

# NCRSO, Inc.

Northern California Regional Service Office, Inc.

## A SHORT GUIDE TO TREASURY BEST PRACTICES

(Northern California Region of Narcotics Anonymous)

### \*\* INTRODUCTION

This document is intended as a helpful guide for treasurers at the Area or Regional level, including all their subcommittees, who may be confused about terminology or how to perform various duties listed in their job description. It is to be used in conjunction with the Narcotics Anonymous [Treasurer's Handbook \(Revised\)](#), to fill in the details about budgets, audits, and encumbered funds. While there should be no conflict between this document and Guidelines, Guidelines should always be followed.

**IMPORTANT DISCLAIMER:** *This is not NA-approved literature. It is simply a collection of information from members who have served in various Area and Regional treasury positions, and answers to many questions often asked by new treasurers or assistant treasurers.*

### \*\* THE BUDGET PROCESS

#### • WHAT IS A BUDGET?

A budget is an itemized summary of probable income and expenses for a given period of time. If your committee spends or receives money, it should have a budget. Why? The Eleventh Concept for NA Service, which states, "NA funds are to be used to further our primary purpose, and must be managed responsibly," delegates to us the task of "accounting fully and accurately for [our funds] use to those who have provided it." Having and using a budget is one part of sound financial management.

The time span for a budget for Area and Regional committees is typically one year. In the case of a committee created for a specific purpose, such as a dance, a convention, or any special, one-time event, the time span is the life of the event. In the case of an annual and/or recurring event, such as a Unity Day, a convention, or a retreat, a new budget should be created for each new cycle when new committee members are elected.

#### • WHAT INFORMATION IS FOUND IN A BUDGET?

A budget includes:

- INCOME
  - (i.e., donations, revenue from events like dances and other fundraisers)
- EXPENSES
  - (i.e., rent, utilities, purchases, copies, mileage reimbursements)

A budget can be as detailed or as simple as you need it to be – whatever works best for your committee is what you should use. It should be easily readable and easily understood by everyone and it should remain consistent (use the same format) year after year.

#### • CREATING A BUDGET

It is usually the job of the treasurer to create and present the budget to the committee for approval. Creation of a budget can be as simple as looking at a previous budget and making adjustments for inflation (i.e., where transportation is involved, have fuel costs risen?), or it may require careful analysis of data to accommodate growth of an event (i.e., two years ago the event had 100 attendees and last year there were 500 attendees, so this year 500-800 attendees can be expected) requiring a change of venue or other logistics that carry more (or less) costs. In the case of no previous budget for a recurring event, the treasurer can review previous events' income and expenses, talk with committee members who were involved with previous events about their

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experience in the financial aspects of the event, and seek advice from members with experience in creating budgets for similar events, as well as using similar events' previous budgets as models. Always ask the subcommittee chairs for input; the subcommittee may be planning new things or have decided to not do something done in previous years.

### **Appendix A has an example of a budget structure with a list of possible income and expense items.**

It is a good idea to assign a number to each line item on the budget. This process is helpful in keeping the budget organized and easy to read and understand. Should the need to alter the budget arise during the year, a motion to change the budget can be created. This change to the budget is called a *variance*. (I.e., "Motion to change line item 607, Shipping and Postage, from \$740.00 to \$780.00 (a variance of \$40.00) because of the recent postage rate increase.")

Assign each budget section its own group of numbers. As shown in the examples in Appendix A, all of the income items have numbers in the 100s, while all the Admin expense items have numbers in the 200s. Within each group of numbers, it is also useful to assign same-type expenses with the same last two digits. For example, all the mileage line items end with 01, and all the copies line items end with 02. When assigning line item numbers, gaps between them can be used in the future; when a new category needs to be added, it can easily be inserted without having to re-do the entire numbering scheme.

Line item numbers also make compiling and reporting on historical data easier as well. Should you need to compare how much has been spent on Admin copies during the past five years, it is easier to find as a consistently listed item (in this example, 202) on each of the last five years' budgets. It is also harder to confuse the admin copy expenses with other copy expenses.

