



Personal Gain Fact Sheet – AUSTRALIA

Personal Gain Legislation is one of the most open to interpretation that exists in Accounting. This is a brief guideline on what you can and can't do – **if in doubt contact the Exchequer / Treasurer**. Losing our not for profit status will have significant financial and time consuming reporting implications on the SCA Ltd.

It's very difficult to draw a nice clear-cut line and say this is or isn't personal gain. Previous policy has taken a very "no you can't" attitude, as we didn't have the policy in place to address Corporate responsibilities. Personal gain is considered at an SCA Ltd level not branch level, so giving Branches the authority to make these decisions is very hard to manage at a Corporate level, and why the answer is sometimes "NO" even though it looks ok. We have to take into consideration what everyone is doing – not just your branch. If something is specifically cited below as a "No", it's because a decision has been made by the Board to not allow it, to address corporate responsibilities.

Some things you need to know when identifying if something has the potential to be Personal Gain:

- **Non Profit Organisations** – means we cannot personally profit (gain) from our funds – It has nothing to do with making a profit – we can and should be making one, as that provides the funds to invest in other activities / equipment.
- **Stated Constitutional Goals of the SCA Ltd** – To research in the field of Pre- 17th century Western European Culture and present activities and events that recreate the environment of that Era. (See point 2 of the Constitution.)

Questions you should ask when determining if something would be considered personal gain:

1. Is the expense/activity furthering the stated constitutional goals of the Society? – If the answer is no, then it's personal gain.
2. Would a reasonable person perceive the expense/activity as a personal benefit? This is called "Perception" – If the answer is yes, then it's personal gain. It should be noted that Members perceive the SCA as a volunteer organisation; we don't get paid to do what we do.
3. Is the value of the item noticeable and would its appearance or disappearance make members uncomfortable? This is called "Materiality" – If the answer is yes, then it's personal gain.
4. Reasonable Cost – An amount that a realistic person would expect to pay for the item or service received.

It should be noted at this point that you have to have the money to cover the expense – just because you can do it, doesn't mean you can afford it. **The decision to cover the expense to a specific value is made by members at council, before the money is spent.** It is not made by an individual and the decision must be reported in the minutes – these are provided to the auditor, to prove that it was considered by a body with the authority to make the decision. Using Council as the forum for making these decisions ensures that all of the 4 points above are addressed, because if you get 70% of council saying "hey I don't want to do that with our money" then that's just made it pretty clear that there are perception or materiality concerns – or possibly an inability to fund the idea.

Here are some examples to help illustrate what you can and can't do:

- Event insurance MUST be paid by the individual; it cannot be paid using SCA Ltd Funds. The SCA needs a membership base to fund things like Insurance, Auditing & Accounting requirements and a raft of other things. Event membership doesn't cover any of these costs – the \$5 goes straight to the insurance company. The more members we have, the less the likelihood of Membership price rises. Policing branch sponsored event insurance is a very time consuming process and very difficult where there are multiple branches in close proximity.
- The King and Queen are allowed free entry to events Kingdom wide – they are considered integral to the game we play – They are kind of the point, therefore it's not personal gain to give them free entry (or provide a travel fund to get them where they are going to some extent). Landed Barons and Baronesses can get free entry to those events *within their own Barony*. They are not necessary to an event in another Barony; therefore its considered personal gain to provide free entry, as would the free attendance of a B&B at a Shire event. This is where the Corporate Side of things needs to come into consideration. If we as an organisation provide B&B's free entry to every event in the Kingdom there's the probability of the amount to become "noticeable", so the SCA Ltd draws the line at own branch events only.

We deal with the K&Q travel fund by setting a limit considered reasonable by most members and it forms part of Kingdom Law. Once they use it, then the rest comes out of their own pocket, because otherwise we would have them all flying to every which event on the Calendar in Lochac, and this is why we also have \$1,000 Cap on international spend, because NZ is Lochac too. They don't need to be at every event – but it's nice to have them. Materiality in this circumstance would be determining the amount of the fund – If the Kingdom is making 500K a year then a 10k travel fund would be ok. If it was making 5K then that's personal gain because it can't be sustained.

- Board Members can have any expenses that they incur in the carrying out of their responsibilities fully funded by SCA Ltd Funds under legislation. If a board member lived in Perth it is quite legal for that person to claim flights, accommodation, event cost, food and car hire etc. associated with travel to attend and AGM – IF that's all they were going to do when they got there and went straight home. It's unlikely this will happen they are going to go to the 4-6 day event and spend a few hours "carrying out their responsibilities".

We don't have to say NO you can't use SCA Funds period. We can say well the SCA Ltd will pay some of it and this is where perception and Materiality comes in again – how do we determine where the line of personal gain vs. legitimate cost associated with the carrying out of "responsibilities". A directive by the Board of Directors decided to deal with perception and materiality by saying "Executive members only" (Treasurer, Secretary and Chair) and only 75% of travel (economy airfares or petrol, not incidental items like airport parking) costs. We really can't afford to be paying these expenses without raising membership costs.

