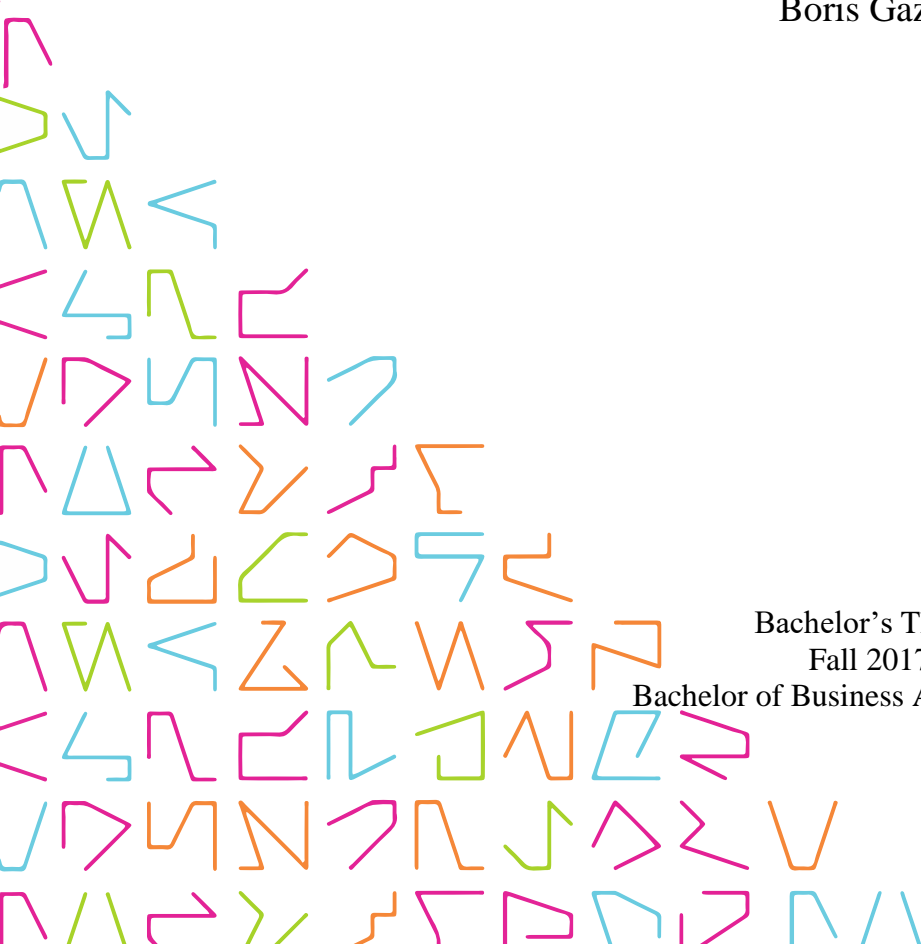


Bachelor's Thesis

Starting a registered association (ry)

Boris Gazur

Bachelor's Thesis
Fall 2017
Bachelor of Business Administration



ABSTRACT

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The idea for this thesis was born in the spring 2017, when we organized a small art festival in the city of Tampere. The festival was a hobby project that came as a wild idea sometime in January and was actually realized in May 2017. The event was called Arifest and it was organized by roughly 8 people without any legal organization behind it. Arifest was quite a success but everyone realized the need for a legal entity to be behind it in the future. Organizing cultural events is a financial strain. Arifest 2017 was organized by a voluntary workforce and financed purely by goodwill of the city of Tampere and people's personal finances. A legal organization would give any future projects more clarity and would allow to acquire financial support from different cultural grants. On top of the benefit to be more financially open to possibilities, a legal organization would also bring people together and would give many people ideological focus and sense of belonging. The idea came to be – Arifest 2018 would be organized under our own association.

Finnish legal system allows for a creation of a 'rekisteröity yhdistys' (ry) – a registered association. This mode of operation allows for a group of likeminded people to have a legal organization and stand as a legal entity.

This thesis will follow the creation process of our new association. It will describe all things required, from the preparation phase to the actual administrative running of said association. The point of this thesis is to have a running association (ry) by the end of it, and have a written guide with a commentary as an outcome.

The last part of the thesis will touch on a subject of bookkeeping for this association. I hold personal interest in the documentation of finances and would like to take an active administrative role in this association, as it compliments my studies and future prospects for work.

ABBREVIATIONS AND TERMS

TAMK	Tampere University of Applied Sciences
RY / ry	rekisteröity yhdistys – registered association
OY / oy	osakeyhtiö – limited company
PRH	Patentti- ja rekisterihallitus – Patent and registration office
Finlex	Archive of legal material owned by the Ministry of Justice

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1 INTRODUCTION

1.1 Business and Culture

I have been trying to find a way of how to combine two seemingly opposite work fields for many years now. Business and Culture, two antagonist concepts at a first glance. Business and Culture, two fields that ideologically seemingly refuse, deny and fight against each other. But is it really so? As this thesis will explore, these concepts are not so foreign to each other in the end. These two fields very well complement each other and both coexist in a mutual symbiosis.

As a business student with a youth influenced by artistic communities and artistic zeitgeist, I have been personally searching for my place within these worlds. My mind was always set more towards the business & economist side of thinking, but I always held a deep admiration for culture of any kind, and knew I will be surrounded by culture throughout my life. Until very recently, I have not put too much thought into how to actively pursue a career opportunity in this mixture of fields. Business and culture, isn't there a fundamental disagreement between these concepts?

First of all, business is a very large field of study. Business does not equal 'dollars', in a metaphoric sense. Business might have a stigma, it can be very well associated with aggressive marketing people trying to sell you stuff you do not need. It can also be perceived as an image of Leonardo DiCaprio in *The Wolf of Wall Street*, speculating with millions of dollars and wearing a tight suit. Business is something more. Business is also about administrative management and leadership skills. These leaderships can be translated into any other field of work. Within the world of organizations, big and small ones, the need for a leadership and structure is greater than ever. Hospitals would not work without a proper leadership and management. Towns and states are built on a structure of society and its management.

Let's look at the culture now. Culture can be seen as a single indie artist with his guitar, playing for the fun of it, maybe dreaming about making it 'big', or maybe living in the middle of a forest refusing to be part of the 'mainstream'. Culture has a stigma as well as

business does, but culture is a larger concept than that. It is also galleries, theatre performances, music venues, or organizing massive festivals and events. Culture in the modern world revolves around cultural communities and organizations.

As organizations, cultural organizations have specific goals, related to production, presentation, distribution or education. They consist of people cooperating to achieve a certain goal. (Hagoort 2003, 9.) As such, cultural organizations have their own need for management. The management of a cultural organization will be further explored in this thesis in its own chapter. For now, it is enough to establish a connection of cultural projects needing a management structure, in one way or another.

This is where we can build the standing stone for the idea of combining Business and Culture. These concepts, although fragilely, do have certain overlapping connections. Culture organizations are in need of people with good management skills. These skills are part of standard business studies and are a quality of people specifically working in the business field. These are two worlds that have very different skillsets but together can create something. Artistic process combined with business way of management can be a catalyst for small and large cultural projects. Very often the artistic mind does not want to be bothered with the bureaucracy of administration, and in the same way the business orientated mind does not have the creative way of thinking.

From a personal experience, an artistic leader trying to lead an organization, is often a pathway to disaster. In the same way, a Wall Street economist would not probably even be able to draw a stickman (take it with a grain of salt).

