

MANAGING CHARITY MONEY



Key points

- Strong financial systems and controls help protect you and your charity from threats like fraud and theft. They also help your charity stay on track financially, and run effectively.
- Responsible Persons should consider an appropriate level of reserves for their organisation's circumstances, and a strategy for building or spending reserves in a way consistent with its purpose.
- There are several money myths which surround charities – particularly small charities. Responsible Persons play an important role in addressing or dispelling these myths through their actions and policy development.

Setting up strong financial controls

Establishing robust financial controls is a key part of effective charity oversight. This is especially true for smaller charities that might run on a tight budget or who don't possess the extensive financial knowledge of their larger counterparts.

Strong financial systems and controls help protect you and your charity, and increase its effectiveness. You should consider:

- Having clear written financial procedures, with financial controls, that all staff and volunteers observe. An important consideration is to ensure no one person has sole control over authorising, completing and reviewing your charity's financial transactions.
- Planning ahead by developing projections of your expected income and expenditure, examine how your actual budget is tracking against these projections, and take action if required.
- Ensuring your charity's Responsible Persons receive financial information at regular intervals, and before each board meeting. Financial information should be presented to them in a way they understand, and they should be encouraged to ask questions about charity finances and accounts.
- Arranging financial literacy training for your Responsible Persons so that they are familiar with





financial terminology, financial concepts and are more aware of some of the problems which poor financial practices may cause – and how they can be remedied.

- Keeping your finances secure. Restrict access to your bank accounts and your online banking passwords and details. If anyone with access to these details leaves the organisation, change your password to block inappropriate access.

And don't leave financial information or cash unsecured. Try to reduce the opportunities that a potential thief might have to steal from your charity.

More tips on developing strong financial controls are available on the [ACNC website](#).

Reserves

Having funds in reserve is another aspect of prudent charity financial management, and of good charity governance. Reserves are unrestricted funds that are available to a charity to spend at its discretion, and can serve an important function in a charity's management of risk.

They can help maintain financial stability and allow a charity to meet its commitments – and continue to undertake work and deliver services – even when unexpected events or costs arise.

Reserves can also be used to fund improvements or finance new projects aimed at helping your charity's beneficiaries.

The ACNC states that there is no single level of reserves deemed 'appropriate', as each charity is different.

But it is important that a small charity's Responsible Persons consider an appropriate level of reserves for their organisation's circumstances, as well as a strategy for building or spending those reserves in a way consistent with its purpose.

For more, visit [acnc.gov.au/charityreserves](https://www.acnc.gov.au/charityreserves).



Money myths – surpluses and administration costs

There are many myths regarding charity finances. One of the most common is the myth that a charity can't make money or record a surplus.

Charities can generate a surplus as long as it is then used to further the organisation's charitable purposes. In fact, generating a surplus should be considered good practice for charities.

Another common myth is that charities can't spend their money on administration.

Charities are justified in incurring administration costs. Running professional, sustainable and effective charities costs money, which includes spending money on administration.

What is important is that these administration costs are reasonable and justifiable.

Again, a charity's Responsible Persons have a key role in deciding how much should be spent on administration. Remember that the ACNC Governance Standards dictate that a charity's financial affairs are managed in a responsible manner.

The ACNC's full Money Myths fact sheet can be found at [acnc.gov.au/moneymyths](https://www.acnc.gov.au/moneymyths).

More information

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[acnc.gov.au/smallcharities](https://www.acnc.gov.au/smallcharities)