



SolarPower
Europe

Finance and Administration

Online training for NREAs

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About me

Judy Gould

CFO at SolarPower Europe



Finance



Finance

Good financial management and reporting

- Financial Planning & Financial Strategy
- Tools for Sound Financial Strategies
- Income Generation
- Financial Controls & Accountability



Financial Reporting

Proper record-keeping

Periodic written summaries of financial activities are not only necessary for the association management, but also for donor-funded projects and activities.

Four key financial statements:

1. General Ledger



General Ledger

- Record of all transactions, income and expenses,
- Possibly the most important financial document you need to maintain,
- Provides the necessary information for all other reporting, and
- Is an essential record for audits.

GENERAL JOURNAL					PAGE	1
	DATE	DESCRIPTION	POST. REF.	DEBIT	CREDIT	
1	20 —					1
2	Apr. 16	Cash	111	100,000.00		2
3		G. Bell, Capital	311		100,000.00	3
4		Invested cash in the business.				4
5						5
6	17	Equipment	128	28,000.00		6
7		Building	126	96,000.00		7
8		Land	124	64,000.00		8
9		Cash	111		89,000.00	9
10		Mortgage Payable	223		99,000.00	10
11		Bought Body Firm.				11
12						12
13	17	Equipment	128	3,550.00		13
14		Cash	111		710.00	14
15		Accounts Payable	221		2,840.00	15
16		Bought equipment on account from				16
17		Fitness Supply Co., with balance				17
18		due in 30 days.				18
19						19
20	29	Advertising Expense	513	708.00		20
21		Cash	111		708.00	21
22		Grand opening expenses.				22
23						23
24	30	Cash	111	1,152.00		24
25		Income from Services	411		1,152.00	25
26		Received fees.				26
27						27
28	30	Wages Expense	511	833.00		28
29		Cash	111		833.00	29
30		Paid wages for period				30
31		April 17 through April 30.				31

Financial Reporting

Proper record-keeping

Four key financial statements:

1. General Ledger
2. Balance Sheet



Balance Sheet

- Provides a picture of the financial health of the association at any given moment,
- Lists assets, liabilities and value of the association's equity (or net worth of the organization)

Balance Sheet	
Assets	
Cash and equivalents	10,000
Accounts receivable	5,000
Inventory	2,500
Total Current Assets	17,500
Plant and equipment	20,000
Accumulated depreciation	7,500
Total Fixed Assets	27,500
Total Assets	45,000
Liabilities	
Accounts payable	12,500
Short-term notes payable	2,500
Other current liabilities	2,500
Total Current Liabilities	17,500
Long-term debt	15,000
Total Liabilities	32,500
Common Stock	5,000
Retained Earnings	7,500
Total Shareholder's Equity	12,500
Total Liabilities and Equity	45,000

Financial Reporting

Proper record-keeping

Four key financial statements:

1. General Ledger
2. Balance Sheet
3. Income Statement / Profit and Loss Statement (P&L)



P&L Statement

- Provides a picture of the financial health of the association at any given moment,
- Lists assets, liabilities and value of the association's equity (or net worth of the organization)

Statement of Profit and Loss For the year ended December 31, 2020

DAVES LANDSCAPING

	2020 Amounts	2019 Amounts	Difference
Income			
Gross receipts or sales	135,650	124,250	11,400
Returns and allowances			
Net sales	<u>135,650</u>	<u>124,250</u>	<u>11,400</u>
Cost of goods sold			
Gross profit	<u>135,650</u>	<u>124,250</u>	<u>11,400</u>
Other income			
Gross income	<u>135,650</u>	<u>124,250</u>	<u>11,400</u>
Expenses			
Advertising	350	580	-230
Car and truck expenses	6,600	7,600	-1,000
Commissions and fees		250	-250
Contract labor			
Depletion			
Depreciation and section 179 expense	35,678	25,853	9,825
Employee benefit programs			
Insurance	1,256	1,154	102
Interest: Mortgage			
Interest: Other	1,565		1,565
Legal and professional services	450	400	50
Office expenses	524	513	11
Pension and profit-sharing plans			
Rent or lease: Vehicles, machinery and equipment			
Rent or lease: Other business property	3,600	3,000	600
Repairs and maintenance	5,500	6,534	-1,034
Supplies	1,250	987	263
Taxes and licenses	875	800	75
Travel	2,650	4,560	-1,910
Deductible meals	950	1,850	-900
Utilities	2,450	2,000	450
Wages	35,000	35,000	0
Other expenses	5,450	5,000	450
Total expenses	<u>104,148</u>	<u>96,081</u>	<u>8,067</u>
Net income (loss)	<u>31,502</u>	<u>28,169</u>	<u>3,333</u>