1.2 Background of this project

To bring the idea of Business and Culture to more concrete terms, I have recently found a way of how to explore work opportunities in this mixture of work fields. As part of my practical training I was part of an improvisation theatre festival here in the city of Tampere. Finland International Improv Festival 2016, and consequently 2017, were my first glances at the management opportunities in the culture field. There I noticed a real gap, the need of a business orientated person to organize the administrative side of the festival. Festivals are just one face of culture but they follow pretty much the same structure –

artistic director creates the content but the business person takes over the production of the event. Producer's responsibilities are diverse but the basic tasks involve finding venues and sponsors, signing contracts, paying taxes, and generally making sure that the whole administration is according to the law. An artistic director trying to lead the administrative process very often results in a disorganized inefficient mess. Both festivals showed me the door to work opportunities and paved the path for ideas.

In the early 2017, sometime in January, I was approached by my old friend Pinja Pinola with the idea of organizing a festival. Pinja is an artistic soul and she was full of ideas for organizing some sort of artistic event. With my fresh experience from the improvisation festival I jumped on the ship and Arifest 2017 was born. This festival took place in Tampere on 12.05.2017 (appendix 1).

Arifest was a celebration of art with over 10 performances packed into a one day festival. Most of them were musical performances, even though the original idea was to have a balance between music and other arts. There were also small things around like a 'video garage' and a 'poetry laundry', where one could write a poem and hang it on a string. Similarly poetry could be taken out to a personal possession. Invitation also encouraged people to bring their own art or performances. Arifest had no expectations, it was a no-budget festival organized by maybe 8-10 friends and creative minds. The City of Tampere was generous enough to provide us with a free space in Hiedanranta at the place of the Lielahden Kartano villa. All other things were organized voluntarily as well. Performing artists came on the promise of getting food and a small portion of logistics covered without any extra paycheck. The festival was financed from our own pockets by roughly 50€ per person.

The success was a positive surprise to everyone, on a cold May day more than 200 people showed up, with Facebook being our only official marketing channel. It was a success for the nature and circumstances of this event. After the festival we got to a talk what will happen next year, and almost everyone wanted to continue with Arifest. If this event was to become a yearly established thing, there was a need to make it more official. The first Arifest was organized by people without any legal entity behind them. It would make much more sense to create a legal organization that would be standing behind Arifest. It would give people a sense of belonging which is very important for a cultural voluntary work. It would also create a better channel for financial aid and sponsorships. Cultural

events are funded by different grants in Finland and they are also highly dependent on them.

With the idea established, the future organization started to take shape at least ideologically. Finnish legal system allows the creation of ‘ry’ type company. It is a registered association – ‘rekisteröity yhdistys’. This type of an association acts as a separate legal entity and has the general feeling of a company. In practice it differs quite a lot from a classic limited company (oy) due to its non-profit nature. Registered association has a Board and can recruit members. Anybody must be able to have a chance to join an association and associations must be generally transparent and open to anyone who shares the same ideological view. Registered associations are usually political party organizations, sports and hobby clubs, or cultural production organizations. They are exempted from the Finnish Tax System up to a certain limit and are a perfect way for a small scale organization acting in the culture field.

Registered association proved to be the perfect answer we were looking for and we found ourselves to be more than ready to start the process of creation. Right now, we have people with different skillsets for the association to work and the plan is to organize Arifest 2018 under the new organization’s name. I personally took on the role of the administrative and financial overseer due to my background in business studies. As such, most of the research process will be done by me and will be covered within this thesis.

This thesis will serve as a descriptive process of the journey to create our own registered association. It will try to informatively report on the findings and also personally comment on the implementations of them. The last part of this thesis will also touch on a subject of bookkeeping and accounting.

1.3 Research Questions

1. How to create a registered association in Finland?
2. What is the best approach to manage said association, considering the artistic culture of the workplace?
3. What financial and bookkeeping system would be most appropriate for an association of this nature and size?

2 STARTING AN ASSOCIATION

2.1 Ideology / Reasoning

Idea. Thought. Ideology. Activities. The desire to improve the world. People. These concepts make a good association. The association is a group of people who have the desire to do something together or work together for one goal. Association does not seek profit. It is an ideological activity in which the association's mission is implemented. Associations are activities of general interest. A community of common interest works for the common good. An association is a non-profit entity and therefore cannot provide an economic benefit for those participating. An entity that serves only the financial interests of its members is not a charitable association. The association therefore does not work as a private company (oy). (Kansan Sivistystyön Liitto KSL ry 2008, 7.)

An association starts as an idea. This idea has a certain common ideology in its background. There are more than 130000 association in Finland, which is quite a large number within a state of a population of 5,5 million. If the most important thing for a private company (oy) is to make a financial gain, an association (ry) is on the other side of the spectrum. An association, although eligible to engage in certain small business activities, works as a non-profit organization trying to work for the common good. Common good can be understood in many different ways and Finnish authorities examine each case very individually. Common good can for example be supporting war veterans, or invalid people, or a group of students wanting to organize events, etc. The possibilities are endless. Associations can be created to support political parties, create sport hobby groups, or produce cultural events for the general public. These are all instances where there is an ideology that brings people together, not because of the potential financial gain, but because of the sense of belonging. Registered association in Finland is a way to create a legal entity for these groups and help them find their place within the legal framework, which therefore helps with the management.

Our new association is an outcome of such an ideological background. Arifest 2017 was organized by few volunteers that worked for the common goal of the festival and for the common good of the general public. Culture needs to be created, sometimes it is a passive

process but very often an active one. Arifest 2017 brought people together and brought something good for the local society without the financial gain being a focus.

It starts with an idea, but this idea needs to be clear, and even better in black on white. The focus and the mission statement is important to write down, so everyone understands what the association's activity is. It is even required by law. If it is a member of the organization, or an outsider, everyone must have a clear idea of the activity by looking at the mission statement. Since we want to be open to possibilities beyond Arifest, the mission statement chosen in our case is to "promote culture and event production in Finland". It could be written more specifically but we chose not to. It gives us our boundary that is very broad, but it must be broad in a culture field.

The whole reasoning of why we are doing this, as already mentioned, is that a registered association is an answer to the managerial load that occurs when there are even few people working for a common goal. Sure, future events could be organized by us people without any organization, but it brings up many risks and issues:

a) Management

Within a framework of an organization, things can be easily and more properly managed. There are rules written down, hierarchical order, and decision-making framework. People have a sense of a structure and communication is smoother. An association organizes yearly meetings and there is more incentive to come to these meetings and participate. Due to the organization culture in a culture organization, all these structures are not necessarily strictly enforced, but the important thing is that they are there and can be worked with.

b) Finances

Even a non-profit organization needs financing. Culture does not happen for free and organizing something is a financial strain most of the time. Cultural events can get very far with their volunteers. Cultural events would not happen without volunteers. Associations do not have the means to have paid workers very often and have to be creative when finding tools. There is one major source of financing for an association and that is a cultural grant. The city, state of Finland, and few other private grant associations, recognize the importance of culture and its activity. Therefore, cultural associations are very often

funded by cultural money grants that cover at least some of the costs. Having an association opens up the possibility to these grants.

c) Image

Image is just as important for an association as it is for a limited company. An association brings validity to its activity and creates a public image for itself. This image is important for everything it does. Festivals will suffer bad reputation if the associations behind them have a bad reputation. Same goes for sports club, political parties, etc. Having an association is much more legitimate in terms of doing activities for the public.

2.2 Naming an association

The name for our association was chosen to be Tapahtumatuantanto Kultu ry. The name for an association does not necessarily need to reflect its doings but it is better for the image of the association to have a decent name. Decent name does not necessarily need to be any marketing miracle, but it is enough for it to be something easily remembered, something that rings a bell in a positive way, and not something vulgar or offensive. In practice, this is really hard to do, since there are already 130000 associations in Finland. As you can imagine, most of the simple easy names are taken. To help in this matter, PRH has a service where one can check the availability of a name beforehand:

https://www.prh.fi/fi/yhdistysrekisteri/yhdistys_tietopalvelut.html

On the website, there is a clickable chain of links: ‘Yhdistysnettiin’ → ‘Yhdistyshakuun’.

