



HUMANiTY
FINANCIAL MANAGEMENT
Rock Solid Reporting For Causes That Count



A Presentation for CharityVillage

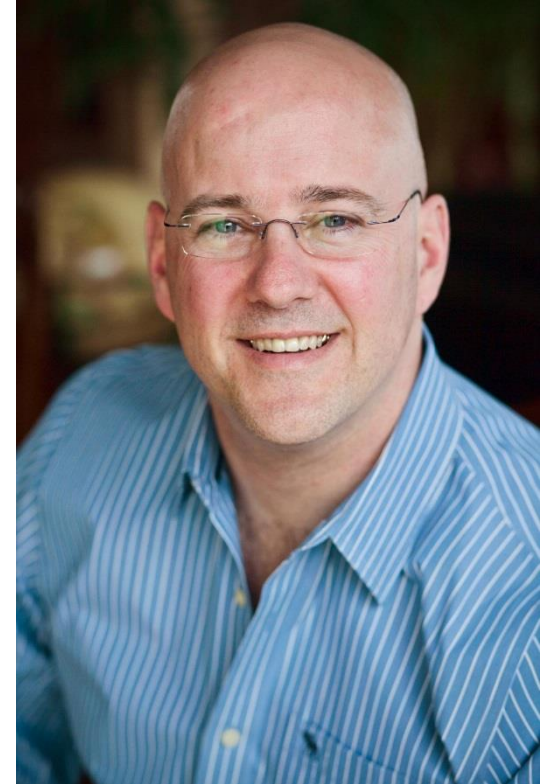
How to Read and Understand Financial Statements and Reports

For your small to midsize Charity or Not-for-profit Organization

Thursday, April 5th, 2018

Gordon Holley, CPA, CA, FCPB

- Humanity Financial Management Inc.
 - Part-time, internal, professional accountants for NFPOs, Charities
 - Typical client revenue = \$1million to \$10 million
- Protect assets and reputations of organizations and their directors
 - Complex financial reporting / QuickBooks / Sage 50
 - Review work of bookkeeper for accuracy and completeness
 - Design / re-design budgeting and reporting systems
 - Design / re-design policies, procedures & internal controls
 - Board / Treasurer / Bookkeeper financial management training and support
 - Certified Non-profit Accounting Professional training (Canada)



Agenda – Part 1

- Board Financial Governance Roles and Responsibilities
 - Why is Financial Governance important?
 - Board as a whole
 - Individual Board member
- External-use Financial Statements
 - External Accountant Role
 - Audit, Review or Compilation?
 - Are we required to have an audit?
 - Revenue Recognition
 - Typical financial statements & Questions to ask

Agenda – Part 2

- Internal-use Financial Statements and Reports
 - Bookkeeper and accountant roles
 - Treasurer's Role
 - Typical and additional reports
- Improving Financial Understanding
 - Get the right team in place
 - Use Dash boards and commentary
 - Ask questions until you understand
 - Board development – get the financial training you need

Poll 1 – External Accountant

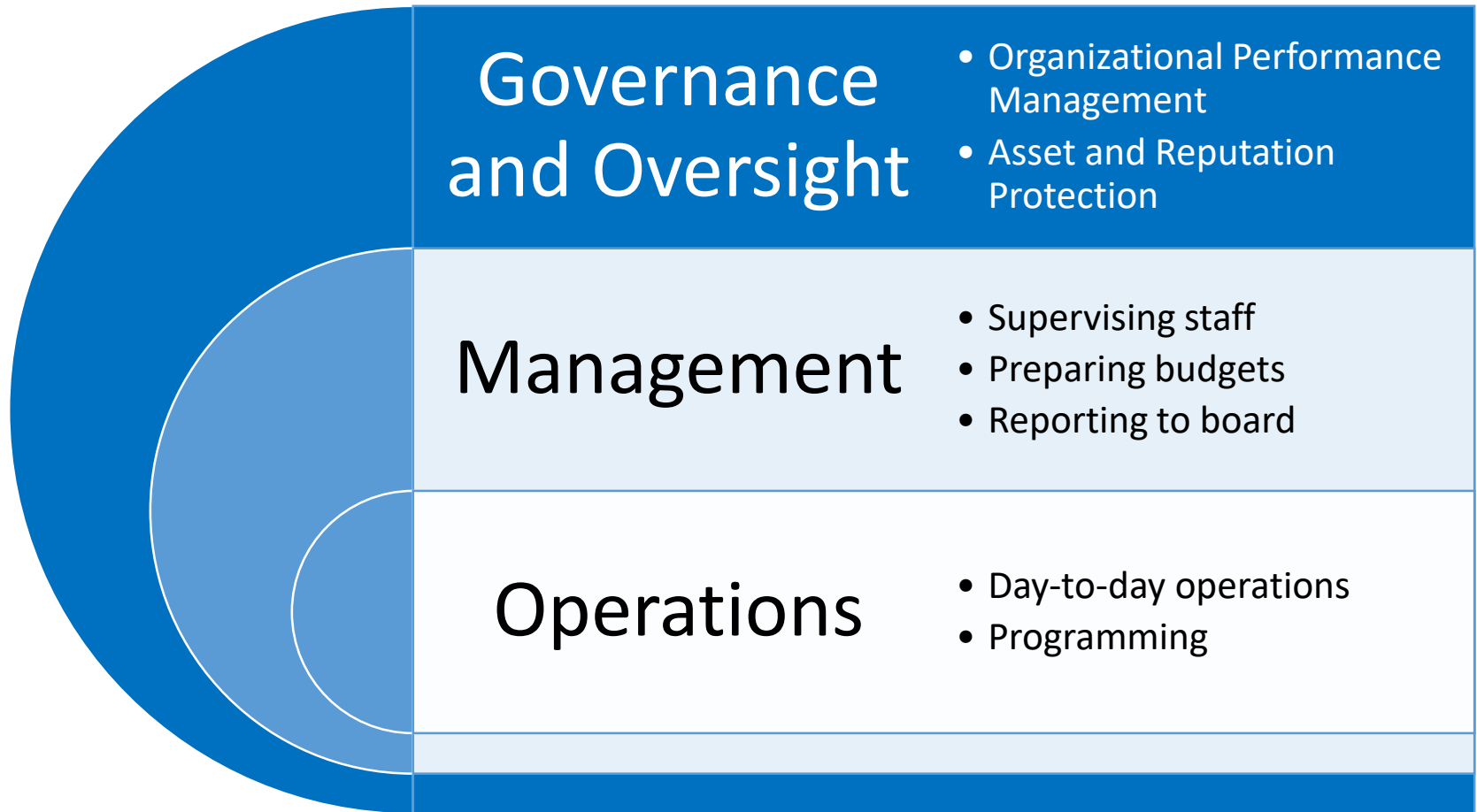


Poll 2 – Your Position



Board Financial Governance Roles and Responsibilities

Governance is Board Priority #1



Steward

1. the position and duties of a steward, a person who acts as the surrogate of another or others, especially by managing property, financial affairs, an estate, etc.
2. the responsible overseeing and protection of something considered worth caring for and preserving (Dictionary.com)

Fiduciary

Law. a person to whom property or power is entrusted for the benefit of another.