Financial Reporting

Proper record-keeping

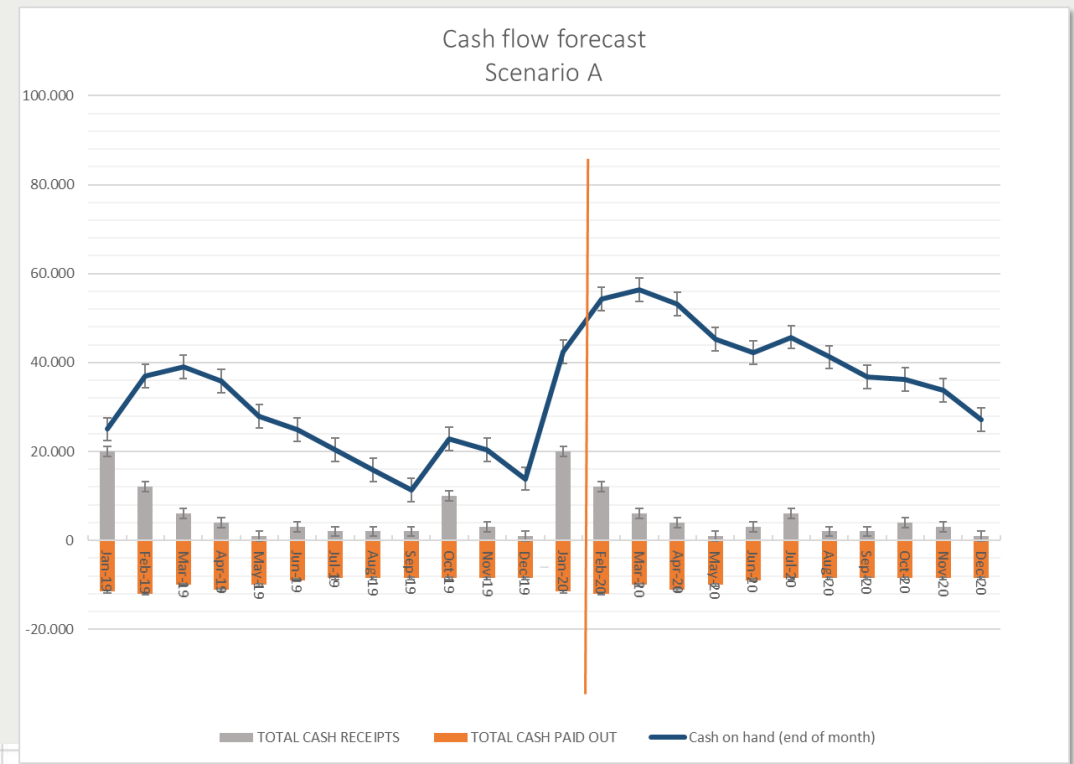
Four key financial statements:

1. General Ledger
2. Balance Sheet
3. Income Statement / Profit and Loss Statement (P&L)
4. Cash flow forecast



Cash flow forecast

- Summary of money coming into and going out of the organization,
- Uses historical tendencies to forecast cash flow fluctuations,
- Prepared at regular intervals (monthly and YE)