2.3 Board of Directors

An association must have a Board that has a minimum of 3 members. (Finlex 2017c, 35§)

The only additional rule to this is that there must be a President (Puheenjohtaja). The President must have a residency in Finland and must not be in a bankruptcy. The other 2 members can have a different unspecified role in the association, but all 3 together must serve as the official Board.

The role of the Board in the association is different from a private company. In private company the Board is the decision body of the organization. They are driven mostly by a financial gain and have the ultimate decision power. An association then works on the basis where the power is with the members. The members of an association are more important in practice than the Board. Each single person in the association has a single vote and everything is based on a democratic rule.

Board members can be voted out by normal members at the yearly meetings if they do not fulfill their tasks. The Board has a ‘political’ term of 1 year as stated in the rules. Each year the Board members must be approved by normal members again.

Board members are in place due to the administrative necessities of an association. Normal members trust the Board to handle the paperwork required by the law. The trust is then put into financial matters as well.

Our association will try to diminish the possible division between the Board and normal members. It is vital for culture work to be able to create unity among members. This actually transcends to the whole concept of an association in Finland. These are organizations driven by an ideology after all, and not the financial gain. The unity and the feeling that everyone is equal is very necessary for our work in the future.

There are also authorized signees chosen for the association. The President is the automatic and only one unless otherwise specified. Our rules give the authority to sign documents and officially act on the behalf of the organization to 4 people in total: President, Vice-President, Secretary and a Treasurer.

2.4 Rules

An association in Finland needs to have a set of rules which will govern it. These rules serve as a guideline for its operation and create a certain base for disputes. All associations in Finland are subjects to a Finnish legal system and its laws – Yhdistyslaki 503/1989.

Laws and rules governing association are designed to secure good association practice. Good association practice is based on democracy, equality of members and transparency.

The rules are the basis for the association's activities. The diversity of all associations in Finland creates a vacuum however, where there might not necessarily be all the rules to find solutions to all problems. Therefore, use of good reason is permissible and desirable, as long as it is remembered to adhere to democracy and its members' principles of equality. (Kansan Sivistystyön Liitto KSL ry 2008, 13-14.)

Law for associations in Finland requires certain rules to be necessary when creating an association. In addition to the necessary core of rules that is required by the law, an association can add its own rules if they comply with the democratic and ethical principles and good reason.

Rules of an association must be written down and attached to the starting charter. (Finlex 2017c, 7§)

Following is the list of compulsory rules required by the law:

1. Name of the association
2. The Finnish municipality where the association is domiciled
3. The purpose and goals of operation of the association
4. Member's obligation to make membership fees and other contributions to the association
5. Minimum and maximum number of Board members and auditors (1 main auditor and 1 deputy auditor); length of their term in the office
6. The accounting period of the association
7. When are the Board of Directors and the auditors of the association selected; when will the financial statements be confirmed and the discharge for the Board granted
8. How and when do the association meetings take place
9. How the association's assets should be used if the association is dissolved or abolished

All these items on this list must be required to be mentioned in the rules in one way or another. Our association starts as a very primitive organization with very basic operation and very few members, so there will not necessarily be any additions that would be really

required from our side. One must of course think about the future. Would the rules be sufficient enough in a year, or five years? In the case of our association the answer is most likely yes. The association might grow but not in a radical form. And even if that happens and there must be new set of rules, the Finnish law allows for a change of these rules.

PRH has a neat feature and provides free templates of rules for starting associations. (Patentti- ja rekisterihallitus. 2017b.). These templates vary in complexity to fit different operational models and size of organizations. For the purpose of our association I selected a very basic model and made some small amendments to fit the nature and needs of our activities. Next two subchapters are the official sets of rules selected for our association. The very next chapter is in Finnish with the English version down below it.

2.4.1 Rules of the association (FIN)

1. Yhdistyksen nimi ja kotipaikka

Yhdistyksen nimi on Tapahtumatuotanto Kultu ry ja sen kotipaikka on Tampere, Pirkanmaa.

2. Tarkoitus ja toiminnan laatu

Yhdistyksen tarkoituksena on edistää ja kannustaa kulttuuriharrastusta Suomessa. Tarkoituksensa toteuttamiseksi yhdistys voi järjestää näytöksiä ja erilaisia kulttuuritapahtumia sekä harjoittaa tiedotustoimintaa. Toimintansa tukemiseksi yhdistys voi järjestää maksullisia kulttuuritapahtumia, ottaa vastaan avustuksia, lahjoituksia ja testamentteja, sekä harrastaa sellaista ansiotoimintaa, joka välittömästi liittyy yhdistyksen tarkoituksen toteuttamiseen taikka jota on pidettävä taloudellisesti vähäarvoisena.

3. Jäsenet

Yhdistykseen jäseneksi voi liittyä jokainen, joka hyväksyy yhdistyksen tarkoituksen ja säännöt. Yhdistyksen hallitus hyväksyy jäsenet.

4. Liittymis- ja jäsenmaksu

Jäseniltä perittävän liittymismaksun ja vuotuisen jäsenmaksun suuruudesta päätetään vuosikokouksessa.

5. *Jäsenen eroaminen ja erottaminen*

Jäsenellä on oikeus erota yhdistyksestä ilmoittamalla siitä kirjallisesti hallitukselle. Hallitus voi erottaa jäsenen yhdistyksestä, jos jäsen on huomattavasti vahingoittanut yhdistystä tai ei enää täytä laissa taikka yhdistyksen säännöissä mainittuja jäsenyyden ehtoja.

6. *Hallitus*

Yhdistyksen asioita hoitaa hallitus, johon kuuluu vuosikokouksessa valitut puheenjohtaja ja 2-8 muuta varsinaista jäsentä sekä 0-8 varajäsentä. Hallituksen toimikausi on vuosikokousten välinen aika.

7. *Yhdistyksen nimen kirjoittaminen*

Yhdistyksen nimen kirjoittaa hallituksen puheenjohtaja, varapuheenjohtaja, sihteeri tai rahastonhoitaja, kukin yksin.

8. *Tilikausi*

Yhdistyksen tilikausi on kalenterivuosi.

9. *Yhdistyksen kokoukset*

Yhdistyksen vuosikokous pidetään vuosittain hallituksen määräämänä päivänä tammi-kesäkuussa. Vuosikokouksessa päätetään tilinpäätöksen vahvistamisesta ja vastuuvapauden myöntämisestä hallitukselle ja muille vastuuvollisille, valitaan puheenjohtaja ja muut hallituksen jäsenet sekä valitaan yksi tai kaksi toiminnan tarkastajaa ja varatoiminnan tarkastajaa taikka yksi tai kaksi tilintarkastajaa ja varatilintarkastajaa. Yhdistys myös järjestää syyskokouksen elo-joulukuussa.

10. *Yhdistyksen kokousten koollekutsuminen*

Hallituksen on kutsuttava yhdistyksen kokoukset koolle vähintään seitsemän vuorokautta ennen kokousta jäsenille postitetuilla kirjeillä, sähköpostitse tai puhelimitse.

11. *Varojen käyttö yhdistyksen purkautuessa*

Yhdistyksen purkautuessa käytetään yhdistyksen varat yhdistyksen tarkoituksen edistämiseen purkamisesta päättävän kokouksen määräämällä tavalla. Yhdistyksen tullessa lakkautetuksi käytetään sen varat samaan tarkoitukseen.

