

KEEPING THE RECORD STRAIGHT

Introductory
Accounting for
Not-for-Profit
Organizations



We see more than numbers.

Table of Contents

| | |
|--|----|
| Listing of Sample Forms | 4 |
| Introduction | 5 |
| Getting Started | 6 |
| Cash Receipts | 8 |
| Duplicate Receipts | 8 |
| Deposit Book | 11 |
| Cash Receipts Journal | 11 |
| Cheque Disbursements | 13 |
| Cheque Disbursements Journal | 14 |
| Cheque Book | 14 |
| Petty Cash | 16 |
| Petty Cash | 16 |
| Operation of the Fund | 16 |
| Bank Reconciliation | 19 |
| Procedure | 19 |
| Completing the Reconciliation | 19 |
| Invoicing | 22 |
| Payroll | 23 |
| Guide to Employee Individual Payroll Record | 23 |
| Balancing the Individual Pay Records | 24 |
| Federal Deductions | 24 |
| Other Federal Requirements | 26 |
| General Ledger | 27 |
| Month-End Reports | 28 |
| Miscellaneous | 29 |
| Federal Gasoline Tax Refund | 29 |
| Ontario Gasoline Tax Refund | 29 |
| Incorporation | 29 |
| Labour Law | 30 |
| Employer Health Tax (EHT) | 30 |
| Retail (Ontario) Sales Tax | 31 |
| Workplace Safety and Insurance Board of Ontario | 32 |
| The Goods and Services Tax (GST) | 32 |
| Canada Revenue Agency (CRA) | 33 |
| CRA Tax Services Offices and Tax Centres - Northern Ontario Region | 33 |
| Canada Revenue Agency Tax Services Offices - Southern Ontario Region | 34 |
| Computer-based Accounting Systems | 35 |
| Other Resources from the Certified General Accountants of Ontario | 36 |

Listing of Sample Forms

| | |
|---|-------|
| Numbered Receipt | 7 |
| Bank Deposit Slips | 9/10 |
| Cash Receipts Journal | 10 |
| Cheque Disbursements Journal | 14 |
| Cheques and Cheque Stubs | 15/16 |
| Petty Cash Vouchers | 17 |
| Request for Petty Cash Reimbursement | 18 |
| Internal Bank Reconciliation Form | 20 |
| Bank Statement | 21 |
| Invoice | 22 |
| Employee Individual Payroll Record | 23 |
| Payroll Worksheet | 25 |
| Canada Revenue Agency Remittance Form | 26 |
| General Ledger | 27 |
| Trial Balance | 28 |

Getting Started

While a fictitious baseball club is used to illustrate examples in this booklet, the methods described apply not only to sports clubs but also to a variety of other small organizations. For example, social clubs, charities, rate-payers' groups, co-operatives, etc. So, how do you begin to get your organization's finances in order?

First—if you have already not done so—your organization should choose someone to be responsible for the bookkeeping. Usually, this person is called the treasurer. The next step is to open a bank account.

All monies received or spent should be channelled through a bank account, as it makes good sense to have the bank do part of the record-keeping job on your behalf. All banks have several types of accounts available. Make sure the account you choose is one from which cancelled cheques and statements are returned on a monthly basis.

The treasurer should be sure to deposit all monies received immediately, to prevent any loss from misplacement or theft.

In order to open a bank account in the name of the organization, your group will be required to select *signing officers*. These officers should be the only people authorized to sign cheques for the organization. Such individuals should also follow a very strict rule: *Never sign a blank cheque*. It is advisable for two members of the authorized group to sign the cheques. Arrange with your bank so that all cheques require two authorized signatures in order to be negotiable.

Select more than two officers as signing officers, in order to provide coverage if one of the regular officers is unavailable to sign cheques. Most groups find it convenient to allow any two of the signing officers to sign cheques, while other groups insist that the treasurer be one of the signing officers. You should use your treasurer as a signing officer as often as possible, because of that person's knowledge of bookkeeping requirements. However, in order to avoid unnecessary delays, do not restrict signing privileges to the treasurer.

When you have completed and returned all forms and signing-specimen cards, the bank should be able to open your account immediately. The bank will provide your group with a deposit book and temporary blank cheques. Write the name of the group and the account number on every cheque and deposit slip. Within a few weeks, the bank will supply imprinted cheques, including the group's name and the account number. If possible, order your supply of cheques so that they are prenumbered on a consecutive basis. As soon as these arrive, the *unused* temporary cheques should be destroyed.



Sample: Numbered Receipt

| | |
|--|----------------------|
| No. 102 | <u>October 4 20—</u> |
| Received from Reçu de | <u>D. Singh</u> |
| <u>— One Hundred —</u> | |
| <u>Gift</u> | |
| <u>\$ 100.00 (cheque) Anytown Bauball Assoc.</u> | |
| <u>K. Wilson</u> | |

Cash Receipts

Duplicate Receipts

For all funds you receive, prepare and issue pre-numbered duplicate receipts. The receipt should contain the following information:

- receipt number
- date payment was received
- from whom the payment was received (donor)
- amount of receipt
- form of funds received—cash or cheque
- a brief explanation, if any, for receipt
- signature of authorized person

Give the original copy to the donor and retain the duplicate copy for your group's records.

You must be able to trace any receipts issued to your organization's deposit book and its receipts journal. It is recommended that you write the receipt numbers on the corresponding deposit slips.

Note: As a rule, an organization requires a registration number from the Canada Revenue Agency to permit donors to claim a deduction for income tax purposes.