CASH FLOW FORECAST														
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Sales receipts	85 695	95 000	100 000	110 000	125 000	180 000	110 000	90 000	100 000	120 000	130 000	140 000		
less:														
Cost of Sales	47 500	50 000	55 000	62 500	90 000	55 000	45 000	50 000	60 000	65 000	70 000	70 000		
Expenses	14 997	16 625	17 500	30 000	21 875	31 500	19 250	15 750	17 500	21 000	22 750	24 500		
Employee net pay	6 500	6 500	6 500	7 000	8 500	9 000	7 000	6 500	6 500	7 500	7 500	7 500		
Owners drawings	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000		
Gross Profit	1 698	6 875	6 000	-4 500	-10 375	69 500	23 750	2 750	1 000	11 500	14 750	23 000		
Other Inflows:														
Overdue Debtors payment plan	4 000	8 000	4 500											
Capital injected	20 000													
Other Outflows:														
Overdue Creditors payment plan	2 000	2 000	2 000											
GST payment due (sales less expenses)	8 994			7 907				12 413		9 250				
PAYG payment due	3 150			3 150				6 120		3 150				
Super payment due	2 039			2 039			2 756			2 084				
Corporation tax installments	9 850			9 850				9 850		9 850				
Interest on capital loans	379													
Capital repaid	555	555	555	555	555	555	555	555	555	555	555	555		
Total change in CashFlow	-1 269	12 320	7 945	-28 001	-10 930	68 945	20 439	-26 188	445	-13 389	14 195	22 445		
Credit Card balance	-8 560												Limit	Available
Bank account (overdraft)	-35 425												15 000	6 440
Business Loans	-20 000												50 000	14 575
Savings Account	0												20 000	0
Cumulative cashflow	-65 254	-52 934	-44 989	-72 989	-83 919	-14 974	5 465	-20 723	-20 278	-33 666	-19 471	2 974	85 000	21 015
Desired cash float	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000	10 000		

On-line Training on Financial Management for non-profit organizations

CPA Australia offers a very reasonably priced training on Financial Management for non-profit organisations:

“Accounting for the Australian Private Not-for-Profit organizations”

cpaaustralia.com.au/career-development/courses-and-events



Budgeting

Planning and forecasting

Budgeting is the process of planning finances over a specific period of time and reflects the strategic plan. It allows you to amend activities and targets with forecasts based on actual results.

It requires:

- Preparation against strategic goals which are then approved by the management and the Board;
- Budgeted timelines aligned to the preparation of financial statements;
- Regular comparison of budgets against actual financial results as disclosed in the financial statements.



Budgeting

Shows details of all sources of income and identifies all activities/expenditures approved for the year ahead.

A budget is approved by the Board of Directors each year for the coming year.

It is a reflection of your overall strategic goals and serves as your controlling document to avoid unplanned, even unauthorized, activities.

It should be updated on a monthly basis comparing budgeted amounts to actual results to see if you are on target or not.

Sample Business Association Budget (in Euros)				
	Member Rate	YEAR		
INCOME		# Units	Amount (€)	Total
Membership Dues		300	150,00	45.000,00
Training Events	Member	200	50,00	10.000,00
	Non-Member	200	100,00	20.000,00
Webinars	Member	200	25,00	5.000,00
	Non-Member	200	50,00	10.000,00
Corporate Sponsors		5	3.000,00	15.000,00
Advertising		40	750,00	30.000,00
Annual Meeting Registration	Member	125	175,00	21.875,00
	Non-Member	35	250,00	8.750,00
Annual Meeting Exhibitors		20	2.000,00	40.000,00
Publications		300	55,00	16.500,00
Grants and Donations				100.000,00
Income Sub-total				322.125,00
EXPENSES		Units	Amount (€)	Total
Facilities and Administration				
Rent		12	1.000,00	12.000,00
Telephone and Internet		12	125,00	1.500,00
Equipment				3.000,00
Chief Staff Officer				85.000,00
Membership Manager				35.000,00
Government Relations				15.000,00
Event Manager				40.000,00
Marketing and Promotion				14.000,00
Meetings Management				10.000,00
IT Services (website)				12.000,00
Legal and Administration				13.500,00
Activities: Programmes and Events				
Annual Meeting Costs		160	150,00	24.000,00
Speaker Expenses		10	500,00	5.000,00
Printed Materials				3.000,00
Trade Promotion Programme				6.000,00
Webinar Hosting Platform		12	100,00	1.200,00
Training Program Event		400	65,00	26.000,00
Expenses Sub-total				306.200,00
Net Profit/Loss(-)				15.925,00

Reserve Fund

Ensuring sustainability

Build and maintain an adequate level of unrestricted net assets to support the organization's day-to-day operations in the event of unforeseen shortfalls:

1. Payment/funding delays of membership fees, sponsorship or grant funding, buffer for reimbursable contracts and grants,
2. Promote member and sponsor confidence in the long-term sustainability of the organization,
3. Prevents chronic cashflow crises that might affect your reputation,
4. Co-mingling these funds with the cash in the bank will allow you to create your own internal line of credit to manage cashflow and maintain financial flexibility.
5. Recover one-time, nonrecurring expenses to build long-term capacity (think staff development, scoping and project development)



Association best practices advise a Reserve fund of at least 3 months of recurring operating expenses

Income Generation

Not just fundraising...