2.4.2 Rules of the association (ENG)

1. Name and home municipality of the association

The association's name is Tapahtumatuohtanto Kultu ry and it is based in Tampere, Pirkanmaa.

2. Purpose and goals of the operation

The association will promote culture and event production in Finland. To achieve that it will organize different events and performances. It can also organize different awareness-raising activities. To support these activities the association can receive donations, grants, testaments, and also actively engage in a simple business activity.

3. Members

Anyone who agrees with the purpose and rules of the association can apply to join the association. The application will be assessed (accepted/rejected) by the Board.

4. Membership fees

Fees of the membership are decided at the yearly meeting.

5. Member dismissal and resignation

Any member can resign from the association by informing the Board by a written statement. The Board can dismiss a member from the association if the member has damaged the association or does not comply with the set of rules or purpose of the association.

6. Board of Directors

The association is governed by a Board that consists of 1 President, 2-8 official members of the Board, and 0-8 deputies. The Board is chosen at the yearly meeting and is in power until the next yearly meeting.

7. Signature rights

Signature rights are given to the President, Vice-President, Secretary and Treasurer.

8. *The accounting period of the association*

Accounting period is a calendar year.

9. *Association meetings*

The yearly meeting takes place in the spring in January-May period. The yearly meeting will discuss the financial statement of the association, grant a discharge for the Board members, choose the President and Board members for the next year and choose 1 main auditor and 1 deputy auditor. The association can also organize a second meeting in August-December period if needed.

10. *Invitation for association meetings*

The Board must send an invitation to its members at least 7 days before the meeting by post, email or through mutual chat channels where everyone is present.

11. *Use of funds when the association dissolves*

When the association is dissolved, the association's assets are used to promote the purpose of the association as determined at the closure meeting. When the association is abolished, its assets are used for the same purpose.

2.5 Starting charter

Starting charter is another compulsory item on the list for starting an association. It is simply a piece of text stating the will of the people to create an association with a date and 3 signatures. These signatures must be made by people that are going to be members of said association. (Finlex 2017c, 7§)

The rules of the association are then attached to the charter and sent to the PRH office for a review. These documents are the only compulsory ones for the creation of an association so far. The rest of the documents will fall into the category of managing an association, rather than starting one.

Fortunately PRH office offers yet again basic templates for starting charters. (Patentti- ja rekisterihallitus. 2017b.). Our association does not differ from the basic concept so we will use the template provided.

Following is the actual text that is being used in our case. The text is then signed by the President, Vice-President and a Treasurer, the paper version archived and electronic version used for the online application process. PRH offers to sign in with online bank services to help with the signature procedure. Again, the first subchapter is the original version in Finnish, with the translated version down below.

2.5.1 Starting charter (FIN)

Me allekirjoittaneet olemme perustaneet Tapahtumatuotanto Kultu ry nimisen yhdistyksen, liittyneet siihen jäseniksi ja hyväksyneet sille yhdistyksen säännöt.

Paikka:

Päivämäärä:

Allekirjoitus / Nimenselvennys:

Allekirjoitus / Nimenselvennys:

Allekirjoitus / Nimenselvennys:

2.5.2 Starting charter (ENG)

We, the undersigned, have set up an association called Tapahtumatuotanto Kultu ry, joined as members and agreed with the association rules.

Place:

Date:

Signature / Print name:

Signature / Print name:

Signature / Print name:

With the rules and the charter created, the association can proceed to its first meeting where the rules must be accepted by the founding Board members, added to the starting charter, and added to the application to PRH for the official administrative creation.

2.6 Auditor

The Finnish law also requires an association to have an accountant or an auditor. An accountant is more sophisticated version of an auditor with more throughout work. Both of these roles are in practice based on the same idea, which is to check the association by someone from the 'outside'. Even though an association has their own Treasurer or someone who handles the money and paperwork, there must be an independent person who has no personal benefit or interest in the association, and whose role is to check the doings of the Board.

First thing to decide is whether our association needs an auditor or an accountant. Finlex archive has very specific criteria to help with the decision.

An organization does not need to have an accountant if they qualify for 1 of the following criteria AT MOST (!) (Finlex 2017b, 2/2§):

- Balance Sheet balance is more than 100000€
- Turnover is more than 200000€
- There are more than 3 people in the service

In practice it means that we can have 3 people hired, but if we do not qualify for the other 2 criteria, we do not need an accountant. In reality the other two options are realistically non-achievable by our association, but they work on the same basis in the end.

That leaves us with the need for an auditor, which was already mentioned in the rules of the association (1 auditor and 1 deputy auditor).

The auditor of the organization must audit the association's finances and administration to the extent required by the association's activities, and issue a written performance review report for the association's meeting. If the audit reveals that the association has suffered damage or has violated this law or regulations, it must be mentioned in the report. (Finlex 2017c, 38a§)

An auditor checks the documentation of the association on yearly basis and creates a report. The check consists of mostly the financial aspect of all the activities, whether the transactions are traceable and legal, and whether there is no money leaking in an unlawful manner. That is why it is important that the auditor is an independent person from the association without any possible personal benefit.

Following is the report model from PRH website to give an idea what this report consists of, once again a Finnish version first with an English translation below it. (Patentti- ja rekisterihallitus. 2017b.).

2.6.1 Audit report (FIN)

Toiminnantarkastuskertomus

Yhdistys X ry:n jäsenille

Olen tarkastanut Yhdistys X ry:n talouden ja hallinnon tilikaudelta nn.nn.nnnn - nn.nn.nnnn

Yhdistyksen hallitus vastaa siitä, että yhdistyksen kirjanpito on lainmukainen ja varainhoito on luotettavalla tavalla järjestetty. Toiminnantarkastajan tehtävänä on tarkastaa yhdistyksen talous ja hallinto yhdistyksen toiminnan edellyttämässä laajuudessa.

(TÄHÄN SELVITYS SIITÄ MITÄ ON TARKASTETTU, MITEN ON TARKASTETTU JA MITÄ ON HAVAITTU)

Tarkastuksessa en ole havainnut, että yhdistykselle olisi aiheutunut vahinkoa tai yhdistyslakia tai sääntöjä olisi rikottu.

Päiväys ja allekirjoitus

2.6.2 Audit report (ENG)

Performance Audit Report

Members of the Association X ry

I have audited the Association X Association's finances and administration for the accounting period nn.nn.nnnn - nn.nn.nnnn

The Board of Directors is responsible for ensuring that the accounting of the association is legal and that the financial management is organized in a reliable manner. The task of the auditor is to check the association's finances and administration in the extent required by the association's activities.

(HERE A REPORT ON WHAT WAS CHECKED, HOW IT WAS CHECKED AND WHAT HAS BEEN OBSERVED)

During the audit, I have not found that the association had suffered any damage or association law or violations of the rules.

Date and signature

This report is then to be presented at the yearly meeting of an association to the Board and the members of the association. If there are no obligations done by the report, the Board can be admitted a discharge, which means that their responsibility is being 'cleared'. If the discharge from the administrative responsibility is not admitted, the Board members can be taken to the court and sued. This can happen in a case where they have somehow damaged the association financially or administratively.

An audit together with the discharge create a system of a check of the Board. Even though an association's Board does not have any special privilege, it can still do a harm in the administrative and financial way. These rules do not prevent the damage directly, but ensure that the Board will have a legal responsibility of their actions.

2.7 Official Creation

These are all the topics that needed to be discussed before the creation of the association. Board members, rules, charter, auditor. Technically, an auditor does not need to be known at the moment of creation. In our case, we found our auditor few days later after sending our application. The law does not mention that an auditor needs to be present at the moment of creation, but he needs to write an audit report after closing an accounting period. At first I thought that it will be quite a challenge to find an auditor but it was quite easy

in the end. We asked a Secretary of one of the local theatres to be an auditor and she gladly accepted.