Line item numbers also make classifying cancelled checks much easier. The reason a past treasurer wrote a check to John Q. for \$17.52, back in January of 2005, is much easier to identify if the check detail shows the budget line item number "202" in the memo field than if it just said "copy expense".

A good rule to follow when creating budgets is to estimate income at a minimum and expenses at a maximum. Once an initial draft of a budget has been created, including all potential items of income and expense, the net proceeds (or excess funds) should be more than or, in the case of a balanced budget (rare in NA), the same amount as expenses.

### **• BUDGET APPROVAL**

Once a budget has been created and agreed upon by the members of the committee, it typically needs to be approved by the body it was created to serve. For example, the Regional Budget is drafted by the Regional Service Committee (RSC) administrative members and then presented to the entire RSC body for approval. Most Areas operate in the same fashion.

### **• USING A BUDGET**

Once approved, the budgeted expenses can be incurred and paid ( in some cases, without any additional motions), assuming that there are sufficient funds available. The committee should pay careful attention to the amounts actually spent or received compared to the budget. Members should not plan on spending more money than has been budgeted for any item, and tracking what has already been spent will help them stay within the budget.

If an expense item listed in the budget ends up costing more than the amount in the budget, the committee may want to consider an increase in the budget. This variance in the budget needs to go through the same approval process as the original budget. Any expense items that occur during the year that are not included in the budget would also need a variance before they can be incurred and paid.

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## **\*\* APPENDIX A – SAMPLE AREA BUDGET INCOME AND EXPENSE ITEMS**

### Income

- 101 – 7th Tradition at ASC Meeting
- 102 – Group/Meeting Donations
- 103 – Anonymous Donations
- 110 – Activities
  - 111 – 7th Tradition at Events
  - 112 – Income from Events
- 120 – Area Convention
  - 121 – 7th Tradition at Convention
  - 122 – Income from Convention
- 130 – Unity Day
  - 131 – 7th Tradition at Unity Day
  - 132 – Income from Unity Day
- 150 – Interest Income

### Expenses

- 200 – Admin Expenses
  - 201 – Mileage Reimbursement (RCM to NCRSC)
  - 202 – Photocopies
  - 203 – Telephone
  - 204 – Rent (ASC/Admin Meetings)
  - 205 – Coffee Supplies
  - 207 – Postage and Shipping
  - 208 – Supplies
  - 210 – Literature (Group Starter Kits)
  - 250 – Bank Service Charges
  - 298 – Donation to NCRSC
  - 299 – Donation to NAWS
- 300 – H&I Expenses
  - 301 – Mileage Reimbursement (Chair to NCRSC)
  - 302 – Photocopies
  - 303 - Telephone
  - 304 – Rent (Subcommittee Meetings)
  - 307 – Postage and Shipping
  - 308 - Supplies
  - 310 – Literature
- 400 – PI Expenses
  - 401 – Mileage Reimbursement (Chair to NCRSC)
  - 402 – Photocopies (Schedules, etc.)
  - 403 – Telephone (Helpline, etc.)
  - 404 – Rent (Subcommittee Meetings)
  - 407 – Postage and Shipping
  - 408 – Supplies
  - 410 – Literature
- 500 – Activities Expenses
  - 302 – Photocopies (Flyers, etc.)
  - 303 – Telephone
  - 304 – Rent (Subcommittee Meetings)