It's about achieving financial sustainability by stabilizing your funding base and, if possible, increasing and diversifying your funding sources to ensure you are not dependent on one source.

Your plan should include:

- Raising sufficient levels of income to enable you to deliver your organization's purpose – covering all your recurring costs as well as for activities,
- Considerations of the restrictions which may be imposed from funders on how you can apply the funds, and
- Sufficiently diversifying sources of income to avoid high levels of risk associated with dependency on one source.



Income Generation

How to begin exercises

- Use your financial information to analyze current income sources and where you are spending your money,
- Where do your subscription revenues come from?,
- What services do you provide?,
- Are there any special charges on services to consider?,
- What are the annual costs of running your organization?



Income Generation

Membership fees best practices

- Have a realistic fee structure – don't deter membership in your organization or compromise your ability to be representative,
- Income must be auditable – be clear in your financial reports and accounts,
- The fees structure should be transparent – members should be clear about exactly what they get for their membership fee, and
- Making a payment should be easy and traceable – small associations could even consider a renewal credit card payment.



Financial Controls and Accountability

For good decision-making

A core component of the association's governance framework are overall financial structures and processes for decision-making, accountability, control and behavior.

1. Financial Risk Management
2. Risk assessment and risk mitigation



Financial Risk Management

Preventive control measures will:

- Ensure the reliability of financial records
- Safeguard the organization's assets
- Promote operational efficiency
- Encourage adherence to management policies and funder requirements

Elements of an effective internal control system:

- Segregation of duties and responsibilities
- Clear definitions of responsibility for Board and Staff
- Maintenance of accurate record keeping and information systems
- Audit trail
- Policies and procedures
- Internal evaluation controls and mechanisms



Financial Controls

Minimal set of controls include:

- An Accounting Policy and Procedures manual
- Require two signatures on every payment
- Paid cash receipts – the same person should not issue the tickets and receive the cash, for example
- Board of Directors need to approve the budget and review regularly
- Someone besides the bookkeeper should review the bank statements and sign off on the bank reconciliation
- The Board should approve all leases, loan agreements, affiliations, grant proposals and other major commitments of the organization.
- Provide an audit trail to monitor staff adherence to the policies and procedures



Risk Assessment and Risk Mitigation

Anticipate, analyze and estimate

A review of financial and operational risks will help to make the organization resilient and adaptable when risks surface. It will also make it clear to plan and implement control measures.

- To assess risk tolerance, ask yourself questions which range from the overall finances and operation of the NREA to the very detailed processes
- Questions around controls can be asked about specific financial functions like revenue, receivables, expenses, payables, employee benefits
- Unsure responses to questions asked need to be investigated further and consider a control to address the risk

Potential Risks	Probability /Impact Ratio			Significance/Controls/Risk Mitigation
	P	I	PxI	H = High risk M = Medium risk L = Low risk (or likelihood)
1. As an association which represents the entire chain of supply of the solar PV industry, SPE relies on economic factors that support the industry's growth. As we saw during the recession in 2008, the industry was negatively impacted. This, in turn, negatively impacted the Association.	3	5	15	M We are keeping a close watch on information related to economic factors in order to foresee any negative turns. In addition, we have built up sufficient reserves to cover operational costs over a 6-month period
2. Our NREA risks to lose significant income if two or more of its members resign.	4	5	20	H This becomes more of a risk if members in the high range of membership fees resign. We are working diligently to nurture and maintain our relationships with our valuable members in order not to lose them. In addition, we are looking for ways to diversify our income in order to mitigate the effect that a resignation would have on our income.

An Effective Internal Control System

Create an environment of processes and procedures to minimize exposure to risk

Even with limit resources, you should prioritize which controls you can put into place. Ask yourself:

- What can we least afford to lose?
- Who can approve transactions?
- How do we protect access to our systems?

Your internal controls should include plans, methods, policies and procedures are a series of actions that are an integral part of the operational process.