Three people needed to be present for the creation to happen since three people need to sign up the starting charter. We decided to go for the electronic form with the online banking sign up. It was the President, me as the Treasure, and the Vice-President. All the registrations go through PRH service and their website.

There is an option to send an old-fashion letter by post with all the necessary documents, or to go through an online process. (Patentti- ja rekisterihallitus. 2017a.)

The online process is rather simple, we needed to fill the basic information like all our addresses and contact information. I took the role of the contact person in case something is missing from the application. There is a prewritten charter as well and we just had to copy/paste the rules of our association to one of the fields. Rules could be avoided completely if we had chosen one of the packages that PRH offers. These include prewritten rules and they do not need to be checked by PRH. Since we had some amendments to our rules, they will be rechecked by PRH. We also had to choose our specific roles and titles and whether we give a signing right to anyone else. At the end of the process, the application was sent and all three people had to sign in with their online bank account service, one by one, to complete the registration. It costed us 85€ to start an association which is a very reasonable price in my opinion.

The application was sent on Wednesday 6.9.2017 and the response came on Monday 25.9.2017. Tapahtumatuotanto Kultu ry is now an officially registered association. (appendix 2)

Now that our association is created, there are still few topics that are necessary to research and talk about in order to understand the management of an association. The next part of this thesis will then look into these administrative affairs.

3 ADMINISTRATIVE AFFAIRS

3.1 Members

The more members there are in the association, the more potential resources the association has. These resources can be seen in many different ways. These can be skills and knowledge of all the members, more time that can be spent on an activity or operation, or a desire to work together. (Kansan Sivistystyön Liitto KSL ry 2008, 27.)

Members are the bread and butter of an association. This is not about the shareholders, investors, white-collar workers and ‘average Joes’ sweating for a minimum wage. This is about unity and a will to work together for a common ideology. This bond can be achieved when the ‘average Joe’ is the one who has the decision power. And a registered association is an organization where it works like that. The basic idea in an association is that the power is within its members. The Board is there to handle the administrative running of the operation, but the members have the decision power. To be specific, the Board together with the members all have an equal decision power.

An association must be able open to applications from new potential members. Although there is no guarantee that an application will be accepted, there must at least be the possibility to apply. After all, it is the fundamental idea of an association to group together likeminded people.

Anyone who wishes to become a member of the association must notify his or her intention to the association. The Board of Directors decides whether to accept a member, unless otherwise provided in the rules. (Finlex 2017c, 12§)

The more members an association has, the more potential power it has. It has larger workforce, larger pool of skilled people, and a larger perceived image in the public eye. A union with 500 members will have more negotiating power than a union with 5 members. Therefore it is vital for our association to be open to new members who accept our goal as well. Especially in the cultural field where our events are dependent on a voluntary workforce.

The law also allows for an association to acquire membership fees from its members. It is a good way to raise some sort of capital since the non-profit nature of an association can become quite an obstacle. We decided to set a membership fee for the first year to be 5€. This will allow us to organize an event or two with this capital raised, and will open a possibility to raise more money through that.

Members have the right to leave the association by writing a statement to the Board, or can be excluded from the association by the Board if they somehow damage the organization.

The Board must also keep an updated list of its members with their names and home municipality. It is good to keep a contact information as well (phone, email, etc.).

3.2 Decision making

As stated in the chapter above, the power of an association is within its members. This is expressed in the decision making process of the organization. The decision making works on the basis that everybody has one vote, in a simplified version. There are many different circumstances and exceptions to this, but the default mode of an association is the one vote per one member system.

Unless specified otherwise, each member of the age of fifteen years has the right to vote and each vote holder has one vote. A private individual cannot exercise his or her voting rights through an agent, unless the rules so specify. (Finlex 2017c, 25§)

The Board members naturally have a decision vote as well as any other member. Voting over a decision is won by the majority of votes or, in the case of a draw, the head chairman's vote is the deciding one.

An important thing to mention is the conflict of interest in the decision making process. A member shall not vote in the meeting of the association and shall not make proposals for decisions when deciding on an agreement between him and the association or any other matter in which his or her private interest conflicts with the interests of the association. (Finlex 2017c, 26§)

There is a specific mention in the law about this that considers me personally as the Treasurer. The Treasurer cannot be part of the voting considering an auditor. Treasurer choosing an auditor, or being part of the vote, is seen as a conflict of interest in the task performed. In simplified terms, a Treasurer and an auditor should work on objective basis and be somehow distanced from each other personally, therefore the Treasurer cannot vote.

There is quite a large chapter on topic of decision making in the Finnish law but it is enough to understand the very basic concept of democracy in the simple association like we have.

One thing then missing is the channel of where and how the decision power is being practiced. This is where association meetings come to place.

3.3 Meetings

Regular meetings are the most important meetings of an association. These are the meetings that require the association and its members to go through certain compulsory tasks. These tasks cannot be otherwise handled at informal meetings:

- audit report
- financial statements
- accounting and discharge for Board members
- membership fee
- income and expenditure estimate
- the Board and the President's political term

The rules of the association already provide some sort of an outline for the topics discussed at the annual meeting.

Meetings and their frequency can be decided upon by the association itself but generally it is either one or two meetings in a year. Our association chose two meetings in a year, but majority of the compulsory administrative tasks are going to be handled in the spring

official annual meeting. The autumn meeting will rather discuss the substance of our activity.

The meeting has been successful when clear decisions have been made on the issues to be dealt with. The success of the meeting can be evaluated also on the basis of the kind of emotions people have when leaving from the meeting. The goal is that each person, at least in their thoughts, could say: 'What a great meeting!'. (Kansan Sivistystyyön Liitto KSL ry 2008, 47.)

Meeting is the place where things are decided. There can be informal meetings among members but the official decisions considering the running of the association are being made at these official meetings. These meetings require few structural things by the law. To these meetings, the rules must state the form and the time schedule of the invitation. Our association chose mail, post, or a phone invite, with seven days' time prior to the meeting. In addition, annual or other official meetings must also have a written record from the meeting.

A record (pöytäkirja) is a written document from the meeting itself documenting who was present, absent, what topics were discussed and what decisions have been drawn.

The head chairman of the meeting must ensure that a record is written on the decisions taken at the meeting. The record must be signed by the head chairman of the meeting and checked by at least two other members who were present at the meeting. (Finlex 2017c, 31§)

The head chairman is selected before the meeting separately, it does not necessarily need to be the current President of the association. (!) There should also be a secretary selected for keeping the written record. As was already discussed, the roles at the meeting should be divided among all the members of the association, and not just the Board and the President.

3.4 Organizational culture

With these basics covered, our association have members, the Board, the decision power divided among all of the members, and meetings where the decisions are being made. The law covers many more things in detail but so many of these rules are in place because of exceptions. It is vital to understand the basics of each topic and refer to the missing information when it becomes relevant. Running an association requires to be skilled multi-disciplinary. It requires management skills, knowledge of the law, financial understanding, and so on. It is vital to have a general understanding, be somehow prepared for future issues, but also give it a slack and understand the organizational culture. After all, an association is created to fulfill a certain goal, not to study a law like a Holy Bible. It is important to do things right and according to the law, but not overdo it.

One of the most important things to talk about is the organization's informality and identity. Figure 1.1 presents a take on different characteristics of a cultural organization. (Hagoort 2003, 9.)