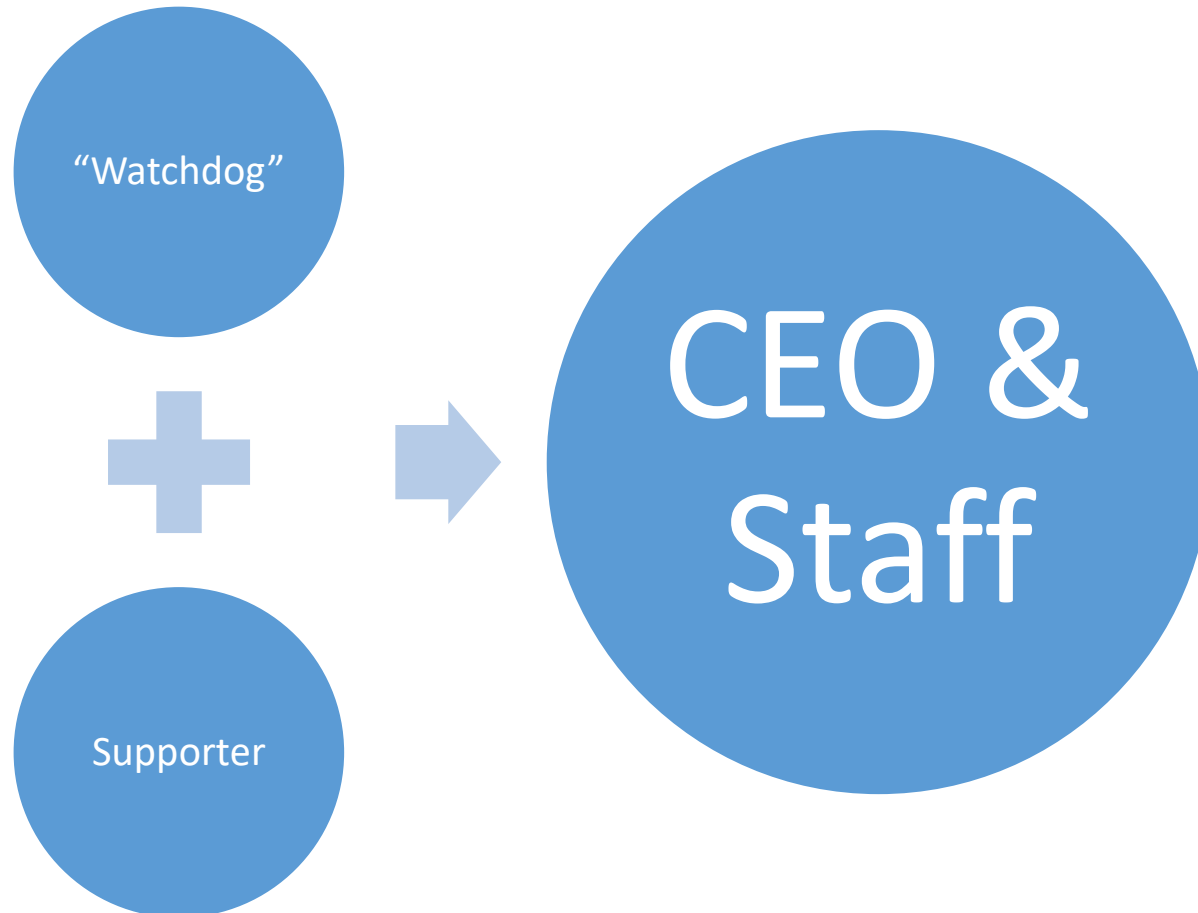
Trustee

1. a person, usually one of a body of persons, appointed to administer the affairs of a company, institution, etc.
2. a person who holds the title to property for the benefit of another

Guardian

1. a person who guards, protects, or preserves.
2. Law. a person who is entrusted by law with the care of the person or property, or both, of another, as a minor or someone legally incapable of managing his or her own affairs.

Board Governance Roles



Primary Financial Governance Risks

- **Generic Financial Risks**

- Occupational (Employee) Fraud / Theft / Embezzlement
- Running out of cash
- CRA Payroll reassessment
- Losing Charitable or NPO Status
- Other

- **Reputational risks**

- Inappropriate asset use
- Ineffective asset use
- Reporting errors



Occupational (Employee) Theft



**FRAUD
ALERT**

- CGA Canada Survey of Presence of Occupational Fraud in SMEs (Dec 2011)
 - One quarter (26%) of surveyed SMEs reported to have experienced at least one significant incident of occupational fraud in the past fiscal year!
 - 37% - BC!
- Expect higher experience rates in non-profit sector because:
 - Atmosphere of trust
 - Difficulty of verifying certain revenue streams (cash)
 - Weaker internal controls
 - Lack of business and financial expertise, and
 - Reliance on voluntary boards

What's at Stake?

Organizational Risk

- Reputation
 - Financial Scandals – Front page news
- Difficulty attracting:
 - Donors / Funders
 - Board members / staff
- Mission achievement
- Possible bankruptcy

Director Personal Risk

- Reputation
 - Financial Scandals – Front page news
- Personal financial liability
 - Payroll – 6 months
 - Payroll remittances
 - GST/HST remittances
- Lawsuits

Financial Roles of Board as a Whole

- the Board is receiving all of the financial information it needs (in appropriate and useful formats) to ensure the long term financial sustainability of the organization.
- there are appropriately skilled people (including the Treasurer) and appropriately designed systems (software, policies, processes and internal controls) in place to make sure that all financial information and reporting is relevant, timely, accurate and complete.
- financial risks are identified and managed and that the financial assets of the organization are appropriately protected through insurance and appropriate internal controls.
- the Board has the financial management skills and understanding to properly understand, evaluate and act on all financial information and reporting that it receives.
- the organization is in compliance with its regulatory environment (Provincial or Federal Incorporation legislation, Canada Revenue Agency, Ministry of Finance, Constitution and By-laws, organization policies, procedures and internal controls, etc.)

NOTE: Accountability for the responsibilities listed above CANNOT be delegated.

Roles of the Individual Director

- Read and Understand all Financial Statements and Financial Reports
- Satisfy yourself as an individual that
 - Strategic plan is most effective way to achieve mission
 - Budget is most effective way to spend available funds
 - The organization
 - has enough resources to achieve mission
 - is financially healthy and on-budget
 - has enough insurance and financial reserves to protect itself
 - is effectively managing its financial risks
 - is on-side with the Canada Revenue Agency and other regulators
- Individual board members cannot abdicate or delegate these roles without taking on personal risk!

External-use Financial Statements

No Requirement for External Accountant

- Small organization (under \$50k)
- No external funders that require reporting / audit
- Good bookkeeper (CPB?)
- Strong treasurer (CPA?)
- Comfortable filing
 - Payroll
 - Sales tax
 - Charity or NFP Information Returns

External Accountant: Annual Financial Statements

- Three levels of external accountant engagement
 - Assurance
 - 1 – Audit (positive opinion)
 - 2 – Review (limited assurance)
 - No assurance
 - 3 – Compilation (Notice to Reader)

Review Engagements

- Are a “step down” from a full audit
- CPA provides “limited assurance”
- The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.
- Does not include any confirmations with independent third parties
- The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards.

Compilations

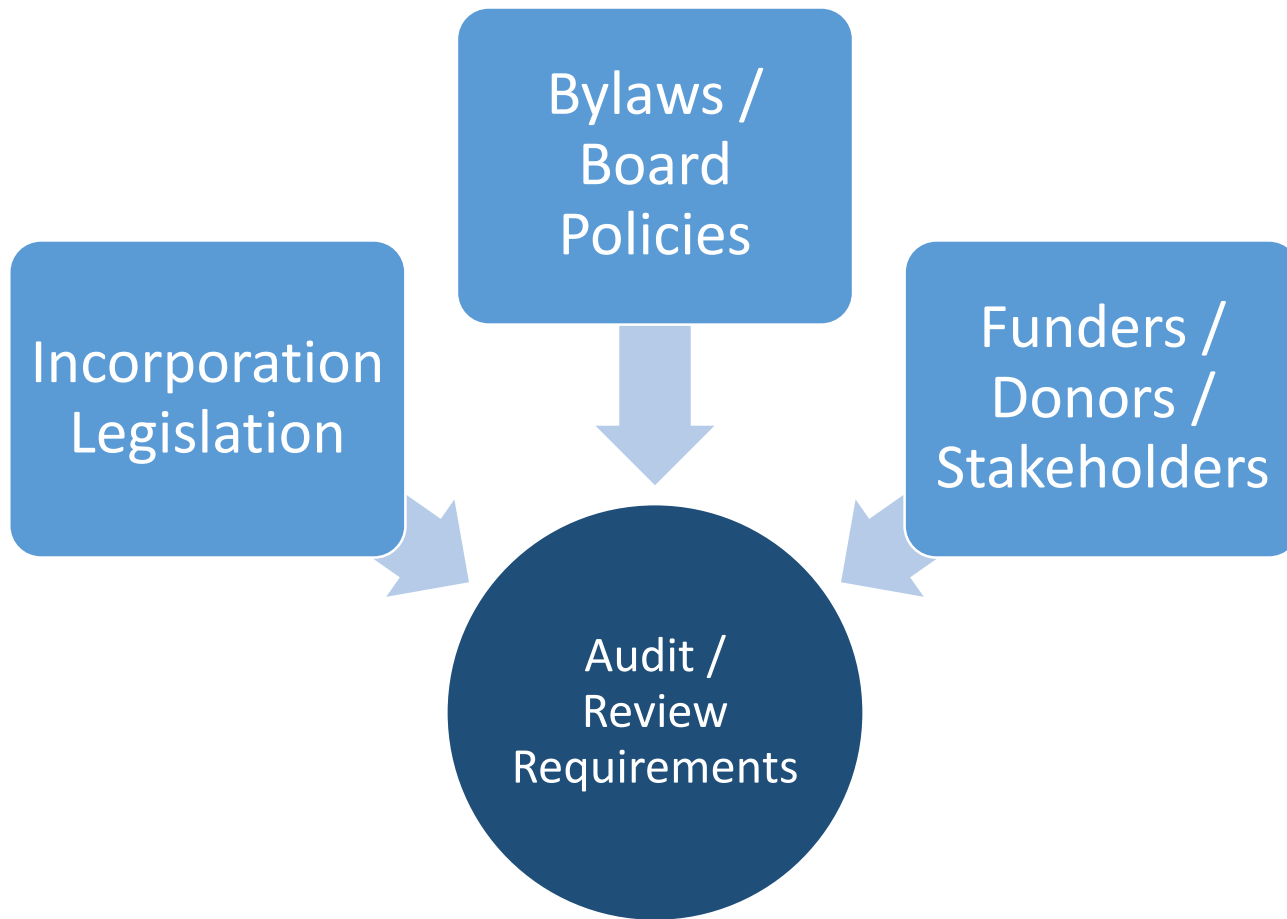
- CPA provides “no assurance,” but generally states:

“On the basis of information provided by management, I have compiled the statement of financial position of Client Limited as at, 20X1 and the statements of operations, net assets and cash flows for the (period) then ended.

I have not performed an audit or a review engagement in respect of these financial statements and, accordingly, I express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.”

Are We Required to Have an Audit or Review Engagement?



* CRA does not require any NFPO or Charity to have their financial statements audited

Unaudited vs. Audited

- Unaudited (usually internal)
 - Often Cash Basis (or partial accrual)
 - Prepared internally or through a bookkeeper or accountant
 - Prepared more frequently (Quarterly or Monthly)
- Audited or Reviewed (primarily external)
 - Accrual Basis
 - Prepared by a CPA licensed to provide these services
 - Prepared annually
 - Assurance provided by external accountant
 - In accordance with Accounting Standards for Nonprofit Organizations (“ASNPO”).

Audit Requirements for Federal and Ontario

Article by Garth Steele, CPA, CA outlines audit requirements for societies incorporated under the Canada Not-for-profit Corporations Act and the Ontario Not-for-profit Corporations Act


Article current to 17FEB2016.

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Audit Requirements for Not-For-Profit Organizations



The Canada Not-for-Profit Corporations Act (enacted in 2013) and the soon-to-be enacted Ontario Not-for-Profit Corporations Act contain specific rules surrounding the requirements for financial statement audits – or the ability to avoid conducting an audit.

All incorporated Not-for-Profit organizations should review these requirements to determine if changes can or should be made to the type of report being issued by your Public Accountant.

For further guidance on these issues, the law firm that helped you to reconstitute your corporation under the new Act would be pleased to help.

Canada Not-for-profit Corporations Act

Audited financial statements are an absolute must for Soliciting corporations with annual revenues of more than \$250,000 and for Non-soliciting corporations with annual revenues of more than \$1 million. A corporation is considered soliciting when it receives more than \$10,000 annually in income from public sources. Public sources include gifts and donations from non-members, government grants, and funds from another soliciting corporation. Certain corporations can, by unanimous resolution of its members, dispense with the appointment of a Public Accountant. A summary of the rules is as follows:

Type of Corporation	Gross Annual Revenues	May Dispense with Public Accountant	Review Engagement	Audit
Soliciting	< \$50K	Yes	Default	Optional
Soliciting	Between \$50K and \$250K	No	Optional	Default
Soliciting	>\$250K	No	N/A	Mandatory
Non-soliciting	<\$1M	Yes	Default	Optional
Non-soliciting	>\$1M	No	N/A	Mandatory

Ontario Not-for-Profit Corporations Act

Although this Act was introduced in 2013, it has yet to have all of its regulations enacted. As a result, the rules, as we understand them today, may change prior to the Act becoming enforceable. It remains unclear as to when this Act will come in to force. Under the legislation as currently worded, audited financial statements are absolutely required only for Public Benefit corporations with annual

Federal Audit Requirements

- Not-for-profit Organizations and Charities incorporated under the Canada Not-for-Profit Corporations Act:

Type of Corporation	Gross Annual Revenues	May Dispense with Public Accountant	Review Engagement	Audit
Soliciting (receives more than \$10K from public sources annually)	<\$50K	Yes	Default	Optional
	\$50K-\$250K	No	Optional	Default
	>\$250K	No	N/A	Mandatory
Non-soliciting	<\$1MM	Yes	Default	Optional
	>\$1MM	No	N/A	Mandatory

Provincial Audit Requirements – Ontario**

- Not-for-profit Organizations and Charities incorporated under the Ontario Not-for-Profit Corporations Act (2010):

Type of Corporation	Gross Annual Revenues	Can conduct Compilation Rather than Audit or Review	Review Engagement	Audit
Public Benefit (receives more than \$10K from public sources annually)	<\$100K	Yes	Optional	Default
	\$100K-\$500K	No	Optional	Default
	>\$500K	No	N/A	Mandatory
Non-public Benefit	<\$500K	Yes	Optional	Default
	>\$500K	No	Optional	Default

**** Requirements differ from province to province**

Audit Requirement under BC Societies Act

- Under the previous Society Act, about 1% of BC's 27,000 societies were considered Reporting Societies and were required to have an audit
- Under new Societies Act (effective November 28, 2016), those organizations are required to include the requirement to have an audit in their bylaws as part of their transition, but may change their bylaws after transition.
- **No requirement in new Societies Act to have an audit.**

Auditor's Opinion

INDEPENDENT AUDITORS' REPORT

To the Members of:

Report on the Financial Statements

We have audited the accompanying financial statements of [REDACTED] (the "Association") which comprise the statement of financial position as at December 31, 2016, and the statements of operations and net assets and cash flows for the year then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of [REDACTED] as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

The Association's financial statements for the period ended December 31, 2015 presented for comparative purposes are unaudited. Accordingly, our audit opinion does not extend to these comparative figures.

As required by the British Columbia Societies Act, we report that, in our opinion, the Association's financial statements have been prepared following Canadian accounting standards for not-for-profit organizations applied on a consistent basis.

