

# NZLA Financial Policy And Procedures



## Rationale:

To ensure that the NZLA meets its statutory financial obligations as a not-for-profit organisation.

## Purposes:

To ensure that procedures are clarified with regard to:

- Entry and maintenance of financial records using Xero Accounting Software.
- Preparation of financial statements and presentation to Annual Meeting
- Completion of GST returns.
- Retention of financial documents
- **Income tax obligations.**
- Maintenance of NZLA's status as a not-for-profit organization.

## Guidelines:

### Financial Records

- Income and expenditure are reconciled regularly, using information from linked New Zealand Literacy Association BNZ bank statements, on Xero Software.
- Each entry will be allocated to a code (Leadership workshop, stationery, telephones, levies, etc) for audit purposes.
- Written documentation will be issued and collected for all expenditure and income.

**Budget:** The treasurer will propose an annual budget and present this to the Annual Meeting.

### Financial Statement:

- Will be prepared annually, in time to be presented and approved at the Annual Meeting.
- Will cover a period which represents an annual cycle of income and expenditure.
- The financial year is from 1 January to 31 December.
- The statement will include
  - income and expenditure
  - assets and liabilities
- The end of financial year report from BDO Accountants will show the New Zealand Literacy Association's financial position has been independently audited for that financial year.

### GST Returns

- The Inland Revenue Department needs to be advised of any change in address for correspondence; this will probably occur whenever there is a change of treasurer.

- GST returns must be completed every six months, periods being January - June and July – December.
- IRD will send a blank form (ref GST 101) about a month in advance of the due date to NZLA, and to BDO Accountants. GST Returns are completed by BDO Accountants using information from Xero Software.
- Donations have no GST content, eg. Conference surplus donations to NZLA as the parent body. Donations from councils to NZLA parent body must be recorded as such in minutes

### **Retention of Financial Records**

- Financial records will be maintained for seven years; this includes
  - financial statements
  - invoices and claim forms
  - receipts
  - bank and credit card statements

### **Income Tax Returns**

- The NZLA (national body) has obtained exemption from submitting Income Tax returns; the IRD refers to this as an exemption under Section 61(34) of the Act. . The part of the Act that refers to exempt income for tax purposes is Section CW 41(1)
- The appropriate reference is the IRD Information Guide IR9GU which accompanies the IR9 income tax return for Clubs or Societies; note 11 is relevant.
- To comply with Inland Revenue requirements for exemption the constitution or rules must include statements to the effect that:
  - "No distribution, whether by way of money, property or otherwise, shall be made to any member of the Association."
  - "The payment of any koha shall be a reasonable reward for the services provided"
- IRD accept that the registration process of the Charities Services also meets most of the requirements for tax exemption. Charities are expected to self-assess their tax-exempt status on an annual basis.

### **Annual Returns**

- An annual Performance Report must go to the Charities Commission to maintain charitable status and the annual fee must be paid.

### **Reviewed June 2019**

### **Next review June 2022**