Samples: Bank Deposit Slips

| | | |
|-------------------------------------|--------------------------|--------------------------|
| Name of Account | <u>Anytown Baseball</u> | |
| Account Number | <u>X X X X X</u> | <u>X X X X X X X X X</u> |
| Cheques | <u>Oct. 4 20 —</u> | |
| Name or Place | Amount | |
| 1. | | |
| 2. | | |
| 3. | | |
| 4. | | |
| 5. | | |
| 6. | | |
| 7. | | |
| 8. | | |
| 9. | | |
| 10. | | |
| 11. | | |
| 12. | | |
| 13. | | |
| 14. | | |
| 15. | | |
| 16. | | |
| 17. | | |
| Total Cheques | | |
| Credit | | |
| <u>Anytown Baseball Association</u> | | |
| <u>Oct. 4 20 —</u> | | |
| Account No. | | |
| <u>X X X X X</u> | <u>X X X X X X X X X</u> | |
| x 1 | | |
| x 2 | | |
| 1 x 5 | <u>5</u> | — |
| 5 x 10 | <u>50</u> | — |
| 6 x 20 | <u>120</u> | — |
| x 50 | | |
| x 100 | | |
| Coin | | |
| U.S. Currency | | |
| Total Cash | \$ | <u>175</u> — |
| Total Cheques | | |
| Sub-Total \$ <u>175</u> — | | |
| Add/Deduct Adjustment Re: U.S Items | | |
| Net Deposit | \$ | <u>175</u> — |
| DEPOSITED BY <u>K. Wilson</u> | | |

| | | |
|-------------------------------------|--------------------------|--------------------------|
| Name of Account | <u>Anytown Baseball</u> | |
| Account Number | <u>X X X X X</u> | <u>X X X X X X X X X</u> |
| Cheques | <u>Oct. 1 20 —</u> | |
| Name or Place | Amount | |
| 1. <u>Float. Great</u> | <u>5 000 00</u> | |
| 2. | | |
| 3. | | |
| 4. | | |
| 5. | | |
| 6. | | |
| 7. | | |
| 8. | | |
| 9. | | |
| 10. | | |
| 11. | | |
| 12. | | |
| 13. | | |
| 14. | | |
| 15. | | |
| 16. | | |
| 17. | | |
| Total Cheques | <u>5 000 00</u> | |
| Credit | | |
| <u>Anytown Baseball Association</u> | | |
| <u>Oct. 1 20 —</u> | | |
| Account No. | | |
| <u>X X X X X</u> | <u>X X X X X X X X X</u> | |
| x 1 | | |
| x 2 | | |
| x 5 | | |
| x 10 | | |
| x 20 | | |
| x 50 | | |
| x 100 | | |
| Coin | | |
| U.S. Currency | | |
| Total Cash | \$ | |
| Total Cheques | <u>5,000 00</u> | |
| Sub-Total \$ <u>5,000 00</u> | | |
| Add/Deduct Adjustment Re: U.S Items | | |
| Net Deposit | \$ | <u>5,000 00</u> |
| DEPOSITED BY <u>K. Wilson</u> | | |



| | | | |
|-----------------|-------------------------|--------------------------|-------------------------|
| Name of Account | <u>Anytown Baseball</u> | Credit | <u>Anytown softball</u> |
| Account Number | X1X1X1X | X1X1X1X1X1X1X | <u>Association</u> |
| Cheques | <u>Oct 4 20 -</u> | | <u>Oct 4 20 -</u> |
| Name or Place | Amount | Account No. | |
| 1. D. Singh | 100 - | [] | [] |
| 2. | | x 1 | |
| 3. | | x 2 | |
| 4. | | x 5 | |
| 5. | | x 10 | |
| 6. | | x 20 | |
| 7. | | x 50 | |
| 8. | | x 100 | |
| 9. | | | |
| 10. | | | |
| 11. | | | |
| 12. | | | |
| 13. | | | |
| 14. | | | |
| 15. | | | |
| 16. | | | |
| 17. | | | |
| Total Cheques | 100 00 | SUB-TOTAL | \$ 100 00 |
| | | Add/Deduct | |
| | | Adjustment Re: U.S Items | |
| | | Net Deposit | \$ 100 00 |
| | | DEPOSITED BY | K. Wilson |

Sample: Cash Receipts Journal

| CASH RECEIPTS JOURNAL | | | | | | | | MONTH | October | 20 — | PAGE NO. | CR-1 |
|-----------------------|------------------|-----------|----------|---------|----------------|----------------|--------------|-----------------|----------|----------|----------|------|
| ① Date | ② Particulars | ③ Receipt | ④ Grants | ⑤ Gifts | ⑥ Members Dues | ⑦ Gate Receipt | ⑧ Sundry A/c | ⑨ Sundry Amount | ⑩ Bank | ⑪ | ⑫ | |
| Oct 1 | Government Grant | 101 | 5 000 00 | | | | | | | 5 000 00 | 1 | |
| Oct 4 | D. Singh | 102 | | 100 00 | | | | | | 100 00 | 2 | |
| Oct 4 | Tender dues | 103 | | | 175 00 | | | | | 175 00 | 3 | |
| Oct 31 | Lam #1 Receipt | 104 | | | | 227 50 | | | | 227 50 | 4 | |
| Nov 1 | K v D. Son Works | 105 | | | | | Sponsor | 500 00 | | 500 00 | 5 | |
| | | | | | | | | | | 6 | | |
| | | | | | | | | | | 7 | | |
| | | | | | | | | | | 8 | | |
| | | | | | | | | | | 9 | | |
| | | | | | | | | | | 10 | | |
| | | | | | | | | | | 11 | | |
| | | | | | | | | | | 12 | | |
| | | | | | | | | | | 13 | | |
| | | | | | | | | | | 14 | | |
| | | | | | | | | | | 15 | | |
| | | | | | | | | | | 16 | | |
| | | | | | | | | | | 17 | | |
| | | | | | | | | | | 18 | | |
| | TOTALS | | 5 000 00 | 100 00 | 175 00 | 227 50 | | 500 00 | 6 002 50 | | | |



Deposit Book

The deposit book you obtain from the bank will include duplicate forms. The original copy will be retained by the bank. Retain the second copy—the one that is attached to the deposit book—for your group's records. Ensure that the bank stamps the duplicate deposit slip when you make a deposit to the account.