Audit Opinions

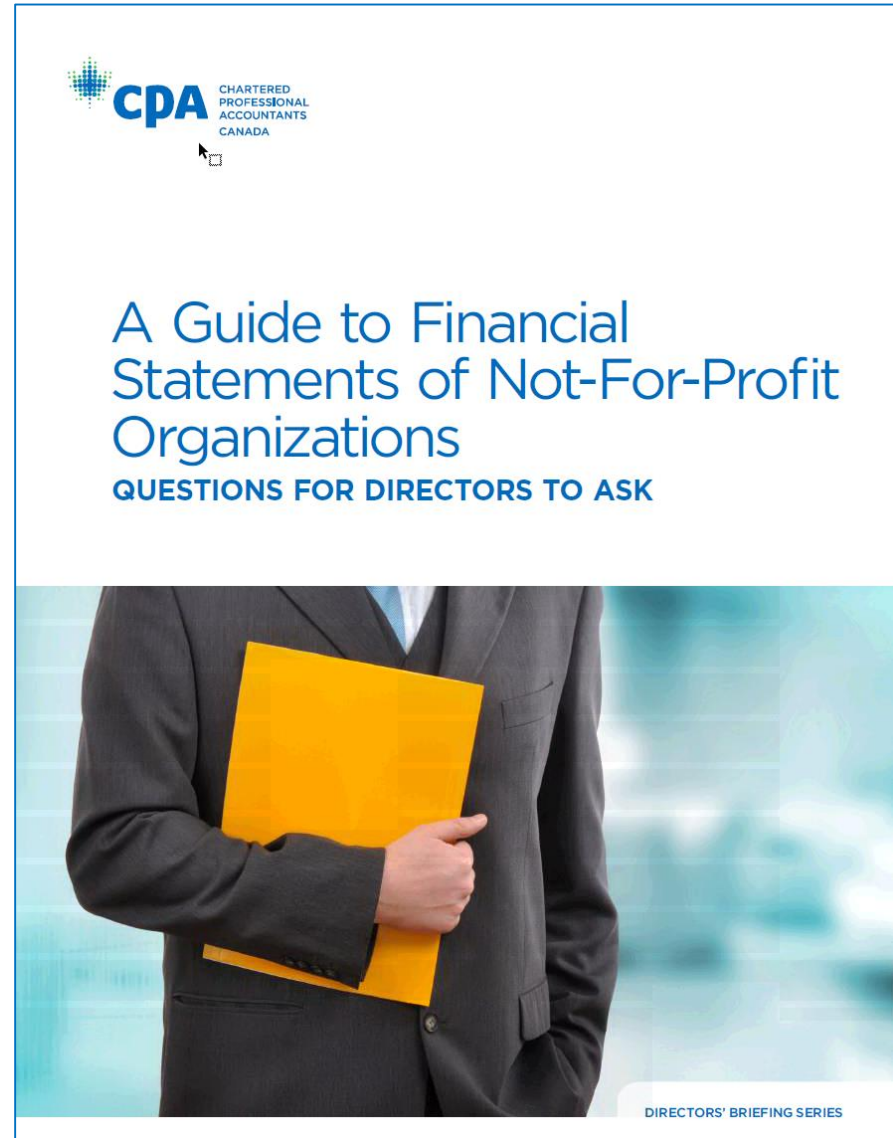
<p>“Unqualified”</p>	<ul style="list-style-type: none"> ▪ Considered a “clean opinion” ▪ States that financial statements are “presented fairly” in all material respects in accordance with accounting principles
<p>“Adverse”</p>	<ul style="list-style-type: none"> ▪ Financial statements have one or more material problems ▪ Raises awareness of issues in the opinion letter, explaining issues may include reference to a footnote
<p>“Qualified”</p>	<ul style="list-style-type: none"> ▪ Financial statements do not conform to GAAP ▪ Readers are provided explanation of items that do not conform to GAAP and impact on Financial Statements
<p>“Disclaimer of Opinion”</p>	<ul style="list-style-type: none"> ▪ “No opinion” on financial statements ▪ Auditors were unable to apply auditing standards and must include "Basis for Disclaimer of Opinion" in the auditors' report

Reading and Understanding External-use (Audited?) Financial Statements

Should be Required Reading for All Board Members

The Guide will assist NPO directors to understand:

- The role and responsibilities of the board, management and the auditor in financial reporting;
- The concepts and terminology of financial reporting in the NPO sector;
- The ways in which contributions (i.e., donations) to the organization can be accounted for; and
- The various financial statements they will encounter in their role as an NPO director.



<https://www.cpacanada.ca/en/business-and-accounting-resources/strategy-risk-and-governance/not-for-profit-governance/publications/nfp-financial-statements-guide-directors-questions>

Read and Understand Financial Statements

- Most reference materials are for “for-profit” organizations which are different than NPOs and Charities
- Most reference materials for NPOs and Charities are for USA – accounting rules for NPOs and Charities are different than in Canada

Accrual-based Reporting

Cash-basis

- Financial events recognized when cash changes hands
- Revenue recognized when cash received
- Expenses recognized when cash paid
- No accounts receivable
- No accounts payable
- No deferred revenue
- Not GAAP – May lead to “Qualified” Audit opinion
- Not recommended

Accrual-basis

- Financial events recognized when they occur
- Revenue recognized when earned or invoiced
- Expenses recognized when goods received or services performed
- Recommended

Revenue Recognition - Policy Choice

- Choice of Revenue Recognition method:
 - Deferral method
 - Restricted Fund method
- Choice of policy followed disclosed in Significant Accounting Policies in Notes to Financial Statements.
- Annual surpluses / deficits can vary significantly based on choice of method.

Deferral Method

- Most popular method
- Surpluses on donor-restricted funds deferred to balance sheet and recognized as revenue as expenses are incurred.
- Attempts to show NIL surpluses on all donor-restricted funds. Even's income from year to year.
- Only surpluses recognized in Statement of Operations are on unrestricted funds

Example - \$1MM Contribution

Statement of Financial Position

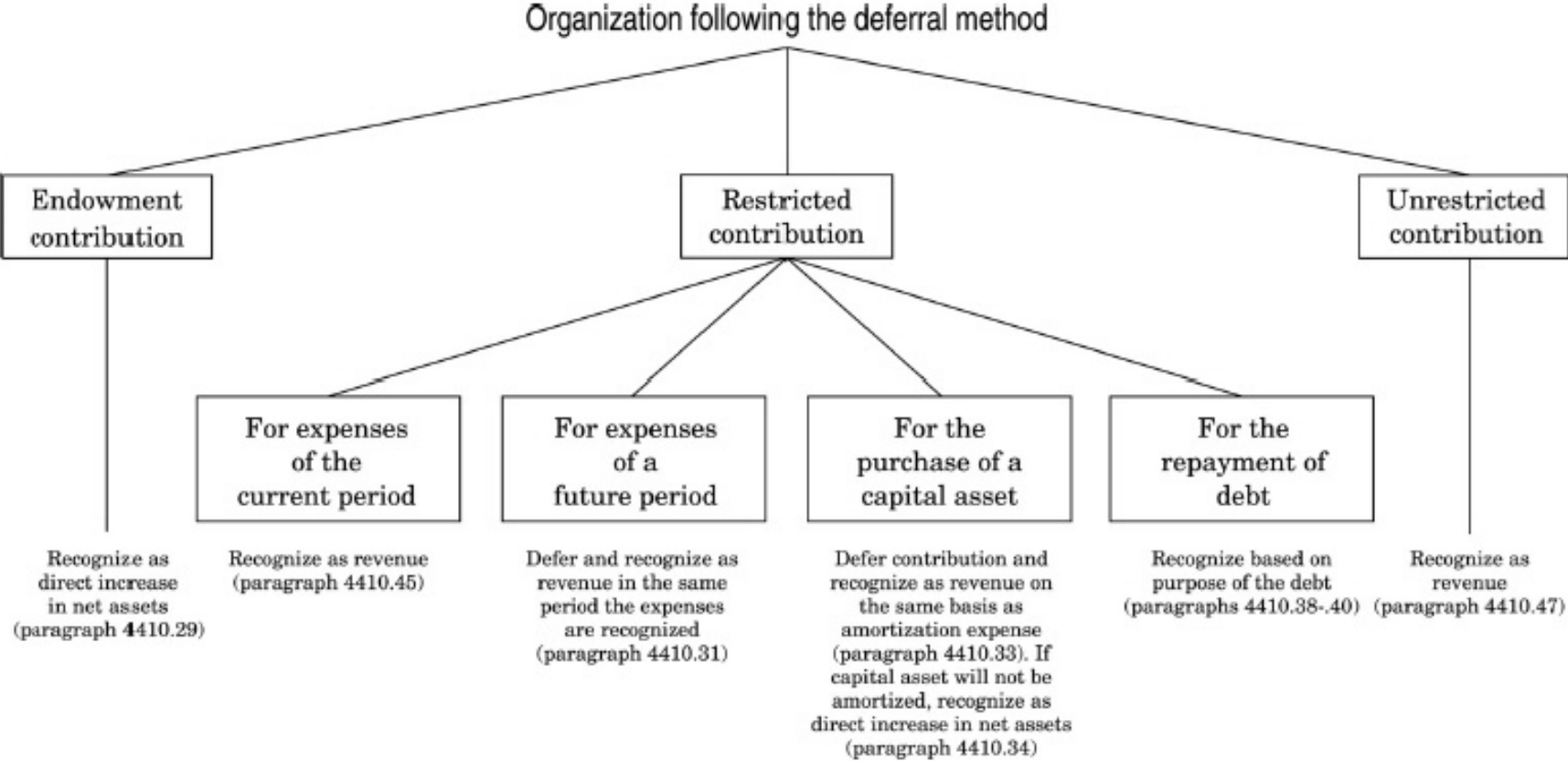
- Cash \$900,000
- Deferred Contributions \$900,000
- Net Assets NIL