Additionally Members perception and the value of the ticket would be very noticeable if First Class tickets were purchased, so this would fall into the personal gain category.

- Stewards and cooks of events – those who will spend *the majority of the event* running it, can have free entry if they are working all event, or a discount if they are working some of it. This has the added bonus

of encouraging people to stick their hands up – which is furthering our stated constitutional goals so, not personal gain. The decision to provide this is not made by a steward – it’s a council decision.

- Part costs associated with hire – for example; you can cover a percentage of the costs associated with owning a post office box that a member will also receive their own mail in, however SCA Policy requires ownership to belong to the SCA if more than 50% of the cost is funded by branch funds.
- You can’t hire a bus and use it to ferry people to an event. However you could hire the bus using SCA funds and charge a reasonable fee to cover of the costs to do so. Reasonable would be determined by how much it costs and how much you charge. You couldn’t hire \$20,000 luxury bus that seats 20 and charge \$20 a head. You can have a small loss per head but the idea is to cover as much as possible of the costs to limit the perception of personal benefit.
- Officer Training with the idea of pulling in people from several branches to participate (the Lochac Officer Training Symposium is a good example of this). The costs of getting those presenting the training – taking into consideration perception, materiality and ability to fund - can be covered. The training is not going to happen if you can’t get teachers to site, but you couldn’t cover the costs of attendees to get to site. You could however choose to not charge an entry fee to participants, because the training is furthering our stated constitutional objectives.
- We can cover the costs associated with bringing in people to impart knowledge consistent with our stated Constitutional goals. We won’t be paying first class tickets and you need to take into consideration what else they are doing whilst they are here. If they are going to stay an extra week or two and visit friends, then there is an element of personal gain that needs to be addressed. This can be as simple as agreeing to a reasonable percentage of the costs. You would also need to ensure that the person coming was seen as an “expert in their field” to address materiality, ie flying a new fighter from the US to teach heavy would be considered personal gain, flying over a three time crown winner would not be. (Note: such overseas visitors must travel on appropriate visas that allow their planned activities.)
- A&S activities: generally speaking you can provide the small value consumables. You can purchase all the necessary elements to make the item using SCA funds, however you then need to charge a reasonable fee to cover the more expensive items, some examples:
 - Period stitching class – Fabric, needles and thread samples but not enough fabric to make an outfit.
 - Glass beads– basic glass rods, gas for the burner – not the burner or other specialised equipment
 - Silk banner workshop – silk paints, thread, - not the silk or frame to stretch.
 - Gorget Class – Press studs, Wax Thread, needles – not the leather/metal
 - Shield Making – Hose, paints, studs, screws – but not the Plywood or canvas
 - Pottery – Clay – but not a potter’s wheel or Kiln

You could purchase the more expensive items with SCA funds – but the ownership of those items remains that of the branch and reported by the Reeve as an Asset.

- Costs associated with the movement of Branch equipment or storage. You can cover the costs of petrol to tow the branch trailer to an event, even the hire of a truck – but not the costs of getting personal equipment to site. Hire of storage facilities for branch equipment is acceptable. A branch could purchase or hire a container for the storage of personal equipment provided a reasonable fee is charged.

- Gifts – you cannot use SCA funds to buy personal gifts for members or non-members. You can buy the consumables to make items such as tokens, cords, scrolls, pouches, banners and then give them to a landed royal peer. Items of regalia can be purchased using SCA funds but only if they will then be used by a branch or office – not to be kept personally. An exemption exists for Rowany Coronets.
- Awards/prizes for competitions. This one is a no for now, as some changes to financial policy need to occur before this can be implemented.
- Preparation of a member's property for an event – E.g. a member has offered to provide their personal property to run an event. In order for the event to run, the long grass needs to be slashed. If it wouldn't normally be slashed you can cover the costs associated. You can offer part costs if they usually slash it.
- Discount entry for students, pensioners, disability pensions; perfectly acceptable provided it's a reasonable discount and the branch can fund it.
- Sale of Branch equipment – SCA assets must first be offered to another branch, if they are not wanted then you can sell the item to members/non-members for a reasonable market price.
- Hire of Branch equipment to Members, other Companies or non-members – You can do this again provided that a reasonable cost is incurred by that entity for the hire of the equipment. If say, a trailer is stored by a member, then it is acceptable for that person to be able to use the trailer as compensation for the storage.

Please remember that it is really important to maintain our not for profit status otherwise we will be burdened with additional reporting requirements, making life for our Reeves more difficult. We would also be required to pay income tax and there may be Fringe Benefits Tax implications.

This would impact on each branch's bank accounts and require the services of a taxation accountant, which would result in an increase in membership costs to cover the associated expense. So please **if you are unsure of anything then up line the question to the Exchequer or Corporate Treasurer for clarification.**