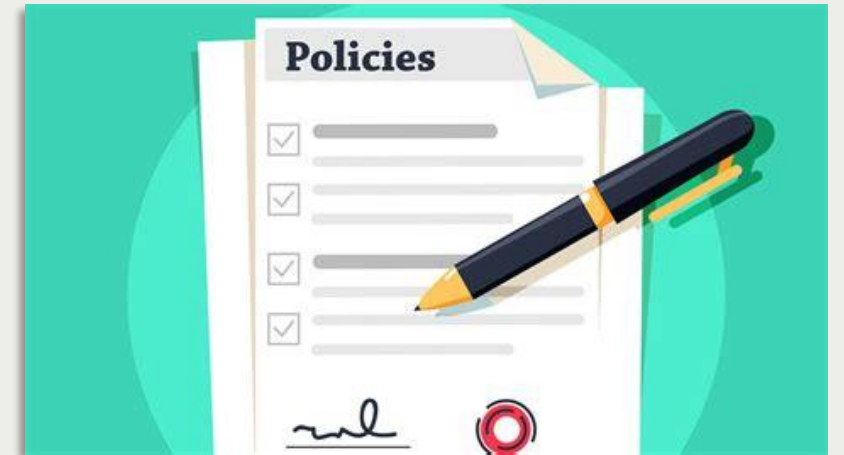
Financial Policies for Controls

Providing guidance on how your organization goes about its work

Clearly define the roles, responsibilities and authority for essential financial management staff.

A good policy is:

- Compliant with legal and regulatory requirements,
- Comprehensive, thinking about all likely situations,
- Realistic and enforceable,
- Decentralizes decision-making (provides for rules at all levels),
- Makes decision-making easier with clear guidelines,
- Consistency,
- Transparent and accountability.



Importance of Financial Policies

Providing guidance on how your organization goes about its work

Describes how management or the Board wants activities carried out

Keep policies simple, but comprehensive – rules and procedures ensure smooth running in an accountable way

Standard policies:

- Accounting Policy & Procedures
- Procurement Procedures
- Travel & Expense Policy
- Revenue Policy
- Budgeting Policy
- Policy statement on conflicts of interest



Developing Financial Policies

Staff, leadership and Board members should be involved

Helpful steps to policy development:

- Discuss your policy needs with the treasurer and finance committee,
- Decide who should be involved in writing the policy,
- Conduct an informal risk assessment – imagine situations,
- Draft the Policy
 - Purpose
 - Organisational principles
 - Terms you use should help to ensure clarity
 - Who will the policy apply to?
- Get feedback from the leadership
- Present to Board or management for adoption
- Inform and train staff on the policy – awareness and compliance
- Review bi-annually and make necessary amendments



NREA Case study



Q&A

Administration



Association Administration

Essentials in setting up your administration

- Business Plan
- Incorporation basics
- Setting up your office space



Business Plan

Your tool to make sure you cover all necessary issues

Your Business Plan is not your Strategic Plan – it ensures you have a rudimentary plan in place for what to do

7 elements of a Business Plan

1. Executive Summary
2. Products and Services
3. Market Analysis
4. Marketing Plan
5. Operational Plan
6. Organizational Structure
7. Financial Plan



Executive Summary

The short overview

Written last, but read first, it will be a sort of short elevator pitch.

It will be the first thing that potential member and sponsors read when deciding whether to support you



Products and Services

Your value

Explain the type of value that you will create. Include your membership and events, but many associations offer additional products or services.



Market Analysis

What your renewable energy market looks like

Solar power in your region compared to elsewhere.

Include the amount of people your organization could serve and how much these people will spend on your membership and services

Take into account competitors who are already serving you market.

Do a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) and expand on why you think you will succeed.



Marketing Plan

Your activities

What are your activities and what will you do to attract members.

Explain who your organization will serve.

Explain how you're going to find these people.

Explain how you will convince these people to support you.

Include your ideas about promotional campaigns, events, networking, email marketing, digital marketing, etc.

