

# 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 clear 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 organisation.

## **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, levies, etc).
- Documentation will be kept for all expenditure and income.

### **Budget:**

- The Exec will prepare an annual budget to be presented to the Annual Meeting for approval.

### **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 Rotorua Accountants will show the New Zealand Literacy Association's financial position.

### **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 Rotorua Accountants. GST Returns are completed by BDO Rotorua 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)
- Note 11 of the IRD Information Guide IR9GU which accompanies the IR9 income tax return for Clubs or Societies 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 Services to maintain charitable status and the annual fee must be paid.

**Reviewed June 2023**

**Next review - June 2027**