When preparing the deposit slip, it is very important that you record the following information in the appropriate spaces (refer to the three samples on pages 9 and 10):

- date
- account number
- group or association name
- separate list of cheques being deposited showing payer's name
- breakdown of cash being deposited
- signature of authorized person making the deposit
- receipt numbers (optional)

Ensure that all funds—whether cash or cheques—are deposited immediately, and that all cheques are properly endorsed, i.e., “for deposit only to the credit of [insert your group's name].”

Cash Receipts Journal

The cash receipts journal is organized so that a record of all funds your organization receives is kept in a simple and easily accessible manner. (See sample on page 10.)

In this booklet's sample, the cash receipts journal is divided into 10 columns, each of which has a specific use. Adjust column headings four through nine to suit your particular needs.

1. Use column 1 to record the date of each deposit. It should correspond with the date on the actual deposit slip.
2. In column 2, record the source of funds; each source must be shown separately.
3. Column 3 is for the individual receipt number.
4. Columns 4 through 9 are distribution columns that are intended to record a particular type of income. For example, grants, donations, dues, gate receipts or sponsorship, etc. You will note that the amounts entered in these columns will correspond with the amounts entered in column 10.
5. The actual amount of monies deposited is recorded in column 10 or the bank column. This amount should correspond with the amount shown on the deposit slip.

At the end of the month, add columns four through 10 and enter the totals as noted.

The total of columns four through nine should be the same as the total of columns 10 (cross-add). If your journal does not cross-add you should:

1. Double-check your additions of each column.
2. Double-check cross-additions of each line.

Number each page of the journal to ensure that all pages are included. Note that in the CR1 sample each page is numbered, e.g., Cash Receipts, page 1. Carry forward the totals from the bottom of each page to the top of the subsequent page to the end of your financial year. Begin each new financial year on a new journal page.

Cheque Disbursements

Cheque Disbursements Journal

The cheque disbursements journal is organized so that all the accounting information relating to purchases and payments of expenses is readily available.

You will note from the following sample that the cheque disbursements journal—like all other journals—is prepared on a monthly basis. If you follow the example on page 14, you will find that the bookkeeping for cheque disbursements is not difficult at all.

The cheque disbursements journal is divided into nine columns. Each column has a specific use, as follows:

1. Use column 1 to record the date each cheque is written; it should correspond with the date on the actual cheque.
2. Record the name of the payee—the person or the organization to whom the cheque is payable—in column 2.
3. Record the number of each cheque written in column 3. Assign all cheques a number and enter them in numerical sequence. If a cheque is cancelled for any reason, you must account for the cheque number; make a notation in column two indicating that the cheque has been cancelled.
4. In column 4 or the bank column, record the actual amount of the cheque written; this amount must correspond with the amount on the cheque itself.
5. Columns 5 through 9—distribution columns—are used to record the type of expenditure for which the cheque was written. You will note in the sample that the type of expenditures may include office expenses, automobile expenses, etc.
6. Use these columns for the most common expenditures your group makes. As a result, each group will likely have different headings for these columns. Note that in the sample when columns 5 to 9 are added, they equal the amount entered in column 4.
7. Column 9 is the “sundry” column. It should be used to record or explain specific types of expenditures that are not usually made more than once a month, e.g., purchase of office equipment, bank charges, etc.

At the end of the month, all bank service charges should be recorded in the cheque disbursements journal (see page 14). After these amounts are entered, you must add columns 5 through 9 and total them at the bottom of the last page (the “Totals” row).

The totals of columns 5 through 9 should agree with the total of column 4. This is called “cross-add.” If your journal does not cross-add, follow these steps:

1. Check your addition of columns four to nine.
2. Check cross-additions of each line.

After you have completed these two steps and made any required corrections, your journal should “cross-add.”



Sample: Cheque Disbursements Journal

| CHERIE DISBURSEMENTS JOURNAL | | | | | | | | MONTH | OCTOBER | 20 — PAGE NO. | CD-1 |
|------------------------------|--------------------|-----------------|----------|-------------|-------------------|-------------|-------|---------------|----------|---------------|------|
| ① DATE | ② PAYEE | ③ CHEQUE NUMBER | ④ BANK | ⑤ EQUIPMENT | ⑥ OFFICE SUPPLIES | ⑦ UTILITIES | ⑧ CAR | SUNDAY | ⑩ AMOUNT | | |
| Oct 3 | K. WILSON | 001 | 50.00 | | | | | PETTY CASH | 50.00 | 1 | |
| Oct 3 | UNIFORMS UNLIMITED | 002 | 437.00 | 437.00 | | | | | | 2 | |
| Oct 6 | IBM | 003 | 325.00 | | 325.00 | | | | | 3 | |
| Oct 12 | PETTY CASH | 004 | 25.20 | | 6.20 | | | 15.00 POSTAGE | 4.00 | 4 | |
| Oct 22 | ANYTOWN HERALD | 005 | 75.00 | | | | | ADVERTISING | 75.00 | 5 | |
| Oct 31 | J. LOWE | 006 | 646.95 | | | | | PAYROLL CLERK | 646.95 | 6 | |
| Oct 31 | H. JABROWSKI | 007 | 403.15 | | 403.15 | | | | | 7 | |
| Oct 31 | K. WILSON | 008 | 198.62 | | 198.62 | | | | | 8 | |
| Oct 31 | BANK CHARGES | | 1.50 | | | | | BANK CHARGES | 1.50 | 9 | |
| | | | | | | | | | | 10 | |
| | | | | | | | | | | 11 | |
| | | | | | | | | | | 12 | |
| | | | | | | | | | | 13 | |
| | | | | | | | | | | 14 | |
| | | | | | | | | | | 15 | |
| | | | | | | | | | | 16 | |
| | | | | | | | | | | 17 | |
| | | | | | | | | | | 18 | |
| | | TOTALS | 2,162.82 | 437.00 | 932.97 | | | 15.00 | | 777.45 | |

Cheque Book

Cheque books either allow carbon copies of each cheque written or a separate booklet to record transactions. If your cheques include the record of transactions booklet, be sure to *complete the record in full each time you write a cheque*.