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- 307 – Postage and Shipping
- 308 – Supplies
- 311 – Event Venue (Rent, etc.)
- 312 – Insurance for Events
- 313 – DJ/Other Entertainment for Events
- 314 – Food/Beverages for Events
- 315 – Decorations for Events
- 600 – Area Convention Expenses
  - 602 – Photocopies/Printing (Flyers, Tickets, etc.)
  - 603 – Telephone
  - 604 – Rent (Subcommittee Meetings)
  - 607 – Postage and Shipping
  - 608 – Supplies
  - 611 – Event Venue (Rent, etc.)
  - 612 – Insurance for Convention
  - 613 – DJ/Other Entertainment for Convention
  - 615 – Decorations for Convention
  - 616 – Main Speaker Meeting Speakers (Travel, Lodging, Registration)
- 700 – Unity Day Expenses
  - 702 – Photocopies/Printing (Flyers, Tickets, etc.)
  - 703 – Telephone
  - 704 – Rent (Subcommittee Meetings)
  - 707 – Postage and Shipping
  - 708 - Supplies
  - 711 – Event Venue (Rent, etc.)
  - 712 – Insurance for Unity Day
  - 713 – DJ/Other Entertainment for Unity Day
  - 714 – Food/Beverages for Unity Day
  - 715 – Decorations for Unity Day

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### **\*\* THE AUDIT PROCESS**

#### **• WHAT IS AN AUDIT?**

An audit is an evaluation of financial records to ascertain their accuracy, make sure they are complete, and provide assurance that the records are free from material (large or important) errors. The process is designed to reduce the possibility of erroneous, false, or missing information, whether due to numerical error, mistakes in a procedure or the misunderstanding of a procedure, or deliberate fraud.

#### **• WHY CONDUCT AN AUDIT?**

An audit is a tool of accountability. If a Treasurer has been keeping records erroneously, or has been not handling funds according to the policies of the group or Area, mistakes will be discovered and the trusted servant can be trained in the correct way to handle funds and/or keep records. If deliberate fraud has been occurred, regularly conducted audits can prevent the fraud from continuing more than one audit cycle.

Clear money-handling, financial reporting, and recordkeeping policies can help create a framework for financial accountability. Good recordkeeping, including making sure receipts are submitted for all reimbursements and keeping paperwork orderly, can make the audit process smoother. Group or Area bank statements provided on a monthly basis can be monitored regularly, and discrepancies between them and reported balances noted immediately. Requiring two signatures on checks can help deter fraudulent activity. It is good policy to require all checks written or cash payouts made for expenses have an accompanying receipt, and reimbursements for mileage have the dates of travel, the purpose of the travel, and the number of miles traveled documented. Groups or Areas that do not have or follow these kinds of policies will find audits more complicated to do, if they can be done at all.

#### **• WHO CONDUCTS AN AUDIT?**

An audit is conducted by a minimum of two trusted servants (auditors) who did not handle the funds or maintain the bookkeeping of the funds. For a group, this may be the Secretary and GSR. For an Area, this may be the Chair, Vice Chair, Secretary, and/or RCM. It is helpful if at least one of the auditors has basic finance knowledge (can balance their checkbook and reconcile their checking account). If none of the group's trusted servants has this kind of knowledge, ask for help from the Area; if none of the Area's trusted servants has this kind of knowledge, ask for help from the Region.

#### **• HOW IS AN AUDIT CONDUCTED?**

All treasury/bookkeeping materials for the period of time of the audit (the last fiscal year, the cycle of the event, etc.) are turned over to the auditors. These materials may consist of bank statements, check registers, cancelled checks, reimbursement forms, expenditure receipts, invoices, copies of receipts written for money received, financial statements, and/or spreadsheets. The auditors match deposits made to bank accounts or money received to copies of receipts, and withdrawals or disbursements/payouts to reimbursement forms, expenditure receipts, or invoices. If reimbursements were made to group or committee members, the receipts attached are matched to the total of the reimbursement form.

1. Verify deposits and money received – do they match the amount reported? If not, is there an explanation with documentation? If a cash payout was made to reimburse someone for expenditures, is there a receipt? For instance, Joe bought coffee cups at the grocery store for \$7.18, so the deposit from the Halloween dance is short by that amount, and the receipt Joe got at the grocery store is included in the records.
2. Verify checks – are they all accounted for, by number? Is the amount for each check listed on the bank

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- statement the same as on the check and/or in the check register?
3. Verify expenses, regardless of whether paid by check or cash – is a receipt for expenditure present for each payout? Is there a logical relationship between the payee, the item purchased or service provided, and the amount paid? For instance, a check written for \$317.26 to FedEx for coffee supplies should be questioned.
  4. Verify reconciliations – does the ending balance on the bank statement match the ending balance in the check register? (Allow for discrepancies that occur because of checks that were written but have not yet cleared.)