Statement of Operations

- Revenue \$100,000
- Expenses \$100,000
- Surplus/deficit NIL

Recognize enough revenue to cover all of the expenses incurred in the period and defer any unspent contributions to the Statement of Financial Position

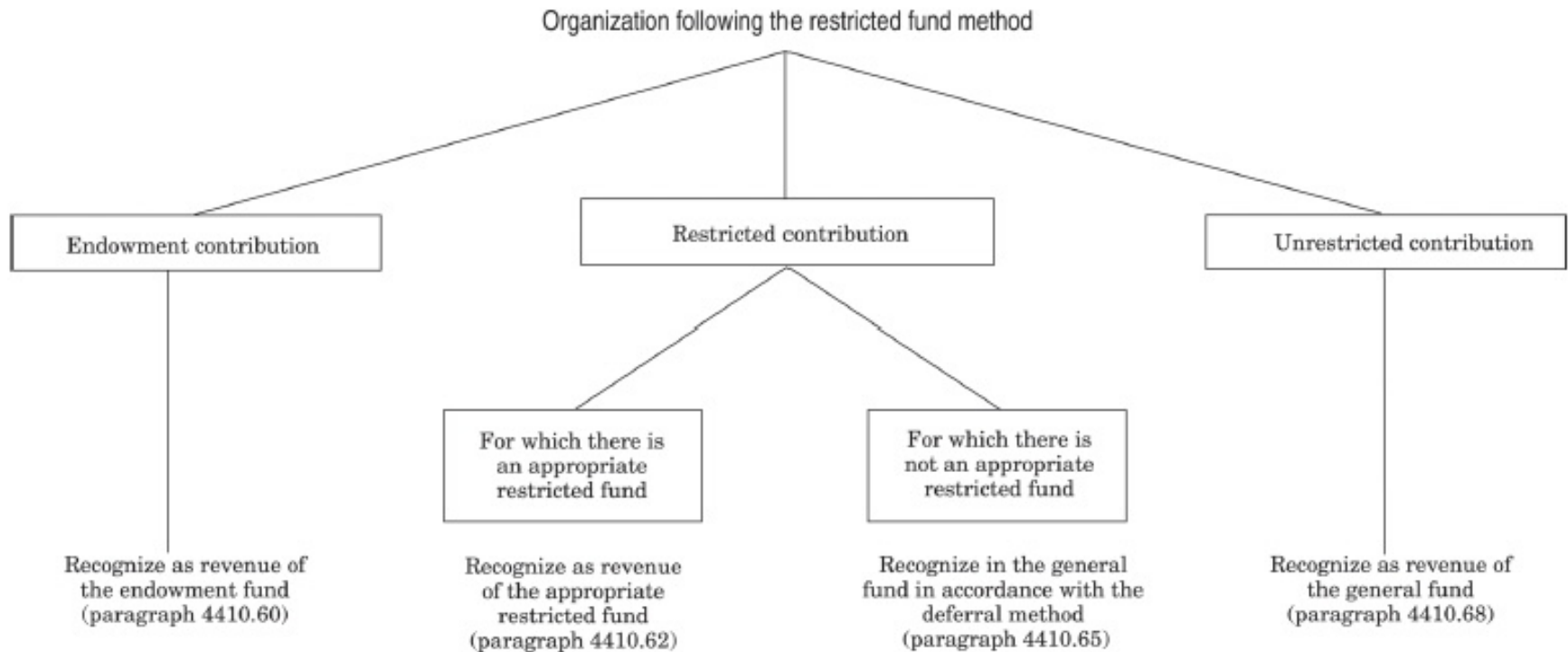
Revenue Recognition – Deferral Method



Restricted Fund Method

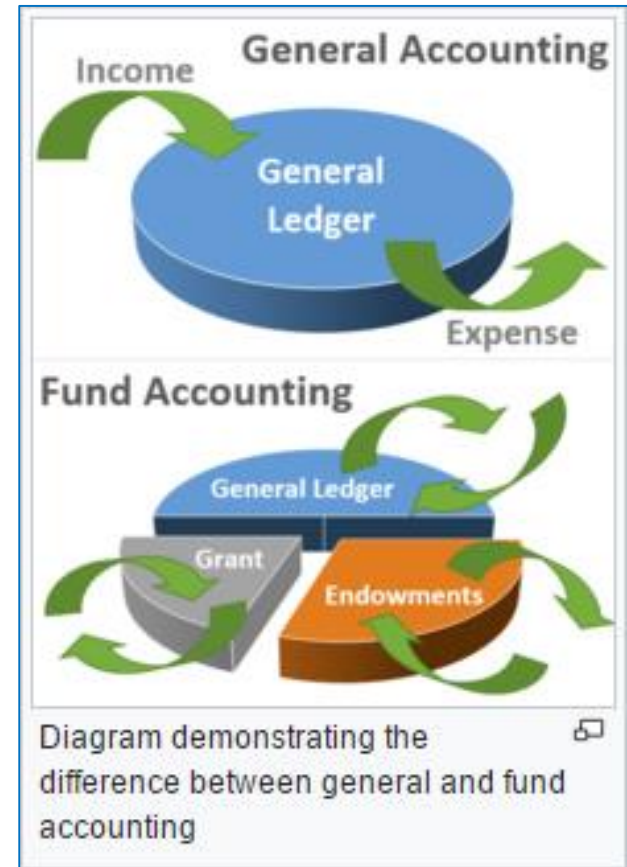
- Recognizes 100% of revenue received in the year
- Often shows significant fluctuations in surplus/deficit every year
- Primary used by organizations that follow Fund Accounting and want to show surplus/deficit by fund restriction.