Include the following information:

- the cheque number
- the date of issue
- to whom the cheque was issued
- the amount of the cheque
- a brief description of the purpose of the payment

In order to know the amount of money on deposit in the bank, the treasurer should keep a running balance. When an account is opened, be sure to record the first deposit (this can be done in the record of transactions). After that, write the amount of every cheque in the record of transactions and subtract it from the previous balance. Likewise, enter and add all deposits. See the sample cheques and stubs on pages 15 and 16. When you write a cheque, it should be filled out completely before it is signed, namely, it must include:

- cheque number
- the date (ensure you have the correct year!)
- the full name of the payee (the person or company receiving the cheque)
- the amount of the cheque both in figures and words; the two must agree



The signing officers should not sign the cheque until it contains all of this information. It is not recommended for a signing officer to sign a quantity of blank cheques, as this destroys the entire purpose of having more than one signature on a cheque.

The signing officers should see the bill or voucher for which payment is being made when they sign a cheque; in this way they know why the cheque has been issued. After the cheque is signed, the treasurer should record the cheque number and the date of the cheque on the bill or voucher.

Occasionally the treasurer will prepare a cheque that ends up never being issued or one that is returned without being cashed by the payee. This could occur because of misspelling, the insertion of a wrong amount, or a later decision not to make the payment. Whether this happens before or after the cheque is signed, do not destroy the cheque. The treasurer should write "void" across the cheque and on the cheque stub, and remove the signature part of the cheque. File it with the cancelled cheques and bank statement.

Samples: Cheques and Cheque Stubs

| | |
|----------------------|-------------|
| No. 001 | Date Oct. 3 |
| Balance Forward ► | 5,000 : 00 |
| Cheque To Kim Wilson | |
| Petty Cash | |
| Cheque Amount ► | 50 : 00 |
| Balance ► | 4,950 : 00 |
| Deposit | |
| Balance ► | 4,950 : 00 |

No. Oct. 3 20—
ANYTOWN BASEBALL ASSOCIATION
PAY TO THE ORDER OF Kim Wilson \$ 50.00
-----Fifty-----xx Dollars
RE J. m. treasurer PER M. P. President

Stub

Cheque

| | |
|------------------------------|-------------|
| No. 002 | Date Oct. 3 |
| Balance Forward ► | 4,950 : 00 |
| Cheque To Uniforms Unlimited | |
| Baseball Uniforms | |
| Cheque Amount ► | 437 : 00 |
| Balance ► | |
| Deposit | |
| Balance ► | 4,513 : 00 |

No. Oct. 3 20—
ANYTOWN BASEBALL ASSOCIATION
PAY TO THE ORDER OF Uniforms Unlimited \$ 437.00
Four Hundred and Thirty-Seven-----xx Dollars
RE J. m. treasurer PER M. P. President

Stub

Cheque



| | |
|-------------------|-------------|
| No. 003 | Date Oct. 6 |
| Balance Forward ► | 4,513.00 |
| Cheque To IBM | |
| Computer Software | |
| Cheque Amount ► | 325.00 |
| Balance ► | |
| Deposit | 275.00 |
| Balance ► | 4,463.00 |

Oct. 6 20 —

ANYTOWN BASEBALL ASSOCIATION

PAY TO THE ORDER OF IBM \$ 325.00

Three Hundred and twenty-five-xx Dollars

RE _____

J. M. Treasurer
M. P. President

Stub

Cheque

Petty Cash

Usually an organization makes all payments by cheque. However, this is impractical for such items as postage stamps or meals. Instead, a petty-cash fund should be set up for handling these expenditures.

Here are some common rules governing petty-cash funds.

1. Set upper limit on size of transaction. It is common to set a limit of \$5 to \$10 on expenditures.
2. Establish types of transactions to be paid. Limit expenditures to such items as postage and meals.
3. Limit access to the fund. Permit only one person to have access to petty cash in order to control the fund. This person is referred to as the custodian. If more than one person has access, no one can be held responsible.
4. Assign the responsibility to someone other than the treasurer. The request for replenishment of the fund should be scrutinized by someone other than the treasurer.

Operation of the Fund

In order to set up a fund, you should issue a cheque to the custodian in the amount of the fund (in the sample on page 15 it is \$50). Enter this cheque in the sundry column of the cheque disbursements journal. When someone wants to claim money from the petty cash fund, a petty cash voucher must be submitted. Obtain vouchers from any stationery store.

Record the following:

- date of payment
- name of person requesting payment
- amount claimed
- description of the expense
- signatures of payee and petty cash custodian



Samples: Petty Cash Vouchers

| | |
|-------------------------------------|------------------------------------|
| Petty Cash Voucher | Petty Cash Voucher |
| No. <u>3</u> | No. <u>1</u> |
| <u>Oct. 19 20-</u> | <u>Oct. 3 20-</u> |
| Amount <u>\$15.00</u> | Amount <u>\$ 4.00</u> |
| For <u>Petro Canada</u> | For <u>Canada Post</u> |
| <u>Gasoline for trip to Ottawa</u> | <u>Purchase of stamps</u> |
| Charge <u>car Expense</u> | Charge <u>Postage</u> |
| Cash given by <u>Mrs. Custodian</u> | Cash given by <u>Mr. Custodian</u> |
| To <u>B. Coach</u> | To <u>H. Gabrowski</u> |
| Signature | Signature |

| |
|-------------------------------------|
| Petty Cash Voucher |
| No. <u>2</u> |
| <u>Oct. 4 20-</u> |
| Amount <u>\$ 6.20</u> |
| For <u>Grand & Toy</u> |
| <u>Purchase of pens</u> |
| Charge <u>Office Supplies</u> |
| Cash given by <u>Mrs. Custodian</u> |
| To <u>J. Lowe</u> |
| Signature |

Sample: Request for Petty Cash Reimbursement

| | | |
|--------------------------------------|---|-------------------------|
| Cash on hand | | \$24.80 |
| Exp. Voucher No. | 1 - Postage 2 - Office Supplies 3 - Car Expense | \$4.00 6.20 15.00 |
| Total Expenditure & Amount Requested | | \$ 25.20 |
| Petty Cash Fund Balance | | \$ 50.00 |
| SIGNED – Petty Cash Custodian | | _____ |

It will help the custodian to reconcile the fund if all vouchers are numbered consecutively. Whenever possible, fasten a cash-register slip or store receipt to the voucher.