Questions may arise during the audit. If the Treasurer is not available while the audit is being conducted, make a list and contact the Treasurer as soon as possible.

### • **REPORTING THE RESULTS OF AN AUDIT**

Results of an audit should include the reporting of facts found as a result of the process, including whether records are complete or not, accurate or not (including the math), and whether policy has been followed in money handling and recordkeeping. If material (again, this means large or important) errors are found, they need to be reported. If any of the items listed under How Is an Audit Conducted? (above) cannot be verified, it needs to be reported. Also, auditors can recommend changes to processes and procedures based on the findings, and can report where bookkeeping corrections need to be made. This is not the time or place to critique the Treasurer's performance, only to report facts to the body requesting the audit.

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### **\*\* ENCUMBERED FUNDS**

#### **• WHAT ARE ENCUMBERED FUNDS?**

Many Areas and Regions set aside a specific amount of money, sometimes called a prudent reserve or a working reserve, that would be a sufficient amount to pay one month's worth of bills; this is done to ensure the Area or Region can still conduct business in the case that the funds that come from the service level above are not sufficient to cover expenses.

In addition to these types of reserves, some Areas and Regions find it useful to encumber, or set aside, funds to help pay for a specific future expense.

#### **• WHY ENCUMBER FUNDS?**

Committees often set aside funds for recurring events. A convention committee can be directed by the service body they serve to turn a reserve over to the next convention committee, so they can meet the financial obligations of the next convention. Any service body may encumber funds from the excess funds from one event, or from any source of revenue, to meet the financial obligations for another future event.

Sometimes Areas and Regions need equipment to do the work they are asked to do, and equipment needs to be repaired and/or replaced from time to time. Often, these repairs and replacements are expensive, and Areas and Regions do not have funds in the monthly, or even annual, budget to pay for them. Areas and Regions who own such equipment need to look ahead and plan to encumber funds to cover such costs.

Additionally, Areas and Regions may require professional services, such as insurance or storage facility fees, that carry annual premiums or payments. Areas and Regions also need to plan ahead and encumber funds to cover such annual expenses.

#### **• ENCUMBERED FUNDS, FAITH, AND FEAR**

When we encumber funds for legitimate reasons and pass the rest along, our Groups can successfully support the tasks they have given our Areas, our Areas, and all their subcommittees, can successfully support the tasks they have given our Regions, and our Regions, and all their subcommittees, can successfully support the tasks they have given NA World Services (NAWS). It is an important responsibility for committees to report accurately to the service level above them how funds are being used, what is being encumbered, and what is being passed along. It is equally important for the Groups or committees receiving this information to understand what it means and determines whether this is how they want their service needs fulfilled.

Hoarding funds out of fear of a lack of funds is not the same as reserving funds for a specific reason; it is a way for individuals or committees to manipulate the flow of funds within the service structure. NAWS Service Bulletin #21 says, "...to make up for the perceived lack of funds being donated...some groups and service committees...amass huge 'prudent reserves,'...despite the fact that in various fellowship service publications the recommended amount for a prudent reserve is one month's expenses." Also, "we do not need large financial reserves if we have faith that the God of our understanding will take care of our needs."

If we practice the spiritual principal of abundance, we can live without the fear of a lack of funds or the perception that we might not have enough funds. If the funds are not made available, that is a message from our members that whatever was to be funded is not wanted or needed. While it may be true that funds may not be flowing because our members don't know about or don't understand what specific projects are or what services they provide, exquisite communication on the part of our trusted servants can make a difference and our members' conscience will prevail. It will be true that what services are needed and wanted will be funded.

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