



Operating Report

The Treasurer of the House should present the Operating Report to the Management Committee each month. It is good practice to provide these reports to Management Committee members prior to the meeting to allow them read and understand them before the meeting.

The Operating Report provides a snapshot of the House's actual financial position in comparison to what was budgeted at that particular point in time. The Treasurer, in conjunction with the Coordinator, needs to highlight any significant matters (variances or differences between actual and budget) to draw the Management Committee's attention to these issues.

The Operating Report should include the budgeted and actual income and expenses for the Year to Date and any variances between the actual and budgeted figures. You may wish to indicate with the letter "N" if the variance is negative or "P" if the variance is positive.

Although the Operating Report is usually combined for the whole House, in some cases the House may wish to present separate reports for specific program areas funded from different funding bodies.

Operating Report Categories

Like the Budget, the Income and Expenses categories in the Operating Report should reflect the major income received and expenses made for the House in each year. It is obvious to state that if there isn't income or expenses for a category then there shouldn't be a budget for it and it shouldn't be reported.

As a general guide, for the Operating Report to the Management Committee, there should be a minimum of 5 and a maximum of 10 individual Income and Expenses categories, i.e. each category represents on average 10% to 20% of annual Income and Expenses totals. The intention is to ensure significant categories are fully reported to the Management Committee without also reporting insignificant items or amounts. It is therefore appropriate to combine small to medium amounts into a single category. It is also appropriate, where possible, to split up major amounts into their separate elements if they have them.

All commonly used financial accounting software have the capacity to combine individual Income and Expenses items into categories. The Coordinator and the Book-keeper need to be aware of and monitor individual items, i.e. stationery and/or printing expenses, but, for example, typically these can be included with photocopying into a combined Stationery category in the Operating Report.

Operating Report and the Budget

Before the first Operating Report for the year has been presented the Budget has been developed and approved by the Management Committee. The Coordinator and the Book-keeper typically are responsible for inputting the Budget into the accounting software.

Inputting the Budget relies on knowledge of which month will Income will be received and which month will major Expenses be made. Given that the major Income is usually Government Grants and the major Expense is usually Salaries these Budget allocations can be inputted with a reasonable degree of accuracy. Other items such as Fundraising, Utilities and Insurance are more likely to require local knowledge.

The aim in inputting the Budget is to match the timing of the actual receipt of Income and payment of Expenses with the estimated timing of the Budget. Accurately inputting the Budget will ensure considerable time and energy is not spent on explaining Variances that are purely due to timing, rather than being an underlying issue with the Budget.

Accounting Method / Issues

There is often considerable discussion about whether a House should adopt the accrual or cash method of accounting, or some combination of both. Each House will need to make its own informed decision based on its legal and policy requirements. Irrespective of the accounting method used, two related issues are likely to impact.

The first issue is when and how often are staff leave provisions and depreciation calculated and recorded. If they are only inputted at the end of the financial year then the House needs to be aware that the monthly Operating Reports do not fully reflect all the Expenses for the Year To Date.

The second issue, common to the non-profit sector, relates to Income received in one year for which Expenses will occur in the next year. This issue has the potential to distort the financial performance of the House from one year to the next as the Income may not be matched to the Expense in the same year. It is recommended that the Coordinator and the Management Committee are aware of this issue from year to year and liaise with their Auditor to obtain an appropriate solution.

Operating Report Monitoring

The purpose of the Operating Report is to provide a monthly review of the financial performance of the House.

Each month the critical figure is whether a surplus or deficit has been recorded on a Year To Date basis and, even more importantly, whether this surplus or deficit is consistent with the Budget expectation. Recording a deficit is not necessarily an issue if the Budget for the year, previously approved by the Management Committee, has been inputted by months so that a deficit has been expected by this month.

For each Income and Expenses category, and the House overall, monitoring the Variance from Budget on a monthly basis is an essential role for the Management Committee. It is recommended that Variances are reported and commented on where they reach a figure or a percentage of the Budget figure that means some action may be required. This figure and/or percentage will vary from House to House but typically where the Variance is 10% of the annual Budget figure and/or \$5,000 then a Comment is required to either raise concern or provide assurance.

On the following page is an example of a monthly Operating Report:

Operating Report for Year to Date Ending (month) (year)

Budget for Year		Year to Date			P or N	Comment
		Actual	Budget	Variance		
\$		\$	\$	\$		
	Income					
	Grant – Operating Ongoing					
	Grant – Operating Project					
	Grant - Capital					
	Memberships					
	Fees					
	Sales					
	Donations / Fundraising					
	Interest					
	Other					
	Subtotal Income					
	Expenses					
	Salaries					
	Superannuation / WC					
	Rent					
	Utilities					
	Telephone / IT					
	Stationery / copy / printing					
	Insurance					
	Accounting					
	Cleaning					
	Travel / MV					
	Depreciation					
	Other					
	Subtotal Expenses					
	Surplus / (Deficit)					

