

# **SIMPLE BOOKKEEPING FOR LOCAL TREASURERS**

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## **CONTENTS**

THE TREASURER	1
Budgeting	1
Budget preparation	2
Income Projections	2
Possible sources of income	2
Possible sources of expenditure	2
Basic Accounting System for Bahá'í Treasurers	3
Suggested materials for the Accounting System	3
Handling Contributions and Donations	3
Handling expenses	4
Bank Statements and Reconciliation	4
Financial Reporting	5
End of financial year	5
Incorporated Spiritual Assemblies	6

The following is a recommended method of bookkeeping for all Local Spiritual Assemblies. For incorporated Assemblies, it will help the auditors check accounts swiftly. It will also assist the treasurer in reporting to the Assembly and community on matters relating to the Bahá'í Fund

The guidance refers throughout to the treasurer of a Local Spiritual Assembly, but it could be used equally well by the treasurer of a group.

It is recommended that this guidance be used in conjunction with the National Spiritual Assembly's Guidance notes for local Spiritual Assemblies on the *Bahá'í Fund* and The Universal House of Justice's compilation *Lifeblood of the Cause*.

## THE TREASURER

While the Local Spiritual Assembly as a body has a responsibility for the care of the funds entrusted to it, the Treasurer also has particular responsibilities. He/She is to:

- Assist the Spiritual Assembly to educate the members of the community in the spiritual obligation that every believer has in giving to the Funds.
- Receive contributions on behalf of the Spiritual Assembly and see that receipts are issued. Assist the Spiritual Assembly to set up its budget. See that bills are paid. Ensure that records of all financial transactions are accurately kept. It is a legal requirement that they are kept in English.
- Report the financial position to:
  - ❖ the Local Spiritual Assembly
  - ❖ the community
  - ❖ the National Spiritual Assembly (annually)

## Budgeting

In order to be able to correctly plan its work, avoid extending itself beyond its financial capacities, and ensure that the best use is made of the resources of the community, a Spiritual Assembly needs to prepare a budget.

*Letter of the Universal House of Justice, 30 January 1992*

It is only through a wise economy, the elimination of non-essentials, concentration on essentials and a careful supervision, that the Guardian himself has been able to build the Shrine and the International Archives at the World Centre, and surround the Holy Places here by what appear in the eyes of the public to be lavish gardens, but are in reality the result of rigorous and economic planning.

*Letter written on behalf of the Shoghi Effendi, 8 August 1957*

Regarding the matter of the budget . . . he feels that both wisdom and courage is required in this matter. You should not fix a budget which is too heavy for the community to meet, even with sacrifice. Both the pressing needs of the Cause and your Plan, as well as the foreseeable possibilities of your income should guide you.

*Letter written on behalf of the Shoghi Effendi to the NSA of British Isles, 29 April 1948*

## Budget preparation

Whilst budgeting is the responsibility of the Spiritual Assembly, the Treasurer can be of great assistance by providing details of past income and expenditure and by drawing up a draft budget as a working basis for the consideration of the Spiritual Assembly. The budget should be prepared prior to the beginning of the local Assembly's financial year for the coming year.

## Income Projections

A challenging part of the budgeting is the assessment of anticipated income. The Spiritual Assembly should review historical data looking at:

- past trends
- significant changes in the community e.g. growth
- the financial climate of the community
- Nineteen day Feast contributions
- others: bequests, fundraising, sales, bank interest

## Possible sources of income

- Direct contributions in cash or cheques
- Payment direct to the bank by standing order
- Gift Aided contributions via the National Assembly
- Fundraising possibilities
- Contributions in kind which could be:
  - ❖ waived expenses
  - ❖ items to be sold
  - ❖ in fact, anything that is not money.

## Possible sources of expenditure

- Donations to other Bahá'í Funds
- Expenses for core activities e.g. hire of venue for children's classes
- Teaching activities
- Secretarial expenses
- Literature

See Fig. 1 for an example of how a local Assembly might prepare its budget. It looks at what was spent in the previous year and predictions are made of how the coming year will compare with it.

## Basic Accounting System for Bahá'í Treasurers

Part of the Treasurer's job is to receive contributions, issue receipts; pay bills, and maintain records of all financial transactions and to make regular reports to the Local Spiritual Assembly and to the Bahá'í community.

To assist the Treasurer to carry out the above tasks the National Spiritual Assembly recommends a simple uniform accounting system. The purpose of suggesting this method of accounting is to provide:

- a system which reduces the Treasurer's work to a series of 'easy-to-follow' operations
- a system which fulfils the requirements of an independent examiner of incorporated Spiritual Assemblies.

## Suggested materials for the Accounting System

- Cheque Book (provided by the bank)
- Paying-in book (provided by the bank)
- Receipt book (sequentially numbered). This can be bought or computer generated.
- Expenses claim forms
- Hard cover 12 column analysis book or computer generated analysis work sheet (e.g. Excel spreadsheet)
- Binders or folders for keeping bank statements and records

## Handling Contributions and Donations

Every contribution, including contribution in kind, should be meticulously receipted and accounted for.

