



Financial Responsibilities for Boards of Non-Profits



Objectives for today

Roles and responsibilities

Financial accountability

Budgeting

Auditing and controls

Policy

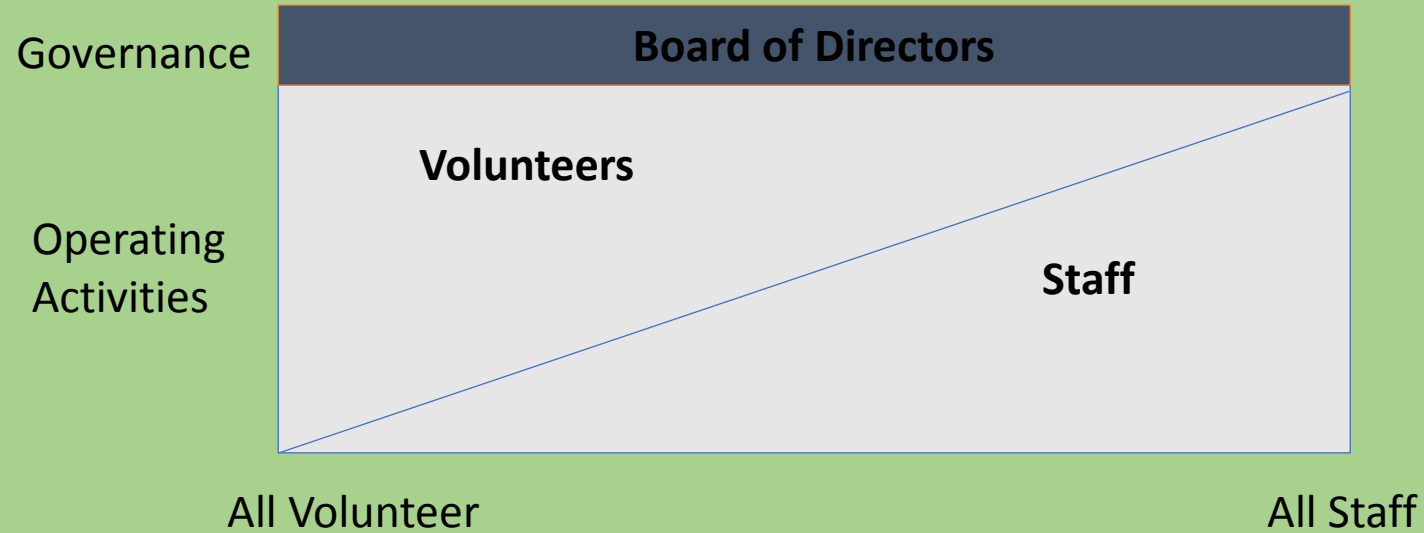


Fiduciary Duty

A duty to fair management, to be honest, loyal to the organization, act in good faith and act in the best interest of the organization

In financial application this means that the Board members are fully accountable for financial transactions of the organization and responsible to plan for its future financial health

WHAT TYPE OF BOARD ARE YOU?



Board must determine policies and implement policies - has no senior staff

Have senior management staff to implement policies determined by the Board

Delegation of Authority

Area	Board	Executive Director
Budget		
Capital Purchases		
Decisions on Building Renovations, Lease or Expansion		
Repairs		
Emergency Repairs		
Supply Purchases		
Wages		
Board and Staff Travel Expenses		
Fees (Revenue)		

Sample Division of Duties

Area	Board	Executive Director
Budget	Approves	Develops and Recommends
Capital Purchases	Approves	Sources and Recommends
Decisions on Building Renovations, Lease or Expansion	Makes decisions, assumes responsibility, Sets budget	Recommends, negotiates and signs contracts if authorized by the Board.
Repairs	Establishes policies and approves within annual budget	Authorize according to Board direction up to pre-determined amount
Emergency Repairs	Works with ED	Notifies Board Chairperson and acts with concurrence from chair and reflects expenditure in subsequent Board meeting
Supply Purchases	Establishes policy and approves within annual budget	Purchases according to Board policy and approved budget
Wages	Establishes wage ranges and approves within annual budget	Negotiates and signs contracts within budget amounts
Board and Staff Travel Expenses	Establishes policy and approves within annual budget	Authorizes according to Board policies
Fees (Revenue)	Adopts policy	Develop Schedule for Board approval



Fiscal year

Approve Budget

Monitor

Audit

Required reporting

AGM



BUDGET ESSENTIALS

Guiding Questions:

- Does the budget reflect organizational priorities?
- What are the fundamental assumptions upon which the budget has been based?
- Who is responsible for monitoring and controlling the budget expenditures?
- What are the board's budget policies that govern preparation and control of the budget?