Figure 1.1 Characteristics of cultural organizations



- the presence of artistic leadership to oversee the process
- professional judgement on the artistic process and substance
- dynamic environment due to creative nature of work
- small scale teams and informal relationships

The structure is very similar to a classic private limited company. There is a leadership and there is a work process. Many large private companies are internally divided into small teams these days to build relationships between workers. This is especially important in marketing agencies for example. The small team working and informality in relationships help to promote the creative process. It is vital to preserve the creative process. Whether it is a private limited company, or a cultural organization in this case, the creativity is the defining word of the business nowadays.

Strongly bureaucratic systems with forms, reports and hierarchy disrupt the creative process. Disrupting the creative process will have a negative impact on the workforce, especially in the cultural organization. People will just change their environment and leave if their voice cannot be heard. Cultural organizations in this sense have their very own identity that must be cherished. (Hagoort 2003, 10.)

Preserving the artistic freedom and creative process is one thing, but there is a negative side of things as well. In the rules of our association, we had to write or mission statement, or generally a focus of our activity. This is for the outsiders to understand our association at the first glance, but more importantly in this case it is for us as members. This is what it all comes down to and that is the clash between Business & Culture. On one hand we have Business with its forms and hierarchy, and on the other hand we have Culture with its freedom and creativity. These two concepts must come down together and make compromises for cultural organization to succeed. It is like a happy marriage after 30 years. It would not go so far without compromises. It was mentioned that preserving the artistic freedom can have a negative side of things. Creative process should not have all the freedom because it loses focus.

This is why there is an artistic leader, and this is why there also should be a manager slightly distanced from the artistic process. To manage a cultural organization, one must understand the symbiosis between these two worlds. I have personally witnessed an utter inefficiency and disastrous leadership in an organization where the artistic leader was also the head manager of all the organizational things (bills, finances, HR, ...). There was no focus, there was only a creative bubble that splashed to all directions without any focus, impact or direction whatsoever. This is the negative side of things.

Informality and creativity must be preserved, but also the focus and direction. Role division is something to keep in mind. Artistic leader and organizational manager both have their own strengths and clear tasks in the organization.

3.5 Strategy & SWOT analysis

Now we can elaborate on the idea from the previous chapter and look at the company through a business eye. The previous chapter established that even a cultural organization needs its focus and strategy. A strategy is a long-term action plan where the goals of the company are trying to be achieved. Strategy can be divided into smaller steps and broken down to help to achieve the objectives of the organization. Strategic planning process consists of the following steps shown in the figure 1.2. (Nadine & Richter 2007, 3-4).

Figure 1.2 Strategy planning process



The strategy of the organization starts with a mission. The mission of our association is to “promote culture and event production in Finland”. This is the ideological background and reasoning why a group of people started the association. To achieve this mission, the company then needs objectives. These objectives are concrete goals that the company is focusing on. Our goals are even written in the rules. To achieve its mission, Tapah-
tumatuotanto Kultu ry “will organize different events and performances.” It is really simple as that. Now that we have our mission and specific objectives, a general analysis of the company and its situation is vital to help with the achievability of these objectives.

The SWOT analysis is a great tool for achieving this internal analysis of an organization. SWOT stands for *Strengths*, *Weaknesses*, *Threats*, and *Opportunities*. The general idea is to align the internal outcome of the analysis of the company S&W, with the external reality of the market O&T. This analysis helps to fortify strengths of the company further, minimize the weaknesses, take advantage of the opportunity and draw awareness of the threat from the outside. (Nadine & Richter 2007, 4-5).

Strengths are capabilities that enable the company to perform well.

Weaknesses are characteristics that prohibit the company from performing well.

Opportunities are trends, forces, events and ideas that the company can capitalize on.

Threats are possible events or forces outside of our control that the company needs to plan for or decide how to mitigate.

Strengths:

- Young and energetic artistic minds
- Productive spirit - things get done
- Creative approach to problem solving and coming up with ideas
- Motivated people wanting to work for common goal
- People skilled in many different areas (Business, Visual Arts, Video, etc...)
- Laid back atmosphere with respect to the rules (Organizational culture!)

Weaknesses:

- Everything is being built from scratch – lack of knowledge
- Lack of experience in doing event production
- No money - dependency on cultural grants
- Artistic spirit (while being a strength, it can easily perish)
- Dependency on the current President and her leadership

Opportunities:

- Big market for culture in Tampere
- Small alternative DIY events trending
- City supporting culture – grants, other opportunities
- Hiedanranta / Kuivaamo – hot spots being developed in Tampere
- Collaboration with other cultural associations in Finland

Threats:

- Oversaturation of the market in the future
- Inability to stand out and make a good name
- Inability to raise money and grow
- Current members losing interest in the association
- President quits / voted out – the artistic direction disappears

To match Strengths and Opportunities, I think we have all the ingredients to make this work. There is a big market for culture in Tampere and especially for small scale indie events. We have just the right people to organize such events. There are new spots being developed and the city is throwing really lucrative deals considering the rent. Since we are an association with no money, this plays into our cards. We are also not really competing with anyone, the spirit of a cultural association is to rather collaborate with others. The only competition is with ourselves in the long run, where if things do not work out, people might just quit and the association's activity will cease.

The fragility of the artistic spirit is probably the biggest weakness that is very hidden at the moment. It is such a big strength but it can perish so easily. Organizational culture must be cherished and sustained in the long run. At the moment, the organization is too dependent on the current President's presence. There is also a certain lack of activity possibilities since everybody is moving around Finland, it might be hard in the future to get everyone to one place to work on a project. This association is an experiment on the other hand, and that is how everyone approaches it. There is a very good chance that it will cease to exist in 2 years, but at the moment we have it, and we have the motivation to upkeep it. There are varying motivations among folks here, some do it for the learning process, some for the opportunity to express themselves, and for some it is an opportunity to be part of a big family.

With the SWOT analysis ready, the next step of the process is Strategy Formulation and Strategy Implementation. With the mission, objectives, and an idea of our internal state and how to match it with the external world, the association's next step is to formulate the strategic plan and implement it. Last step of the strategy planning process is Controlling, which can be put into simpler terms: 'Stick to the plan!'. That is all in theory of course, but we are a very special case.

Now, forming a strategy in a cultural organization can be slightly more lenient, and that applies especially to our association. The artistic core of our association are folks in their early twenties and full of energy. Putting too many boundaries around and developing a precise strategic plan is not vital in this case. It was mentioned that a cultural organization needs focus and managerial direction, and that still applies. But it is about choosing the battles and making compromises. The idea was to create a broader mission statement to "promote culture and event production in Finland", and the strategic planning will revolve exactly around that. We are aware of our internal status, and aware of what is possible on the local market. But we need to stay open-minded and ready to adapt. Event production is the strategy, but is it vital to specify it further down? That is very debatable. Our only goal is to organize Arifest yearly. To support that goal, autumn 2017 brings special evenings called 'Arifest klubi' in a local pub/restaurant, to help to raise awareness and some money for next year's Arifest. Important in our case is to stick to our production with the festival goal as the main target. All other events are optional, as long as we have the capacity and necessary resources to organize them. As was mentioned, this association is an experiment, and while it would be really nice from the business point of view to run it precisely with a long term strategy, it is simply not possible in this case. It will be precisely managed regarding the bookkeeping and doing things according to the law, but the artistic capability is too misty an open-ended at the moment.

The strategic planning is rather small in this case but still has its place. The main idea of the planning is to stick to the event production as we decided, one way or another, and that is important to preserve the creative activity. The strategic plan in this case sets a boundary, where our association will not become a photo studio, a theatre company, a music agency, or any other form of art production. We are an event production company and that is the main strategic plan at this moment. For the start we organize the Arifest klubi event to support the Arifest festival, and we will see and reanalyze our situation based on the resources and people's will in the future.