Revenue Recognition – Restricted Fund Method

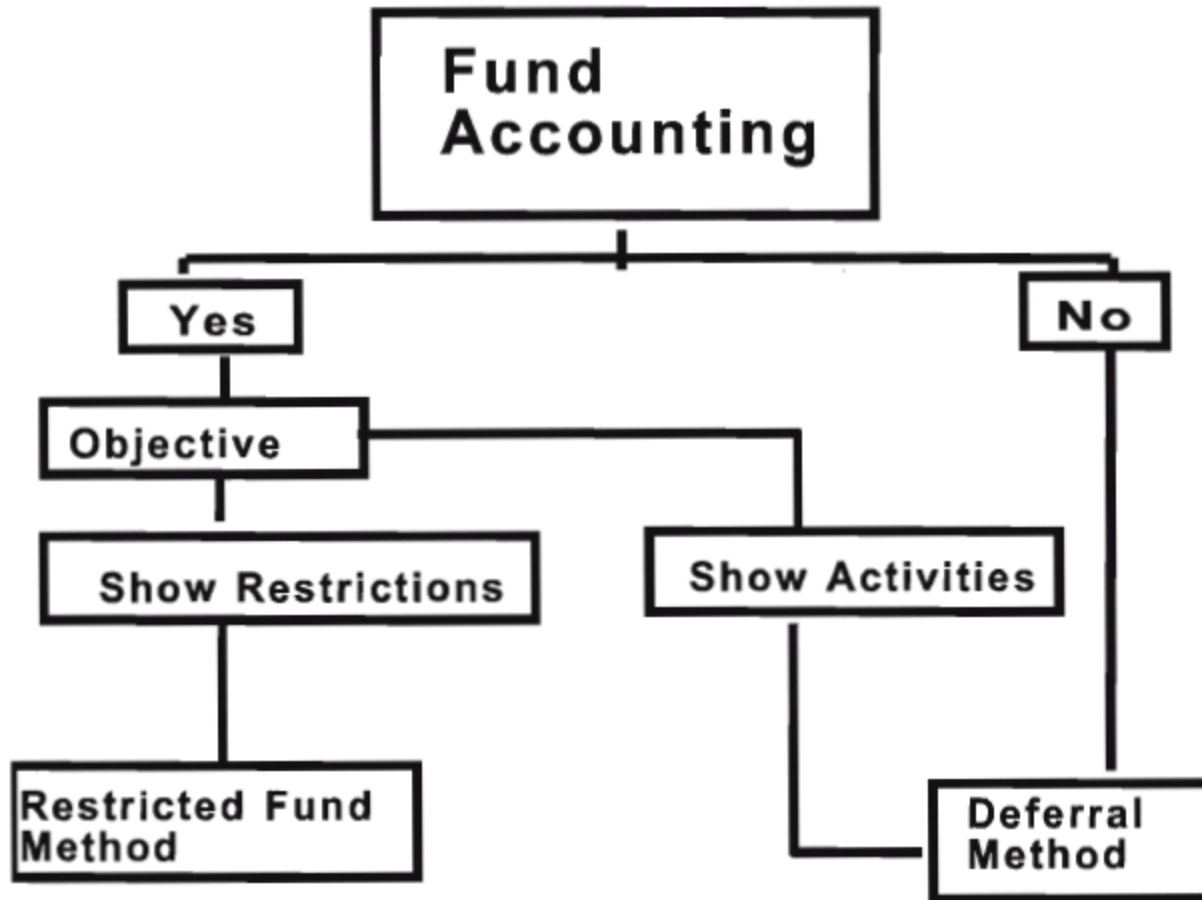


Fund Accounting

- Fund accounting is an accounting system for recording resources whose use has been limited by the donor, grant authority, governing agency, or other individuals or organizations or by law.
- It emphasizes accountability rather than profitability and is used by Nonprofit organizations and by governments.
- In this method, a fund consists of a self-balancing set of accounts and each are reported as either unrestricted, restricted or endowed based on the provider-imposed restrictions.



Revenue Recognition - Policy Choice



4400 - Financial Statements

- All not-for-profit organizations must present:
 - **Statement of Financial Position** (Balance sheet)
 - **Statement of Operations** (Statement of Activities, Revenues & Expenses)
 - **Statement of Changes in Net Assets** (Fund Balances)
 - can also be combined with Statement of Operations
 - **Statement of Cash Flows**
 - Accompanying **Notes** to the financial statements

The Statement of Financial Position

(Balance Sheet)

- Must report on organization *as a whole*
 - Instead of reporting on separate functions of the organization
- Organizes accounts into asset and liability classifications such as:
 - Current assets, fixed assets, current and long term liabilities, as of a specific moment in time (last day of the fiscal year)
- Focuses on liquidity
 - Assets are presented in order of their proximity to cash
 - Liabilities are presented according to the nearness of their maturity and resulting use of cash

Statement of Financial Position (Balance Sheet)

Assets:	Everything that the organization owns
Current assets	Money (cash, term deposit), AR, PPDS
Fixed assets	Any THING or PROPERTY the organization has bought
Liabilities:	Everything that the organization owes
Current Liabilities	Payments that have to be made within one year.
Deferred Contributions	May be current or long-term
Long-term liabilities	Amounts that will be paid off in more than one year (Mortgage, etc.)
Net Assets:	Total assets minus total liabilities

Statement of Financial Position

Deferral Method

Note single column for current year

NONPROFIT NETWORK STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

		ASSETS	
		2013	2012
Current Assets	✦		
Cash		\$ 281,628	\$ 418,270
Accounts receivable		38,659	6,790
Government remittances receivable		23,638	11,302
Prepaid expenses and deposits (note 3)		<u>57,247</u>	<u>6,122</u>
		401,172	442,484
Tangible Capital Assets (note 4)		3,314	2,817
Intangible Asset (note 5)		<u>14,154</u>	<u>-</u>
		<u>\$ 418,640</u>	<u>\$ 445,301</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 65,805	\$ 7,415
Government remittances payable		3,370	-
Deferred revenue (note 6)		<u>189,235</u>	<u>321,431</u>
		258,410	328,846
Commitments (note 9)			
Net Assets			
Unrestricted		<u>160,230</u>	<u>116,455</u>
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Statement of Financial Position

Deferral Method

Note single column for current year

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Intangible Asset (note 5)		<u>14,154</u>	<u>-</u>
		<u>\$ 418,640</u>	<u>\$ 445,301</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 65,805	\$ 7,415
Government remittances payable		3,370	-
Deferred revenue (note 6)		<u>189,235</u>	<u>321,431</u>
		258,410	328,846
Commitments (note 9)			
Net Assets			
Unrestricted		<u>160,230</u>	<u>116,455</u>
		<u>\$ 418,640</u>	<u>\$ 445,301</u>

Net Assets (Fund Balances)

- Example - Net Assets
 - Endowment Funds
 - Bob Smith Endowment Fund for Overhead Costs
 - Mary Jones Endowment Fund for Program Costs
 - **Restricted Funds (Only with Restricted Fund Method)**
 - Grant from Province of Ontario for Program Costs
 - Grant from Trillium Foundation for Program Costs
 - Unrestricted funds
 - General (Cumulative surpluses since inception)
 - Includes general donations, other unrestricted funds
 - Internally restricted operating reserve fund
 - Unrestricted grant from Muttart Foundation

Net Assets (Fund Balances)

- **Endowment**

- Sometimes called “permanently restricted”
- Asset must be kept in perpetuity by the not-for-profit organization, per donor instructions (Internally restricted funds cannot be endowments)
- Earnings from endowment net assets can either be unrestricted or restricted, per donor instructions

Net Assets (Fund Balances)

- **Restricted (Restricted Fund Method Only)**
 - Includes assets for which the use has been restricted by donor
 - Restrictions must be made by external third-parties (funders/donors)
 - Funds can be restricted by
 - Activity (what you can use funds for); or
 - Time (when you can use funds)

Net Assets (Fund Balances)

- **Unrestricted**

- Includes the cumulative net “surplus” (profit) or “deficit” (loss) experienced since inception
- Excludes funds that have donor-imposed restrictions
- Includes Internally Restricted (Board Designated) Funds
 - Funds commonly earmarked for internal restrictions, such as capital or operational reserves

Net Assets (Fund Balances)

- **Operating Reserve**

- **Every organization should have one**
- **3-6 months of expenses**
- **Build over years**
- **Requires a board motion to set up**
- **Can be changes by the board at any time**
- **Shows up as a separate fund under net assets**

Statement of Financial Position

Deferral Method

Note single column for current year

NONPROFIT NETWORK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

ASSETS		2013	2012
Current Assets	✦		
Cash		\$ 281,628	\$ 418,270
Accounts receivable		38,659	6,790
Government remittances receivable		23,638	11,302
Prepaid expenses and deposits (note 3)		<u>57,247</u>	<u>6,122</u>
		401,172	442,484
Tangible Capital Assets (note 4)		3,314	2,817
Intangible Asset (note 5)		<u>14,154</u>	<u>-</u>
		<u>\$ 418,640</u>	<u>\$ 445,301</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 65,805	\$ 7,415
Government remittances payable		3,370	-
Deferred revenue (note 6)		189,235	321,431
		258,410	328,846
Commitments (note 9)			
Net Assets			
Unrestricted		<u>160,230</u>	<u>116,455</u>
		<u>\$ 418,640</u>	<u>\$ 445,301</u>

Questions to Ask: Statement of Financial Position

- What are the components of cash and cash equivalents? Are any of these at risk of losing value?
- Who owes us the accounts receivable? What is the age profile of these accounts? Is there likely to be a problem in collecting these amounts? Has any provision been taken for uncollectable amounts?
- What are the components of prepaid expenses? (These often arise from amounts paid for services before they are rendered, like insurance or rent.) Do we have any choice about paying in advance?
- What are the major types of invested assets (investments) we hold? Do we have an investment policy? Are the investments in accordance with that policy? What are the prospects for future changes in value and income from these investments? What are the risks associated with these types of investments? Are the risks appropriate for our organization at this time?¹¹ What happens to these assets if we wind down the organization?
- What are the capital assets we own? Where in the organization are they used? How are these assets depreciated or amortized? That is, how do we record the “consumption” or use of these assets over time to reflect their declining useful life and utility to the organization?
- To whom do we owe accounts payable? Do we pay these amounts on a timely basis, and specifically, in accordance with the payment terms that suppliers or others have specified in order to avoid further costs?
- What is included in other liabilities? To whom are these owed and why? When will these amounts come due, and will we have the cash resources to pay them?