The vouchers, plus the cash in the box, should always equal the fund total. The examples on pages 17 and 18 illustrate transactions for October and the request for reimbursement.

When requesting reimbursement of the fund, the custodian should list the vouchers, and record the cash on hand and the fund total.

Bank Reconciliation

The purpose of reconciling your bank statement (see page 21) is to identify any errors or omissions in either the bank's or your group's records. It also helps to keep track of the group's true bank balance at all times. To reconcile your bank statement, refer to the sample on page 20 and follow this procedure.

Procedure

1. Obtain monthly bank statement and cancelled cheques either by picking them up at the bank or having them mailed to you.
2. Check the cancelled cheques against the statement by using a tick () mark on the statement. Circle any debit item on the bank statement that does not have a corresponding cheque.
3. Put the cancelled cheques in numerical order.
4. Tick off the entries in the cheque disbursements journal against the cancelled cheques. Mark outstanding (o/s) beside the amount in the bank column for any item in the cheque disbursements journal not yet cashed by the bank.
5. Enter in the cheque disbursements journal any circled debit items from the bank statement that were not previously recorded, including such items as the monthly bank charges.
6. Check bank deposits recorded on the statement against your cash receipts journal. Mark any o/s items in the receipts journal beside the amount in the bank column. Enter any credit items on the bank statement that were not previously written in the cash receipts journal.

Completing the Reconciliation

(Refer to the sample on page 20.)

1. Enter the final bank balance recorded on the statement on line 1 (see page 21).
2. List the outstanding deposits from the cash receipts journal on line 2, then add them together.
3. List the outstanding cheques from the cheque disbursements journal; add them together.
4. Subtract outstanding cheques to arrive at the adjusted balance.
5. Enter the previous month's adjusted balance.
6. Add the total bank column from the cash receipts journal.
7. Subtract the total bank column from the cash disbursements journal.
8. The reconciled bank balance should now agree with the balance per books in step 4. If not, double-check all previous steps for accuracy.

Sample: Internal Bank Reconciliation Form

| BANK RECONCILIATION | | |
|--|---------------------------|-------------------------|
| 1. Balance as per bank statement | | \$ 3,941.85 |
| 2. Add: Deposits in process | 500.00 | |
| Total additions | | <u>500.00</u> |
| | | \$ 4,441.85 |
| 3. Less: Outstanding cheques | L. Jabrowski K. Wilson | 403.15 <u>198.62</u> |
| Total deductions | | <u>601.77</u> |
| 4. Balance per books | | \$ <u>3,840.08</u> |
| DOUBLE CHECK | | |
| 5. Previous month's balance | | \$ 0 |
| 6. Add: Bank column (10) (cash receipts) | | 6,002.50 |
| Total | \$ | <u>6,002.50</u> |
| 7. Deduct: Bank column (4) (cash disbursements) | | <u>2,162.42</u> |
| 8. Reconciled bank balance | | \$ <u>3,840.08</u> |

Sample: Bank Statement

| IN ACCOUNT WITH | | <i>Anytown Baseball Association</i> | | | ACCOUNT NUMBER 10-001 |
|-----------------------|-------------------|-------------------------------------|-------------|------------------------------------|--|
| | | | | | Branch No. |
| | | | | | STATEMENT PAGE NO. |
| | | | | | Branch Use |
| | | | | | FOR PERIOD ENDING Oct. 31, 20- |
| DESCRIPTION | CHEQUES/DEBITS | DEPOSITS/CREDITS | DATE | BALANCE | |
| | | 5,000.00 | 10 1 | 5,000.00 | |
| | 50.00 | | 10 3 | | |
| | 437.00 | | 10 4 | | |
| | | 100.00 | 10 5 | | |
| | | 175.00 | 10 6 | | |
| | 325.00 | | 10 11 | | |
| | 25.20 | | 10 12 | | |
| | | 227.50 | 10 16 | | |
| | 75.00 | | 10 23 | | |
| | 646.95 | | 10 31 | | |
| | 1.50 \$.C. | | 10 31 | 3,941.85 | |
| | | NO. | AMOUNT | | |
| | | DEPOSITS | \$ 5,502.50 | | |
| | | CHEQUES | \$ 1,560.65 | | |
| | | | | FINAL BALANCE OF THIS STATEMENT | |

Invoicing

In some organizations it is necessary to invoice members for fees or dues. It is not within the scope of this booklet to explain how to keep your accounts receivable; this is a special problem that requires a solution tailored to your particular situation. If you do have a number of receivables to account for, consult a certified general accountant for advice. (See accountant referral service information on page 36.)

If you have to issue invoices for other purposes, issue them in duplicate, including the following information:

- name and address of your organization
- GST registration number (if goods and services is over \$40 and registered for GST purposes)
- invoice number
- date of invoice
- name and address of person or organization being invoiced
- purpose of invoice
- amount
- date due

Send the original copy to the person or organization being invoiced; retain the duplicate on file. Remember to also mark the file copy paid when you receive payment.

If you are keeping a full accounts receivable system, prenumber the invoices.

Sample: Invoice

| | |
|--|--|
| 001 | |
| ANYTOWN BASEBALL ASSOCIATION P.O. BOX 01 ANYTOWN ON N5E 3L5 GST #R1223445 | |
| IN ACCOUNT WITH OCT. 1, 20__ | |
| <p><i>Kim Wilson</i> 12 Icewater Street Anytown ON N5G 3L7</p> | |
| <p>Annual Membership Fee For year ended Oct 31, 20__ \$50.00</p> | |
| DATE DUE: Nov. 1, 20__ | |

Payroll

The payroll function is necessary for any group that has either full- or part-time employees. For each employee you need:

- an employee individual payroll record
 - a form to determine the total weekly pay
 - the amount of each deduction taken
 - the net amount paid

You must provide this information in writing, to each employee with the pay cheque.