*Written on behalf of the Universal House of Justice 30 January 1992*

Basic Guidelines:

- Receipts
  - ❖ must be issued for every contribution, including contributions in kind
  - ❖ must be issued to the box for the cash which friends anonymously contribute at Feasts
  - ❖ should be sequentially numbered
  - ❖ must state the name of the donor and the purpose of the donation
- the box for cash at Feasts and other occasions, should be opened by two persons, taking note of the amount included in the box.
- an entry must be made in the accounts book/work sheet for every donation with the name of the donor and its purpose
- earmarked funds should be recorded separately and such funds must be used only for the purpose intended

- all money received should be banked immediately
- any cheque payable to the National Assembly as a Gift Aided donation has to be recorded separately and sent directly to the National Assembly
- no money is ever paid into the Treasurer's own personal bank account, nor any payments made out of it on behalf of the local Assembly
- cash and bank records should be reconciled regularly
- blank cheques should never be signed in advance
- a cash float is solely for occasional small payments
- no payment should be taken directly from cash donations received (e.g. paying secretarial expenses from money collected at the Feast)
- a competent professional should check the Spiritual Assembly's books every year. Incorporated Assemblies should send their records promptly to the National Assembly's Finance Office after the end of the financial year.

See Fig. 2 for an example of how to record income and Fig. 3 for an example of a receipt.

## Handling expenses

Safeguards need to be established and clear procedures followed:

- the majority of expenses should be paid by cheque or by internet banking
- an Expenses claim form (see Fig. 5 for an example) should be used for all payment of expenses
- expense claims should be supported by receipts /invoices from the provider of services or materials and signed by the claimant and Treasurer or another member of Assembly
- all expenses should be approved by Assembly. This can be done by way of approving the annual budget.
- all cheques should be signed by two members of the Assembly (generally, the treasurer and another member). It is advisable to have 3 members of the local Assembly who are able to sign cheques and cheques should be signed by any two of them (but not a husband and wife or other family member).
- no cheques should be signed as blanks in advance
- cash payments should only be issued when it is not possible to give a cheque.

See Fig. 4 for an example of how to record expenses.

It is essential to record receipts and expenditure as soon as they occur.

## Bank Statements and Reconciliation

The bank statement shows all the transactions of the account according to the bank's records. Provided all expenditure has been paid by cheque or internet banking, the bank statement will provide the Treasurer with an independent check on his accounting system.

Statements should be obtained from the bank periodically, maybe monthly or bi-monthly according to the number of transactions made.

Bank statement should be carefully checked against the bank paying-in book, the 'Amount Banked' column of the income analysis book/worksheet and the cheque book, to ensure that the amounts corresponds, and also to check which cheques have not been presented at the bank.

Cheques may not have been presented simply because there has not been sufficient time since they were written, but where a cheque was written some considerable time before, and has still not been cashed, i.e. it does not appear on the bank statement, the Treasurer should check whether or not the Payee has received it. If a cheque has been lost or gone astray the Treasurer should advise the bank that the cheque has been cancelled and then issue a further cheque in its place. Banks may charge for the cancellation.

Where a statement shows an amount of bank interest or a charge, this should be entered in the Analysis Book/Worksheet.

Each time a statement is obtained from the bank reconciliation should be performed to confirm the balance in the account to the balance shown on the bank statement.

Reconciliation can be made on the bank statement itself, or on a separate sheet of paper, (see Fig. 7) if any amount appears on the bank statement which does not correspond with the Treasurer's records it should be queried at the bank, as an error may have been made.

All bank statements, along with their reconciliations, should be filed to maintain a complete record of the bank's book-keeping for the year.

## Financial Reporting

The extent of financial reporting to the community is a matter for the decision by the Local Spiritual Assembly. The report at each Nineteen Days Feast could however include:

- Highlighting the needs of the International or National Fund that the community has recently been made aware of. .
- A statement of income for the year-to-date to the local Bahá'í fund compared with the budget for the year-to-date.
- The expenditure during the month and cash available at the end of each month.

An up to date picture of income against budget can be easily maintained by the use of a simple chart, (see Fig. 8). The date of the Feast and the monthly budget increments can be filled in at the start of the Bahá'í year and the income and percentage of income to budget entered in each month (i.e. income to-date divided by budget to-date) also the opening of the bank balance and the incremental cost month by month cash balance at the end of each month.

## End of financial year

Once the end of the local Assembly's financial year has been reached:

- Close your accounts and start a new Page / Worksheet for the new financial year

- Arrange for annual examination of your accounts

## **Incorporated Spiritual Assemblies**

To assist incorporated local Spiritual Assemblies, the National Spiritual Assembly has established a Desk for Incorporation and Audit at the National Office. The desk can help with changes of membership, new officers, use of assembly's company Seal and many other legal details. The desk also can help with the examination of assemblies' accounts by a competent professional, and the annual return to the Companies House and Charity Commission.

For examination of your Assembly's accounts and preparation of the annual return to the authorities, the treasurer should send the following documents to the examiner/auditor:

- Analysis book / worksheet
- Invoices and expenses claims received and paid during the year
- Receipts which have been issued for the money received
- Bank statements for the year
- Paying-in books and cheque books used during the year

These should be sent as soon as you have received the next bank statement after the end of the financial year and sent to:

Incorporation and Audit Desk  
National Bahá'í Centre  
27 Rutland Gate  
London SW7 1PD