

## Treasure's Report for 2022 AGM

I will give this year's report on behalf of our Treasurer, Christin Bolton. Not because she is shy and retiring, but more because I handled some of the tricky stuff, and I need to explain how the 2021 Balance Sheet and Profit & Loss Statement came about. There is a story to it.

Denise Challis was Treasurer until 6<sup>th</sup> December 2021. Earlier on in the year Denise got stranded in Shepperton for 6 weeks when the Victorian border closed, but she had her laptop with her, and continued to see to our accounts. Normal service was resumed when she returned. Denise then became ill (with an infection that wouldn't respond to antibiotics) and was unable to do any accounting in September and November. Our minutes record that the lack of accounts was not a concern, as Micky and I were handling any payments, and both of us had access to the bank accounts. From the end of November Denise no longer responded to emails or telephone calls, and we couldn't retrieve her laptop or accounts.

In November, working from bank statements and Denise's report for August, I created an Excel spreadsheet to take the accounts to the end of the year. I also duplicated the process, so we had something to use for January to June this year. Before I show you this prototype, allow me to explain a bit more.

**MYOB.** Denise used MYOB, which is a powerful accounting tool for businesses. Maybe a little too powerful for our needs as we have no employees or payroll. I know from experience that having a tool doesn't guarantee that it is used to give the best results. During my apprenticeship at British Leyland I witnessed a packer drive a nail into a box using a spanner, and follow that by driving a nut on with a hammer. That example is extreme, but you get my drift. Every member of the committee is responsible for our finances, so I would have preferred a reporting system that was easier to audit. The reports issued by MYOB were sometimes difficult to interpret, and our minutes show that I wasn't happy with the figures on the Profit & Loss sheet not matching the bank statement exactly. This was caused by the timing of the entry of payments by cheque preceding the debit from the bank, and the removal of GST, which I will get to shortly. I am not implying that the accounts were wrong, but they were very difficult to audit.

**GST.** We are registered with the ACNC (The Australian Charities and Not-for profit Commission). The threshold at which businesses have to register with the ATO for GST is a turnover of \$75,000. If we had 1,800 members paying \$40 each our turnover would be \$72,000 pa, so we'd be close. However, we don't have to register for GST because our charity status raises the threshold to \$150,000. Yet Denise registered us for GST in 2019. The reasons were twofold:

1. She was given bad advice.
2. She anticipated that we could gain from it, because we were also registered to claim back any GST paid. So her intentions were good.

Registering for claiming back GST would have been an advantage in a normal business. In a normal business GST is paid on materials and services needed to run the business, as each invoice has a GST component. GST is then charged on Sales, which exceed the

materials and services purchased (otherwise the business goes broke). So more GST is collected than paid. That difference has to be paid to the ATO. But if the business is GST exempt, it can be claimed back. However, by definition we are Not-for Profit, so over time our GST collected (on membership fees and other income) will be the same as the GST paid in our expenses. In the long run we'd have nothing to claim. To make matters worse, once we were GST registered, we had to submit a Business Activity Statement (BAS) every quarter. A lot of hassle for nothing.

In September last year I found a letter of demand from the ATO in Denise's pigeon-hole, threatening us with penalties because the last three BAS were overdue. That started a chain of very long phone calls by me, to the ATO who wouldn't talk to me, because I was not the "recognised person". At least I kept the hounds at bay, but it took until January to get and fill in the required paperwork for me to become recognised by the ATO. Then it took another 2 1/2 months for the ATO to process the form. On 14<sup>th</sup> April, last Thursday, I was on the phone for 49 minutes (mostly on hold) to the ATO, during which they (a) confirmed that I was their contact, and (b) de-registered us from GST back date to 31/12/20! Yaaaay!

So now, on to the figures.

Excel – 2021.12 Profit & Loss Draft

- This is NOT the document that you have. (Explain its generation)
- Note that the Purchase of Assets entry changes in December.

2021 Balance Sheet Draft

- Note the GST references at the bottom. This was prepared while we were still registered.
- At this stage everything seemed ok, but I realised that I hadn't done a reconciliation. What did we start with, and finish with?

Balance Sheet for 2020 AGM

- There is some accounting stuff here that may be gobble-de-gook to most of you, but we can skip it. I'm looking for the money.

Balance Sheet for 2020 AGM + doodle

- Ignore the fixed assets, and what we are owed or owe. We started 2021 with \$74,639.99

Go back to Excel – 2021.12 Profit and Loss Draft

- If we started with \$74,639.99
- And deduct what we lost \$6,176.28
- Add the depreciated plant figure back in \$7,353.10
- And take out what we spent on plant \$7,245.46
- We should have \$68,571.35 left..... So what did we have?

## 2021 Balance Sheet Draft + doodle

- \$65,677.51
- So \$2,893.84 has disappeared.

When I started going back through the records, I found the following:

- Two payments to the ATO made in March and April totalling \$ 1,392.00 that were not shown on the P&L. You'll find that amount at the bottom of page 2 on the Profit & Loss sheet that you have.
- I then found that up and including August, the P&L sheets did NOT include GST. So if we paid a \$100 to Optus for example, it was recorded as \$90.09. This explains why there were some entries ending in odd cents, when we were dealing with whole dollars. So I started again with my spreadsheet, adding in 10% to Denise's figures for August.
- I also adjusted the Plant & Equipment figures.
- So what you have in front of you is this:

## 2020 Balance Sheet Final

- (Explain the plant and depreciation)

## 2021.12 Profit & Loss Final

- (Zoom in to bottom right) Explain balance.
- Please note the adjustment entry of \$203.29 at the bottom of the P&L, just above the ATO payment. That makes the figures balance. If anyone wishes to volunteer to go through the entire year's accounts to find the error, put your hand up.

## Liabilities

- \$1355. At the last AGM there was a disputed liability to the CWA of \$1,955. Denise negotiated that down to \$1,355 to be paid on presentation of an invoice.
- \$84 PCC. This only came to light on 7<sup>th</sup> March this year. It relates to invoices from December 2019 and January/February 2020 totalling \$1,225. PCC had suspended all overdue debt collection, anticipating businesses suffering because of Covid. That moratorium ceased in March, so they sent us a late payment demand, which was when I was made aware of it. It has been paid, but the December portion (\$84) was a liability back then.

Any questions?

Can I have a proposal that the Balance Sheet and P&L be accepted?

Secunder?

That concludes the Treasurer's Report.

David Davis 10/4/22