The federal government requires that each employee complete a TD1 form in order to determine the category of income tax deductions. You will also require the booklet containing Canada Pension Plan, employment insurance and income tax deduction tables. The forms and booklet are available from a district taxation office.

Sample: Employee Individual Payroll Record

Guide to Employee Individual Payroll Record

Columns:

- 1 Pay Period Ended:** Pay periods are usually weekly, biweekly or monthly and end on the last working day of the period. Always have your group's pay period scheduled at regular intervals.
 - 2 Number of Hours Worked:** This applies to employees paid on an hourly basis.
 - 3 Rate:** Relates to the hourly or weekly rate to be paid.
 - 4 Total Earned:** For hourly workers, multiply column two by column three; for other employees, enter actual rate.
 - 5 & 6 Canada Pension Plan and Employment Insurance:** Consult the Canada Pension Plan contribution and employment insurance premium tables.

- 7 Income Tax:** Consult income tax deductions at source.
- 8 Other Deductions:** As for instance, the Ontario employee health premium.
- 9 Total Deductions:** Add columns 5, 6, 7 and 8.
- 10 Net Pay:** Subtract column 9 from column 4.
- 11 Date Paid:** The date the cheque is issued.
- 12 Cheque Number:** Number the cheque in order to ensure you find it in the cheque book and cheque disbursements journal.

Balancing the Individual Pay Records

At the end of the month, add columns 4 through 10. Also remember that:

- the total of columns 5, 6, 7 and 8 should equal column 9
- column 4, less column 9, should equal column 10

If they do not agree, double-check your calculations.

Federal Deductions

The law requires employers to make proper deductions for income tax, Canada Pension Plan and employment insurance. Before hiring any employees, contact a district taxation office for information on obtaining an employer number and to obtain copies of the documents *Income Tax Deductions at Source* and *Canada Pension Plan Contribution and Employment Insurance Premium Tables*.

Read instructions in these documents carefully, then locate the columns in these books that apply to your particular pay period. Continue to use them when calculating payroll on your employee individual payroll record. For example, 52 pay periods per year is weekly; 12 pay periods per year is monthly, etc. You are required to remit these deductions, plus the employer contributions to the Receiver General for Canada for each month, no later than the **15th** of the following month. The Canada Revenue Agency will send your organization the remittance form each month.

To calculate the amount of the remittance, balance your employee individual payroll records. If you have more than one employee, transfer the totals of columns 5, 6 and 7 to your payroll worksheet, one employee per line. Total all columns and remember that they must balance!

Calculate the employer contribution to Canada Pension Plan and employment insurance by using the totals of these columns and the figure supplied on the inside cover of the *Canada Pension Plan Contribution and Employment Insurance Premium Tables*. Multiply the government rate by the total in your column to arrive at the employer contribution amount. Add all the deductions and the employer's contributions, in order to determine the total amount of the cheque to be written for the Receiver General for Canada. Complete the remittance form; this form must

accompany your cheque with these figures. The remittance may be paid at your bank or mailed to the address noted on the remittance form. Refer to the sample on page 26.

Sample: Payroll Worksheet

| ANYTOWN BASEBALL ASSOCIATION MONTHLY PAYROLL WORKSHEET FOR THE MONTH OF _____ | | | | |
|---|------------|----------------|-----------------|----------|
| Employee | Income Tax | Canada Pension | Employment Ins. | Total |
| Jim Lowe | \$128.00 | \$13.05 | \$12.00 | \$153.05 |
| Harry Jabrowski | 33.35 | 6.75 | 6.75 | 46.85 |
| Kim Wilson | _____ | 2.32 | 3.06 | 5.38 |
| Totals | \$161.35 | \$22.12 | \$21.81 | \$205.28 |
| | | 22.12 | | 22.12 |
| | | | 30.53 | 30.53 |
| | \$161.35 | \$44.24 | \$52.34 | \$257.93 |



Sample: Canada Revenue Agency Remittance Form

Other Federal Requirements

Each year, an employer is required to file T4 forms with the federal government (with a copy to each employee) no later than February 28th of the following year. These forms and instructions for completing them are available from a local district taxation office.

Whenever an employee is terminated, you are required to complete a record of employment for employment insurance and to give it to the employee; these forms are available from your employment insurance office.

Every employee is required to have a federal social insurance number (SIN); if an employee does not have a SIN, obtain the necessary application forms from the employment insurance office. These forms must also be completed to cover an employee's name change.

General Ledger

Your organization should maintain a general ledger. This is a summary of all transactions in each journal and it is posted monthly to individual account sheets. See the sample below. As well, a trial balance at each month end should be prepared (see page 28).

Column 1 is the month-end date, column 2 is used for any details; column 3 is the journal the entry came from; column 4 is for debit amounts from the journal; column 5 is for credit amounts; and column 6 is the total for the account.

Sample: General Ledger

Month-End Reports

The treasurer should provide a regular (preferably monthly) report for the organization's executive to review. It should include the trial balance, an accounts receivable listing and an accounts payable listing.

Sample: Trial Balance

| ANYTOWN BASEBALL ASSOCIATION | | |
|------------------------------|----------|----------|
| TRIAL BALANCE | | |
| AS AT OCTOBER 31, 20 _____ | | |
| | Debit | Credit |
| Bank | 3,840.08 | |
| Petty Cash | 50.00 | |
| Equipment | 437.00 | |
| Grants | | 5,000.00 |
| Gifts | | 600.00 |
| Gate Receipt | | 227.50 |
| Membership Dues | | 175.00 |
| Office Supplies | 932.97 | |
| Payroll Costs | 646.95 | |
| Other Expenses | 95.50 | |
| | _____ | _____ |
| | 6,002.50 | 6,002.50 |
| | _____ | _____ |

Miscellaneous

Federal Gasoline Tax Refund

The federal excise gas tax refund of 1.5 cents per litre purchased is available to the following not-for-profit groups:

- registered Canadian charities within the meaning of the Income Tax Act; and
- registered Canadian amateur athletic associations within the meaning of the Income Tax Act.