4 BOOKKEEPING

4.1 Introduction

All companies and associations in Finland are required to have a proper bookkeeping and Kultury is not an exception. Finnish laws give a pretty solid idea of what is required from bookkeeping, but as with any other laws, they do not guide through the learning process associated with it. This chapter will try to draw a basic picture of what is required from the basic bookkeeping of an association, but the reader is reminded that a lot of knowledge transcends beyond the text and is only acquired through a work-life experience.

This thesis already explored the Finnish law to a degree. ‘Yhdistyslaki’ was our focus so far, and to add to that, there are at least 3 more chapters of the law that are somehow required to discuss. Those are as follows:

Kirjanpitoasetus 30.12.1997/1339

Kirjapitolaki 30.12.1997/1336

Tilintarkastulaki 1141/2015

I have been already exploring the subject for this chapter for a few weeks now, and some basic structure of bookkeeping is already created. What I found out was, that this is a very overwhelming subject if one tries to absorb all the knowledge at once. This chapter could easily create another thesis on its own. For our purpose, we will follow a simple saying ‘Divide and Conquer’. With this method, 2 of the chapters mentioned above will be removed from further analysis in this thesis as they do not hold such a priority in the starting phase. Reader is reminded that they are still important to read through and understand. The active exclusion does not make them invalid!

Tilintarkastulaki 1141/2015 was quoted in this thesis once in the Auditor part 2.6. This chapter of the law mainly discusses the rules and requirements for the outsider accountant. The rules of the association state that an association must have an accountant or an auditor. Since Kultury does not meet the requirements for a need of the accountant, this chapter of the law can be excluded for the purpose of this thesis. Auditor’s work will do just fine in this case.

Kirjanpitoasetus 30.12.1997/1339 is an important chapter of the Finnish law that has rules and guidelines for preparing an Income Statement and Balance Sheet. These financial statements are one of the most important reports that a bookkeeper must know. Income Statement summarizes the outcome of the accounting period and shows an overview of the income and expenditure activities for that year. Balance Sheet on the other hand shows a financial statement for a moment in time. So Balance Sheet published on 31.12.2017 will show the assets, the liabilities and the equity of the association at that precise day. These two statements are created at the end of the accounting period and sent to the auditor. These statements serve even a larger role internally for the company to have an idea of its finances. In order to follow our guideline of 'Divide and Conquer', these financial statements are going to be explored only after finishing this thesis, at the end of Kultury's first accounting period. Due to the learning curve then, and the need to prioritize, the Kirjanpitoasetus law will be mainly omitted from this thesis. The reader is reminded again, that this is a very important chapter of the bookkeeping law and must be familiar to anyone doing a bookkeeping.

This leaves us with the most important chapter of the law for our purpose, the Kirjapitolaki 30.12.1997/1336. This is the bread and butter for any bookkeeping activity. Further chapters will draw the necessary information from the Kirjanpitolaki law.

4.2 Basic documentation

The basic idea of bookkeeping is to track the financial activity of an organization. Either there is money coming in (income), or money going out (expenditure). To prevent any illegal activity, all the financial activity must be traceable. This means that if there is an income or an expenditure, there also must be a documentation that supports or proves the activity. There are different forms of documentation, but the general idea is to have a receipt, a bill, or an invoice to document the transaction. The bookkeeper's job is then to archive all these documents and make sure all the financial activity is being done according to the law.

To outline some official terminology for this, the event of the financial activity is called 'liiketapahtuma'. The supporting documentation for the event is called 'tosite'. If there is an event, there must be a documentation. In another words, 'liiketapahtuma' requires

‘tosite’. Otherwise a bookkeeper could write whatever into the book without a proof and there would be some serious money leakage.

The Finnish law requires the documentation to be numbered and have a date. The cross-reference between the financial event and its supporting documentation in the books must be searchable without a difficulty. (Finlex 2017a, 2/5§)

It is a common practice to also have the documentation signed by the President.

All documentation must also be saved and archived for 6 years. This means that a purchase of a pencil by the association must be documented for 6 following years, even if the association cease its activity. In the case of the diary & ledger, they must be kept archived for 10 years.

It is a good practice to create a physical archive for all the supporting documents that will be needed for the bookkeeping. The basic bookkeeping diary and the list of events (liiketapahtuma) can be done in an Excel sheet or any accounting software, but the physical documentation (tosite) is good to archive numerically in its own binder. The idea is that the pencil purchase mentioned earlier will have its date and an entry in the Excel sheet, and also a number that is referencing to the physical binder where we will find the receipt documenting the transaction.

4.3 Diary & Ledger

Now that there is a binder for our physical documentation (tosite), there must also be a way to document all the financial events (liiketapahtuma) in some sort of an order.

Accounting must be arranged so that entries can be viewed in chronological order and in order of things. (Finlex 2017a, 2/4§)

This is easier than it sounds. In practice it is one simple Excel sheet that will be sorted by date on the Y-axis (diary), and by so called ‘account’ order on the X-axis (ledger).

Before we can go any further, we have to understand what is meant by the ‘account’. An account in this sense is not a classical bank account, but rather a chapter in our book. All transactions should be divided into these chapters / accounts based on their source or a theme. Donations and sponsorships will be written under its own chapter. Sales and official activity in its own. The membership fees and unofficial activity will have its own account in the book. It might be easier to understand visually. Figure 1.3 shows an excerpt from a bookkeeping diary / ledger.

Figure 1.3 Bookkeeping diary / ledger

Päiväys	Tosite	Selite	Siirtosaamiset	Myyntisaamiset	Pankkitili	Varsinaisen toiminnan tuotot	Varsinaisen toiminnan kulut
1.1.2011	1	Account Opening	0,5		100		
3.1.2011	2	Payment Purchase Bill			20		
6.1.2011	3	Interest Rate 2010		0,5	0,5		
6.1.2011	4	Bank Account Fees			2		
10.1.2011	5	Membership Fee / Minna Mallila			15		
12.1.2011	6	Membership Fee / Minna Mallila			15		
17.1.2011	7	Membership Fee / Kunto Kauppala			15		
18.1.2011	8	Membership Fee / Kaisa Kauppala			15		
20.1.2011	9	Membership Fee / Sari Suomalainen			15		
7.2.2011	10	Bank Account Fees			2		2
15.4.2011	11	Spring Meeting Rent			30		30
18.4.2011	12	Spring Meeting Refreshments			10		10
6.5.2011	13	Bank Account Fees			1		1
15.6.2011	14	Summer Market Sales			150		

This is a randomly selected sample and its actual content is irrelevant, also it does not show Kultu ry’s activity. It shows the general idea behind the X- and Y-axis. It has a chronological order, and it is also sorted by different accounts. There is an account for Bank Account, Official Activity Income, Official Activity Expenditures, and so on. These accounts can be individually created by the organization based on its needs. At the moment of writing this part of the thesis, I have not yet decided on all the accounts that will be needed in Kultu ry’s case. There has not been any financial activity yet either, so the diary / ledger documentation will be finally solidified during later Fall 2017.

To elaborate more on the table and the division of these accounts, every account can be seen to have so called T-shape. It has two sides, left and right, where things can be written. These sides are called Debet and Kredit in Finnish. This accounting system is called a Double-entry bookkeeping. It means that the amount of the transaction is credited to two accounts: the debit side of one account and the credit side of the second account. The Debet side will record additions to the account’s value and Kredit side extractions. For

example, membership fees are credited to the Membership account and written to the Debet side of the Cash or Bank account. It is somehow difficult to grasp at first, so an easy rule to follow is that whenever there is money coming into the company's bank or cash account, it will be written to Debet side. Respectively, the other account involved will have the transaction on its Kredit side.