From: A Guide to Financial Statements of Not-for-profit Organizations (CPA Canada)

Statement of Changes in Net Assets

Deferral Method

Note single column for current year

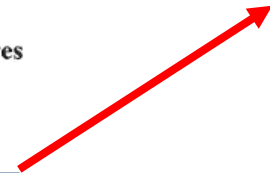
Shows cumulative surplus or deficits since incorporation

Connects the Statement of Financial Position to the Statement of Operations

NONPROFIT NETWORK
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Balance, Beginning of Year	\$ 116,455	\$ 70,682
Excess of Revenues Over Expenditures	<u>43,775</u>	<u>45,773</u>
Balance, End of Year	<u>\$ 160,230</u>	<u>\$ 116,455</u>

Ties into last year's ending balance on Statement of Financial Position



Statement of Changes in Net Assets

Deferral Method

Note single column for current year

Shows cumulative surplus or deficits since incorporation

Connects the Statement of Financial Position to the Statement of Operations

NONPROFIT NETWORK
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
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Excess of Revenues Over Expenditures	43,775	<u>45,773</u>
Balance, End of Year	<u>\$ 160,230</u>	<u>\$ 116,455</u>

Ties into current year's surplus from Statement of Operations



Statement of Changes in Net Assets

Deferral Method

Note single column for current year

Shows cumulative surplus or deficits since incorporation

Connects the Statement of Financial Position to the Statement of Operations

NONPROFIT NETWORK
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Balance, Beginning of Year	\$ 116,455	\$ 70,682
Excess of Revenues Over Expenditures	<u>43,775</u>	<u>45,773</u>
Balance, End of Year	<u>\$ 160,230</u>	<u>\$ 116,455</u>

Ties into closing balance on Statement of Financial Position



Statement of Operations

Deferral Method

Note single column for current year

Surplus at bottom represents only surplus on unrestricted funds.

All surpluses on restricted funds deferred and shown on Statement of Financial Position as “Deferred Revenue” or “Deferred Contributions”.

NONPROFIT NETWORK STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Revenues		
Grant revenues (note 7)	\$ 433,102	\$ 310,379
Consulting and advisory services	125,780	47,995
Donations	97,355	99,390
Workshops and events	90,525	83,349
Membership fees	57,317	52,343
Interest and miscellaneous	<u>2,886</u>	<u>2,192</u>
	806,965	595,648
Expenditures		
Amortization of tangible capital assets	700	2,667
Amortization of intangible asset	3,538	-
Consulting and advisory	66,863	7,392
Interest and bank charges	2,384	1,380
Marketing and promotion	20,691	42,530
Office	33,402	16,477
Professional development	7,816	4,797
Professional fees (note 10)	114,433	46,325
Rent	13,121	12,326
Salaries and benefits	413,452	359,037
Travel	11,189	7,061
Workshops and events	<u>75,601</u>	<u>49,883</u>
	<u>763,190</u>	<u>549,875</u>
Excess of Revenues over Expenditures	<u>\$ 43,775</u>	<u>\$ 45,773</u>

Statement of Operations

Deferral Method

Note single column for current year

Surplus at bottom represents only surplus on unrestricted funds.

All surpluses on restricted funds deferred and shown on Statement of Financial Position as “Deferred Revenue” or “Deferred Contributions”.

NONPROFIT NETWORK
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Revenues		
Grant revenues (note 7)	\$ 433,102	\$ 310,379
Consulting and advisory services	125,780	47,995
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Excess of Revenues over Expenditures	<u>\$ 43,775</u>	<u>\$ 45,773</u>

Statement of Operations

Deferral Method

Note single column for current year

Surplus at bottom represents only surplus on unrestricted funds.

All surpluses on restricted funds deferred and shown on Statement of Financial Position as “Deferred Revenue” or “Deferred Contributions”.

**NONPROFIT NETWORK
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013	2012
Revenues		
Grant revenues (note 7)	\$ 433,102	\$ 310,379
Consulting and advisory services	125,780	47,995
Donations	97,355	99,390
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Membership fees	57,317	52,343
Interest and miscellaneous	<u>2,886</u>	<u>2,192</u>
	806,965	595,648
Expenditures		
Amortization of tangible capital assets	700	2,667
Amortization of intangible asset	3,538	-
Consulting and advisory	66,863	7,392
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Marketing and promotion	20,691	42,530
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Travel	11,189	7,061
Workshops and events	<u>75,601</u>	<u>49,883</u>
	763,190	549,875
Excess of Revenues over Expenditures	\$ <u>43,775</u>	\$ <u>45,773</u>

Statement of Operations

Deferral Method

Note single column for current year

Surplus at bottom represents only surplus on unrestricted funds, or surplus on other sources of revenue

All surpluses on restricted funds deferred and shown on Statement of Financial Position as “Deferred Revenue” or “Deferred Contributions”.

NONPROFIT NETWORK
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Revenues		
Grant revenues (note 7)	\$ 433,102	\$ 310,379
Consulting and advisory services	125,780	47,995
Donations	97,355	99,390
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Membership fees	57,317	52,343
Interest and miscellaneous	<u>2,886</u>	<u>2,192</u>
	806,965	595,648
Expenditures		
Amortization of tangible capital assets	700	2,667
Amortization of intangible asset	3,538	-
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Interest and bank charges	2,384	1,380
Marketing and promotion	20,691	42,530
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Salaries and benefits	413,452	359,037
Travel	11,189	7,061
Workshops and events	<u>75,601</u>	<u>49,883</u>
	763,190	549,875
Excess of Revenues over Expenditures	\$ 43,775	\$ 45,773

Questions to Ask: Statement of Operations - Revenue

- Who provides each category of revenue to the organization and why? Are there restrictions on how these revenues are used?
- What are the costs associated with raising this kind of revenue? Is the effort of raising these funds worthwhile? Are there opportunities to increase revenues from this source?
- In particular, what are our fundraising expenditures as a percentage of funds raised? How does this compare with similar charitable NPOs? Are the fundraising costs warranted, relative to the benefits received? Do we have fundraising protocols that provide guidance to management?
- Who are our competitors for these revenues? Do they represent possible collaborators?
- Have we remained true to our mission in pursuing funding for specific programs, or have we focused too much on acquiring the revenues, even if the activities funded blur our focus (so-called “mission creep”)?
- Are there revenues devoted for a specific program, project or activity? **Do these revenues include funding to sustain the organization’s overhead (so-called “core funding”)? If not, how is infrastructure to be funded as the program, project or activity places greater stress on it?**
- How do we go about soliciting these revenues? Are we adhering to board policies or standards around ethical fundraising activities?
- How secure is each source of revenue for future periods?

From: A Guide to Financial Statements of Not-for-profit Organizations (CPA Canada)

Questions to Ask: Statement of Operations - Expenses

- What lies behind the expenditures on salaries and benefits? Where in the organization are employees deployed? What is our compensation policy? When did we last award raises and when is the next scheduled change? What benefits do we provide our employees? How do we handle vacations and vacation pay? How does our compensation stack up in the marketplace? How senior is our staff group? What costs would we incur if we had to lay off staff?
- What explains rent and occupancy costs? What spaces do we rent (or own)? What are they used for? Are they sufficient? What are the major lease/rental terms? How long until we have to move or negotiate a new lease?
- What is the nature of our marketing and communication costs? How do we select communications channels to use, especially new, digital media channels? How do we identify, select and reach our target audiences?
- What lies behind the charges for equipment rental? Has the “rent vs. buy” analysis been undertaken?
- What is the policy for amortization of capital assets?
- What is included in other expenses? Should any of the items be disclosed separately?

From: A Guide to Financial Statements of Not-for-profit Organizations (CPA Canada)

Statement of Cash Flows

- The cash flow statement looks at
 - Where an entity *obtained* its cash and
 - Where it *spent* cash during a certain time period
- Activity reported from organization regarding
 - Operations
 - Investing
 - Financing

*Examples of investing and financing activities, such as purchase of long lived asset in investing and grants restricted for investment in long lived assets as financing
- Must disclose any non-cash activity such as acquisitions of equipment on finance
- Direct (encouraged) vs. Indirect Methods

Statement of Cash Flows

Indirect Method

Using "Indirect" Method.