For further information contact:

Canada Revenue Agency
Excise Gasoline Tax Refund Unit
Summerside Tax Centre
Suite 101, 275 Pope Road
Summerside PEI C1N 6E7
Tel: 1-877-432-5472

Ontario Gasoline Tax Refund

Ontario provides refunds for provincial fuel tax on gasoline used for any purpose except in a registered vehicle. Thus gasoline used in a children's camp for heating or power generation is eligible for a refund. Further information and the application form (GT257) can be obtained from:

Ministry of Finance
Motor and Fuels Tobacco Tax Branch
Refund Section
33 King Street West
Oshawa ON L1H 8H9
Tel: 905-433-6432
Fax: 905-436-4511

Incorporation

Your group should consider incorporating—mainly for reasons of limited liability. Due to the laws affecting directors' responsibilities, many organizations choose to incorporate. Please seek legal advice for guidance in this matter.

Insurance

Adequate insurance for theft, employee dishonesty, as well as officers' and directors' liability should be provided. Please seek appropriate guidance from an insurance professional.

Risk Management

Certain provinces require that organizations receiving provincial funding have detailed risk management plans in place. This is also required by many insurance companies. Professional advice should be sought to develop a plan for your organization.

Labour Law

Labour Law Ontario has specific laws concerning hours and conditions of work; address your questions on this subject to the local office of the Ministry of Labour.

Employer Health Tax (EHT)

Employer Health Tax (EHT) is paid by employers who have annual total remuneration for the year (exceeding the exemption amount allowed) paid to employees or former employees who:

- report for work at a permanent establishment of the employer in Ontario
- do not report for work at a permanent establishment of the employer but are paid from or through a permanent establishment of the employer in Ontario

Additional notes:

1. Eligible employers are exempt from tax on the first \$400,000 of annual remuneration.
2. Eligible employers who are associated are required to share the exemption among members of the associated group.
3. Employers may be required to pay EHT on remuneration paid by a third party to an employee.
4. Employers with annual remuneration of \$600,000 or less are not required to pay monthly instalments. These employers will be required to make one payment only, along with their annual returns. Employers with annual remuneration in excess of \$600,000 are required to remit monthly instalments.

Instalment and Filing Requirements Chart, Effective January 1, 2000

| Remuneration | Eligible Employers | Non-eligible Employers |
|---|--|--|
| Annual gross total Ontario remuneration up to \$400,000 | No instalments No annual return required | No instalments Annual return required |
| Annual gross total Ontario remuneration \$400,000.01 to \$600,000 | Subtract available exemption amount from annual gross total Ontario remuneration No instalments Annual return required | No instalments Annual return required |



| Remuneration | Eligible Employers | Non-eligible Employers |
|--|--|---|
| Annual gross total Ontario remuneration over \$600,000 | Subtract available exemption amount from annual gross total Ontario remuneration Monthly instalments required Annual return required | No instalments Special return required |
| Once-a-year Ontario remuneration over \$400,000 | Subtract available exemption amount from annual gross total remuneration No instalments Special return required | No instalments Special return required |

For basic information on the EHT, contact:

Ministry Information Centre
1-800-263-7965 (English)
1-800-668-5821 (French)
Teletypewriter (TTY): 1-800-263-7776 (Ontario)
Tax Fax Service: 1-877-482-9329
Website: www.rev.gov.on.ca

Requests for more detailed written interpretation concerning EHT should be sent to:

Ministry of Revenue
Tax Advisory Services Branch
Employer Health Tax
33 King St. West
Oshawa ON L1H 8H5

Retail (Ontario) Sales Tax

A variety of exemptions apply to both purchases and sales made by religious, charitable and benevolent organizations that are registered with the federal government.

On application, retail sales tax can be recovered for allowable purchases made over the past four years from the time of application. However, the types of purchases allowed are limited and they do not include office supplies and equipment, or any other capital equipment such as an automobile. Design and production of certain information brochures, construction materials incorporated into the real property of the organization, etc., are allowable. Receipts must be kept and submitted, and the product or service acquired must not be for resale.

Qualifying organizations may sell items at fund raising events without collecting retail sales tax, provided they pay tax on their purchases of items for resale, including prepared foods. As well, the events cannot be held on a weekly, monthly or other regularly scheduled basis. However, retail sales tax must be collected at regularly scheduled events, or if the activities fall under the following categories:

1. Operation of a retail outlet (except for sales of used adult clothing and footwear priced at \$50 or less per sale).
2. Catering services.
3. Sale of prepared foods in competition with commercial operators at an event or on the same site.
4. Sale of alcoholic beverages, unless such sales are conducted under a special occasion banquet permit.

There are exemptions for subsidized meals sold to senior citizens and the needy, as well as for free or subsidized accommodation provided to the disadvantaged or indigent.

Guide #806, plus the general refund application form for retail sales tax, is available from:

Ministry of Revenue (formerly called Ministry of Finance)
Client Accounts and Services Branch
33 King Street West
Oshawa ON L1H 8P5

The following toll-free number is provided by the provincial government to answer questions pertaining to Ontario sales tax: 1-800-263-7965.

Workplace Safety and Insurance Board of Ontario

You may be required to acquire workers' compensation insurance and report your payroll expenses to the Workplace Safety and Insurance Board of Ontario. Consult your local office or write to:

Workplace Safety and Insurance Board of Ontario
Attention: Revenue and Assessment
200 Front Street West, 2nd Floor
Toronto ON M5V 3J1
Tel: 416-344-1000 or 1-800-387-0080
Website: www.wsib.on.ca

The Goods and Services Tax (GST)

Under the goods and services tax (GST) regime, charities and not-for-profit organizations have special status. While many of their activities are exempt from GST, they are required to collect GST on services that went untaxed under the old federal sales tax system. Additionally, these organizations must pay GST on their purchases.