An important thing to mention is that the diary / ledger is being written according to the accrual accounting rules (suoriteperuste). Accrual accounting is a method that is recognizing economic events regardless of when cash transactions occur. So a purchase made on 1.11.2017 will be recorded the same day to the book, regardless of the bill coming 2 weeks later.

The bookkeeper must also have a clear and sufficiently detailed list of accountancy accounts for each accounting period explaining the contents of the accounts (account list). (Finlex 2017a, 2/2§)

4.4 Supporting forms

So far there is a binder for the documentation, and a base for a diary / ledger bookkeeping. Again, this document for our association will be finalized during Fall 2017. To be fair there are not many things left for the creation of a basic bookkeeping. The law is surprisingly open about the form of things. Bookkeeping has rules to follow but it is open to creativity as well. Everything must be clear and traceable, but the actual layout of things is open ended. So far the learning process was very overwhelming and what I personally need is practice. There are pages upon pages of material being written about bookkeeping, but the best way to learn would be to see an actual real accounting system of a company. That is something on the other hand that is fairly hardly available, especially publicly. One can find balance sheets and income statements online but they do not tell about the whole process of bookkeeping and especially about the cross-referencing between about different binders and how to keep everything organized.

On top of the diary / ledger (päiväkirja, pääkirja) and the documentation binder (tositteet), it is good to prepare for some form of documentation in the future. What I mean is receipts, bills, invoices, and so on. The association, even as non-profit, will have some sort

of business activity. We will prepare for two main activities that are very common in associations: Reimbursements (paying back members if they purchase something on behalf of the associations), and Sales Report (a breakdown of sales for the day).

Reimbursements are somehow inevitable. The association can delegate members to make small purchases, if everyone agrees to it of course. It also enables ad hoc purchases to be made without the need of carrying the association's cash and credit card by everyone.

Reimbursements are handled through a simple invoice form. It works in a way that the member is technically invoicing the association back. Finnish Tax Office gives specific information on what information is required to be on the Invoice form. There is a so-called light-weight version of these requirements that our association qualifies for.

The other form, the Sales Report, is required as a 'tosite' document in order to prove a business activity from sales. These sales are for example outside sales on the market, shirt sales at the event, or small activities like that. Because associations with a turnover under 8500€ do not have to offer a receipt to a customer, our association would not otherwise have any form of sales proof. The Sales Report document will then be a summary of items sold, a price, and a total income for the day.

Both documents are shown as a Figure 1.4 (Reimbursement form) and Figure 1.5 (Sales Report) on the next page.

Bookkeeping could go into so many details, and there is so much to learn. The idea was to introduce basic concepts and the idea behind bookkeeping. This is by no means everything that there is to know about this topic. For a general overview and for the creation process of an association, these basic concepts must be introduced and understood.

An association should start with the diary / ledger and, the binder for documentation, and forms required for its activity. The scale of operation then determines the future of the bookkeeping as well. It is also considerably easier to just outsource everything to an accounting firm.

Figure 1.4 Reimbursement form

KULUKORVAUSLOMAKETositenumero

Tapahtumatuotanto Kultu ry

Jurvalankatu 5-7 E68

33300 Tampere

Saajan nimi: _____

Puhelinnumero: _____

Tilinumero: _____

Selite	Summa
Yhteensä (ALV 0%)	

Päiväys ja saajan allekirjoitus

Päiväys ja yhdistyksen allekirjoitus

Figure 1.5 Sales Report form

MYYNTIRAPORTTITositenumero

Tapahtumatuotanto Kultu ry

Jurvalankatu 5-7 E68

33300 Tampere

Tuote	à hinta	Määrä	Summa
Yhteensä (ALV 0%)			

Päiväys ja yhdistyksen allekirjoitus

5 REFLECTION

An association was born during this project. Tapahtumatuotanto Kultu ry is real registered association in the Finnish register and time will only tell about its future. As a learning process, this has been a great journey, and even-though it was challenging to translate it to the academic work, it was a great topic to have as a personal and professional challenge.

The process of starting an association was surprisingly easy in the retrospective. In the beginning it felt very overwhelming with all the new information coming from all sides. Once the learning process and the writing of the thesis started, it all fell into place. My personal approach was to get to roughly know the whole picture, then divide it into chunks and write about these individual pieces separately. As an example, I could write topics such as Rules, Auditor, Organizational Culture, Starting charter, etc., as individual blocks without the necessary progression in the thesis. These pieces had their own place in the process of course, but I had the ability to jump around a bit. This division of topics was due to the waiting time that we experienced at the start. We had a rough idea of what is going to happen, but we were waiting for some clarifications of who is going to be in the Board, how do we structure our things, or who is going to be an Auditor. Filling initial forms and sending them to PRH also took some time. Because of all this, it was somehow necessary to jump around topics and polish them once new information emerged. As an example, our association did not have a name until at least half of this thesis was written. I had to use a placeholder name in topics, and edit them in retrospective. This method of jumping back and forth, and placing individual blocks into thesis is very sensitive to incoherency. I tried to stay consistent throughout my writing, but the chance of some forgotten word is honestly possible.

As mentioned, the process now seems easy in the retrospective, but as a learning experience it was a challenge. The biggest challenge was in the reading the Finnish law. There are regulations that are determined by law, and technically one can start an association only by reading the law. In practice, Finnish law creates regulations, but it does not create a guide. Many things can have different interpretations and at times, these regulations and laws are better understood when done in practice. Fortunately, I had an experience of being in an association before and this experience has helped a lot when studying this subject.

I also want to mention that the original plan for the thesis was to have it split into two parts. First part would talk about the creation process, and the second half would explore the bookkeeping of an association as a separate topic. I made the decision out of fear that I would not be able to make enough content out of the first part. What happened in the end was that the first part (the creation process) progressed quite far and there was enough to write about, and once I approached the bookkeeping topic I also realized that it is an endless topic that could make a thesis on its own. The bookkeeping topic was, unfortunately, cut into a small chapter in the thesis. It only introduced the necessary base for the starting days / weeks after the birth of an association. The bookkeeping should have had much more content in this thesis, but I misjudged my time and thesis length management as a writer. Bookkeeping is a topic that is being developed right now, and will be developing throughout the future of our association. Unfortunately, the reader will not be able to follow the progress anymore. It is a topic that I want to devote my time to now in the Fall and Winter 2017 and in the upcoming years. It would take way too much strength from me to translate new findings and the learning process into an academic work. That is why I chose to make a compromise and exclude the topic out of this essay in such an extent. Same as with the creation process, the amount of new information to learn is very overwhelming right now.

As a learner, I am truly grateful for this experience and I advise everyone to choose a thesis topic that will benefit them personally and in which they hold a personal interest.

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7 APPENDIX

Appendix 1



Appendix 2



PATENTTI- JA REKISTERIHALLITUS
PATENT- OCH REGISTERSTYRELSEN

PÄÄTÖS

1(1)

25.09.2017

Dnro 2017/518603Y

Tapahumatuotanto Kultu ry
Pinola Pinja-Maria Amanda
Vuolteenkatu 22 E 4
33100 TAMPERE

ILMOITUKSEN REKISTERÖINTI

Ilmoittaja: Tapahumatuotanto Kultu ry
Rekisterinumero: 220.237

Ilmoitus: Perusilmoitus yhdistysrekisteriin
Rekisteröity: 25.09.2017

Päätöksen liitteenä on maksuton rekisteriote ja säännöt.

PATENTTI- JA REKISTERIHALLITUS

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Patentti- ja rekisterihallituksen paperille tulostettuna asiakirja on alkuperäinen ilman allekirjoitusta.

