEALTHY AND MEMBERS HAPPY

As an informed and proactive treasurer, you have the chance to help your ECEC service operate more effectively and deliver better service. And while your role is focused on overseeing financial administration, there is still a lot to know and cover. From our experience, following these steps will help get your service in great financial shape, and help you make a lasting contribution to future committees, parents, and children.

We hope you find these guidelines useful and wish you well in your new role.

For more information, advice, or to provide any feedback, please reach out to Michael Kent at Slate Accounts on 1300 660 129 or email michaelkent@slateaccounts.com.au.

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