Preparing the Budget:

- List goals and objectives for the year
- Estimate costs
- Forecast income for budget period (usually one year)
- Compare total expected revenue to the expenses
- Present budget to board for discussion and approval
- Understand difference between restricted and unrestricted dollars
- Are you planning and developing a reserve fund



Revenue Risk – Quick Test

Revenue Source	%	Level of Dependency <10% = Low 10-50% = Med > 50% = High	Level of Risk Likelihood that stream will suddenly reduce or end. Not likely = Low Somewhat Likely = Med Very Likely = High	Overall Risk <i>Low-Low, Low-Med, Low-High or Med-low = Low / Med-Med or High-Low = Med / Med-High, High-Med or High-High = High</i>
Donations				
Grants				
Contracts				
Sales				
	100			

DO YOU NEED TO DIVERSIFY?





Expenses

- Do your expenses align with what your objectives ?
- Do you compare staff compensation to industry standards ?
- What are your administrative costs ?
- Are there ways you can outsource functions ?



Monitoring

Cash v accrual accounting

Understand the difference between cash flows and accrued income

Revenue Statements – Income and loss

Balance Sheet – Cash Flow

Budget v Actual

Program/Project reporting – restricted



The Audit Process

Internal v External

Factors

What's in your Governance Documents

Size and complexity

Funding requirements

Cost

External - Levels of Accounting engagement

Audit

- Report Provided: Auditors Report
- Level of Assurance: Reasonable assurance

Review

- Report provided: Review engagement report
- Level of assurance: Plausibility

Compilation

- Report provided: Notice to reader
- Level of Assurance: Not false of misleading



Audit Policy

- Type of Audit ?
- who should do it ?
- How often do you review your engagement ?
- Materiality ?
- Reporting of the audit ?



Annual General Meeting

- AGM is a Shareholder meeting
 - Who are your shareholders/members and do you give appropriate communication ?
- Approve previous years financials
 - Make sure financials and voting is signed once approved
 - Record attendance
- You may approve Auditors for future years



Other required reporting and considerations

- Understand your filing requirements
 - Part 9 - Corporation Act
 - Societies Act
 - Revenue Canada (annual returns, GST & Payroll)
 - Charitable status (CRA)
 - Endowment funds
- Funders reporting requirements
 - Alberta Gaming
 - Grants
 - Donations etc
- Insurance
 - Directors and Officers
 - General Liability



Internal Controls


The related methods and measures adopted within an organization to help it achieve:

Reliable financial reporting	Effective and efficient operations	Compliance with relevant laws and regulations
------------------------------	------------------------------------	---



Control Activities Include

Authorization of transactions and activities	Segregation of duties	Documentation	Physical controls	Independent checks of performance	Human resource controls
--	-----------------------	---------------	-------------------	-----------------------------------	-------------------------



Sample Job Description

TREASURER

- Attend all board meetings
- Maintain knowledge of the organization and personal commitment to its goals and objectives
- Understand financial accounting for nonprofit organizations
- Serve as the chair of the finance committee
- Manage, with the finance committee, the board's review of and action related to the board's financial responsibilities
- Work with the chief executive and the chief financial officer to ensure that appropriate financial reports are made available to the board on a timely basis
- Present the annual budget to the board for approval
- Review the annual audit and answer board members' questions about the audit

Roles and Responsibilities (BoardSource 2008).

Financial Policy Essentials

- 1. Assignment of authority for necessary and regular financial actions and decisions, which may include delegation of some authority to staff leaders
- 2. Policy statement on conflicts of interest, or insider transactions
- 3. Clear authority to spend funds including approval, cheque signing, and payroll
- 4. Clear assignment of authority to enter into contracts
- 5. Clear responsibility for maintaining accurate financial records



Review

Be clearing on roles and responsibilities

Budgeting and income sources

Financial Monitoring

Auditing and controls

Policy