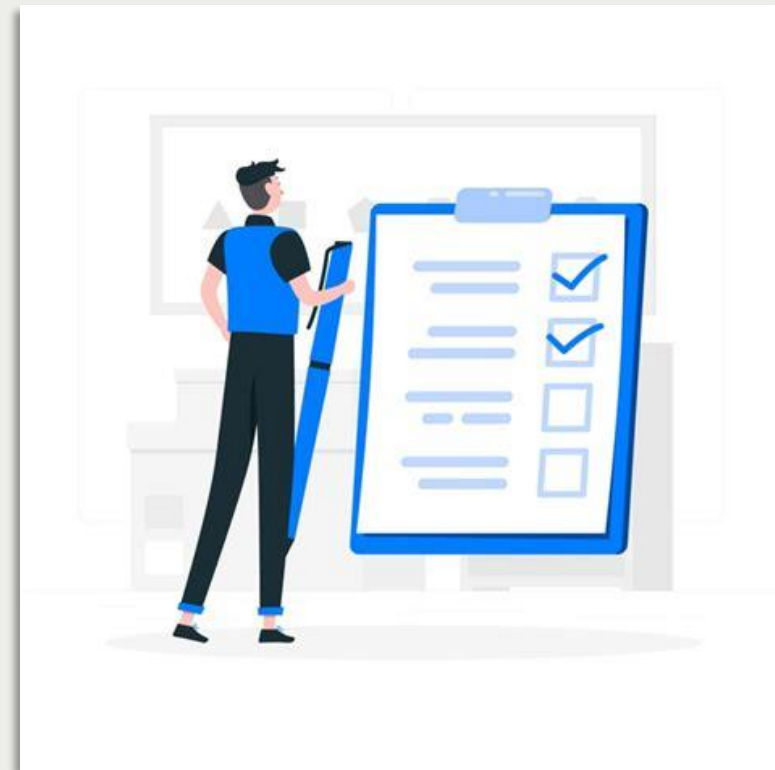


Operational Plan

Practically, how you will deliver your activities

You'll need to answer questions such as:

- Where will your office be?
- What supplies and equipment will you need?
- How will you deliver your services?
- What kind of staff and/or volunteers will you need?



Organizational Structure

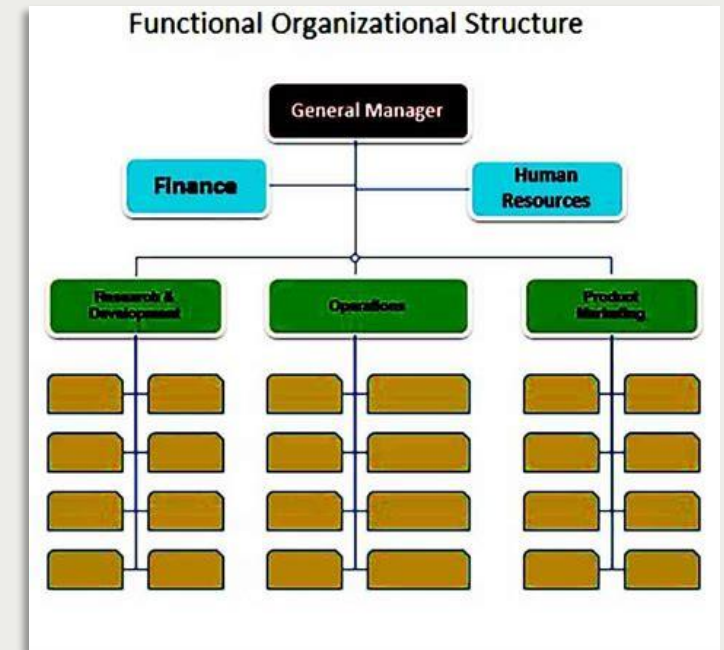
Who you employ and how you'll do it

Describe your governance structure and list out your plan to employ internal staff or hire expert consultants.

Explain their roles and create an organizational chart.

You'll also need two essential persons:

- a) An attorney to help you get incorporated, choose the best tax scheme and write and file your statutes; and
- b) An expert accountant who is well-versed on your country's general accounting practices and financial regulations



Financial Plan

How you will finance the organization

This is the page where the potential investor will flip to first.

It will help you apply for grants and loans

You will need some knowledge of basic accounting principles to project cashflow and estimate costs.



Incorporating your Association

With your attorney and accounting expert you will:

- Choose an appropriate name – usually very straightforward and not too complicated.
Think: industry + location
- Appoint and organize your Board of Directors
- Create your association statutes and by-laws
- File incorporation paperwork and keep this up-to-date.
- Understand and apply for your tax-status
- Also, licenses, permits
- Bank account - you will need your statutes and by-laws to do this



Set up your Office Space

Your location and identity

- Office space – remember to associate planned growth with signing a lease
- Do you need a single desk for your small association or be able to share office space out of a volunteer's home?
- Do you need reception area, meeting rooms?
- Could you take advantage of share a space with another association that is more established?
- Can you associate yourself with other renewable energy organizations or those with environmentally sustainable missions?



Q&A

Finance and Admin

Online Trainings for NREAs

Judy Gould, CFO

SolarPower Europe



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