While the activities of charities—for example, churches, shelters and food banks—are exempt unless otherwise taxable, the activities of not-for-profit organizations—such as sports organizations, social clubs, multicultural organizations—are taxable *unless specifically exempted*; therefore, not-for-profit organizations will have more taxable activities than charities. (Note: Not-for-profit organizations *usually provide a service for a fee*, but they are not in business for the purpose of making a profit.)

However, overriding exemptions may apply to not-for-profits, resulting in the revenue from an activity normally taxable being exempt. For example, revenue for charities may be exempt from GST where 90 per cent or more of an activity is run by volunteers. Since input tax credits paid on purchases cannot be recovered on exempt services, these organizations are faced with increased costs under the GST.

Registered charities, registered amateur associations and certain government-funded not-for-profit organizations qualify for a partial rebate on the GST paid on purchases; this ranges from 50 per cent to 83 per cent of the GST paid. For GST purposes, organizations that can issue tax-deductible receipts for income tax purposes are registered charities and not-for-profit organizations. Such groups must be organized or operated solely for purposes other than profit and cannot provide benefits to members, unless they are promoting amateur athletics in Canada.

For more information or enquiries regarding the GST, please contact the Canada Revenue Agency at: 1-800-959-1953.

Canada Revenue Agency (CRA)

Website: <http://www.cra-arc.gc.ca>
Revenue Canada
Business Enquiries: 1-800-959-5525

Individual Enquiries: 1-800-959-8281

Tax Refund Enquiries: 1-800-959-1956

GST Enquiries: 1-800-959-1953

Canada Revenue Agency Tax Services Offices and Tax Centres Northern Ontario Region

1. Barrie Tax Services

81 Mulcaster Street
Barrie ON L4M 6T7
Fax: 705-721-0056

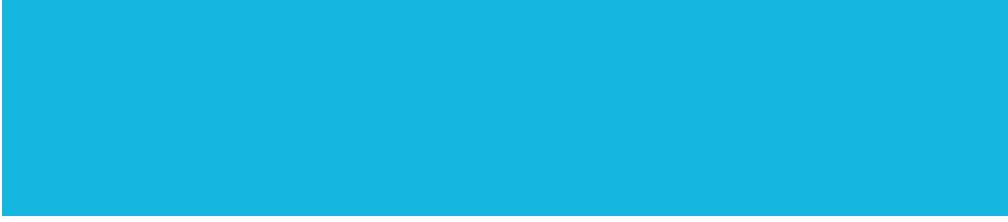
2. Belleville Tax Services

11 Station Street
Belleville ON K8N 2S3
Fax: 613-969-7845

3. **Kingston Tax Services**
 31 Hyperion Court
 PO Box 2600
 Kingston ON K7L 5P3
 Fax: 613-545-5570
4. **Ottawa Technology Centre**
 875 Heron Road
 Ottawa ON K1A 1A2
 Fax: 613-739-1147
5. **Ottawa Tax Services**
 Office/mailing address:
 Ottawa Tax Services Office
 333 Laurier Avenue West
 Ottawa ON K1A 0L9
 Fax: 613-238-7125
6. **Peterborough Tax Services**
 185 King Street West
 Peterborough ON K9J 8M3
 Fax: 705-876-6422
7. **Sudbury Tax Services**
 1050 Notre-Dame Avenue
 Sudbury ON P3A 5C1
 Fax: 705-671-3994
8. **Thunder Bay Tax Services**
 130 South Syndicate Avenue
 Thunder Bay ON P7E 1C7
 Fax: 807-622-8512

Canada Revenue Agency Tax Services Offices Southern Ontario Region

1. **Hamilton Tax Services**
 55 Bay Street North
 PO Box 2220
 Hamilton ON L8N 3E1
 Fax: 905-546-1615
2. **Kitchener Tax Services**
 P.O. Box 9015
 166 Frederick Street
 Kitchener ON N2G 4N1
 Fax: 519-579-4532
3. **London Tax Services**
 451 Talbot Street
 London ON N6A 5E5
 Fax: 519-645-4029
4. **St. Catharines Tax Services**
 P.O. Box 3038
 32 Church Street
 St. Catharines ON L2R 3B9
 Fax: 905-688-5996
5. **Toronto Centre Tax Services**
 1 Front Street West
 Toronto ON M5J 2X6
 Fax: 416-360-8908
6. **Toronto East Tax Services**
 200 Town Centre Court
 Room 427
 Scarborough ON M1P 4Y3
 Fax: 416-973-5126
7. **Toronto North Tax Services**
 5001 Yonge Street
 North York ON M2N 6P6
 Fax: 416-512-2558
8. **Toronto West Tax Services**
 Office address:
 5800 Hurontario Street
 Mississauga ON L5R 4B4
 Fax: 905-566-6182



Mailing address:
P.O. Box 6000
Mississauga, ON L5A 4E9

9. **Windsor Tax Services**
185 Ouellette Avenue
Windsor ON N9A 5S8
Fax: 519-257-6558

Information guides and applicable forms for the various taxes can be ordered from the following toll-free number (across Ontario): 1-800-959-2221 (English) or 1-800-959-3376 (French).

Computer-based Accounting Systems

Any organization, regardless of its size, can benefit from one of the many business software programs on the market. Accounting programs, such as Sage's Simply Accounting, Intuit QuickBooks, Sage Accpac ERP, and so on, can be designed to suit the size and nature of your not-for-profit, as well as the type of hardware you have available. Spreadsheet software programs, such as Microsoft Excel, Corel Quattro Pro and OpenOffice, give users additional flexibility, by providing graphics, data management, and "what-if" analyses. The software packages are available from the majority of computer stores or via the Internet. Note that many consulting firms and community colleges offer training courses in the use of the accounting/spreadsheet software.

While these accounting software programs undoubtedly simplify and accelerate accounting analysis and bookkeeping, plus improve financial reporting procedures, their application does require training and familiarity.