Starts with summarized Excess of Revenues over Expenditures (from Statement of Operations) rather than details of gross cash inflows and outflows.

PILLAR NONPROFIT NETWORK

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Cash Flows from Operating Activities		
Excess of revenues over expenditures	\$ 43,775	\$ 45,773
Items not requiring an outlay of cash:		
Amortization of tangible capital assets	700	2,667
Amortization of intangible asset	<u>3,538</u>	<u>-</u>
	48,013	48,440
Changes in non-cash working capital:		
Accounts receivable	(31,869)	(5,743)
Government remittances receivable	(12,336)	-
Prepaid expenses	(51,125)	(3,516)
Accounts payable and accrued liabilities	58,390	870
Government remittances payable	3,370	-
Deferred revenue	<u>(132,196)</u>	<u>114,105</u>
Net Cash Provided by (Used in) Operating Activities	(117,753)	154,156
Cash Flows from Investing Activities		
Purchase of tangible capital assets	(1,197)	(2,600)
Purchase of intangible assets	<u>(17,692)</u>	<u>-</u>
Net Cash Used in Investing Activities	(18,889)	(2,600)
Net Increase (Decrease) in Cash	(136,642)	151,556
Cash, Beginning of Year	<u>418,270</u>	<u>266,714</u>
Cash, End of Year	<u>\$ 281,628</u>	<u>\$ 418,270</u>

Statement of Cash Flows

Indirect Method

Using "Indirect" Method.

Starts with summarized Excess of Revenues over Expenditures (from Statement of Operations) rather than details of gross cash inflows and outflows.

NONPROFIT NETWORK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Cash Flows from Operating Activities		
Excess of revenues over expenditures	\$ 43,775	\$ 45,773
Items not requiring an outlay of cash:		
Amortization of tangible capital assets	700	2,667
Amortization of intangible asset	<u>3,538</u>	<u>-</u>
	48,013	48,440
Changes in non-cash working capital:		
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Government remittances receivable	(12,336)	-
Prepaid expenses	(51,125)	(3,516)
Accounts payable and accrued liabilities	58,390	870
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Deferred revenue	<u>(132,196)</u>	<u>114,105</u>
Net Cash Provided by (Used in) Operating Activities	(117,753)	154,156
Cash Flows from Investing Activities		
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Purchase of intangible assets	<u>(17,692)</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(18,889)</u>	<u>(2,600)</u>
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Cash, Beginning of Year	<u>418,270</u>	<u>266,714</u>
Cash, End of Year	<u>\$ 281,628</u>	<u>\$ 418,270</u>

Ties into
Statement of Financial Position



HUMANITY
FINANCIAL MANAGEMENT
Rock Solid Reporting For Causes That Count

Statement of Cash Flows

Direct Method

Note single column for current year.

Using “Direct” Method.

Provides detail in Red box that shows gross cash inflows and outflows by type.

Cash flows from operating activities		
Cash received from the Provincial government for operations	\$ 165	\$ 187
Cash received from general contributions	83	45
Cash received from the ABC Foundation	38	31
Cash received from membership fees	105	105
Investment income received for operating purposes	12	22
Cash paid for salaries and benefits	(300)	(337)
Cash paid for materials and services	(28)	(23)
Mortgage interest paid	(27)	0
Net cash generated through operating activities	48	30
Cash flows from financing activities		
Mortgage financing	675	0
Contributions of cash for capital assets	125	0
Contributions of cash for endowment	75	0
Income received on capital asset investments	3	0
Net cash generated through financing activities	878	0
Cash flows from investing activities		
Purchase of capital assets	(765)	0
Purchase of investments (capital asset fund)	(120)	0
Purchase of investments (endowment fund)	(90)	0
Contributed equipment put in service	(8)	0
Mortgage principal repayment	(6)	0
Net cash used in investing activities	(989)	0
Net (decrease) increase in cash and term deposits	(63)	30
Cash and term deposits, beginning of year	240	210
Cash and term deposits, end of year	\$ 177	\$ 240

The Notes:

Significant Disclosure Guidelines

- Description of the organization
 - Including summary of mission; mission should be consistent with mission included in form T1044/T3010
- Basis of accounting (cash, accrual)
 - If other than accrual will not be in accordance with CDN GAAP and may result in a qualified opinion (but may be OK for tax purposes)
- Summary of significant accounting policies
 - Revenue recognition, fair value measures, use of estimates
- Fixed assets
- Debt
- Restricted and Endowment net assets
- Related party transactions
- Subsequent events / Commitment and contingencies
- Allocated expenses

Notes to Financial Statements

May be multiple pages. This is first of five pages in actual statements.

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NONPROFIT NETWORK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

1. Nature of the Business

Nonprofit Network ("the organization") was incorporated by letters of patent, under the Ontario Corporations Act, without share capital, on July 21, 2003.

2. Significant Accounting Policies

The financial statements of the organization have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. Those policies that are considered to be particularly significant are outlined below:

(a) Tangible Capital Assets and Amortization

Purchased tangible capital assets are recorded at cost. Capital assets that are funded by grants are expensed in the same period as the grant revenue. Amortization is provided using the declining balance method at the following rates:

Furniture and equipment	20%
-------------------------	-----

When tangible capital assets are retired or otherwise disposed of, the assets and related accumulated amortization thereon are removed from the accounts and the resulting gain or loss is credited or charged to income.

(b) Intangible Asset and Amortization

Acquired intangible assets are recorded at cost. Amortization is provided for using the straight line method over the asset's useful life. The intangible asset existing at year end consists of the costs incurred to develop the organization's website, which have been amortized based on an estimated useful life of 5 years.

(c) Impairment of Long-lived Assets

Long-lived assets are tested for recoverability when events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Restricted Fund Method

Statement of Financial Position

Restricted Fund Method

Note multiple columns for current year – broken down between various restricted funds

Sample Not-for-Profit Association
STATEMENT OF FINANCIAL POSITION
As At Month, Day, Year
(\$ 000s)

STATEMENT 1

	Capital Assets			Total	
	General fund	fund	Endowment fund	Year	Prior
Current assets					
Cash and term deposits	\$ 177	\$ —	\$ —	\$ 177	\$ 240
Accounts receivable	30	—	—	30	15
Grant receivable	—	—	—	—	38
	207			207	293
Held to maturity investments (fair value \$358 — prior \$153) (Note 2)	—	120	240	360	150
Capital assets (Notes 2 and 3)	—	941		941	203
	\$ 207	\$ 1,061	\$ 240	\$ 1,508	\$ 646
Current liabilities					
Accounts payable and accrued liabilities ^y	\$ 36	\$ —	\$ —	\$ 36	\$ 30
Current portion of mortgage payable (Note 4)	—	9	—	9	—
	36	9	—	45	30
Mortgage payable (Note 4)	—	662	—	662	—
Lease payable (Note 5)	165	—	—	165	158
	201	671	—	872	188
Fund balances (Note 11)					
Invested in capital assets ¹	—	270	—	270	203
Externally restricted (Note 6)	—	120	225	345	150
Internally restricted (Note 7)	—	—	15	15	—
Unrestricted	6	—	—	6	105
	6	390	240	636	458
	\$ 207	\$ 1,061	\$ 240	\$ 1,508	\$ 646

Statement of Operations and Changes in Fund Balances

Restricted Fund Method

Note multiple columns for current year

Note combined operations and fund balances (Net Assets).

Only surpluses on funds specifically designated by funders/donors to apply to future periods are deferred.

All other revenue recognized in its entirety in the year.

Surplus / Deficit subject to large fluctuations from year to year

Sample Not-for-Profit Association
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES STATEMENT 2
 For The Year Ended Month, Day, Year
 (\$ 000s)

	General fund		Capital Assets fund		Endowment fund	
	Year	Prior	Year	Prior	Year	Prior
REVENUES						
Provincial government grants	\$ 158	\$ 150	\$ —	\$ 38	\$ —	\$ —
Contributions (Note 8)	83	98	124	—	75	—
Membership fees	120	113	—	—	—	—
Investment income (Note 9)	12	7	3	15	—	—
	373	368	127	53	75	—
EXPENSES						
Salaries and benefits	300	260	—	41	—	—
Purchased materials and services	35	33	—	5	—	—
Amortization of capital assets	—	—	35	18	—	—
Mortgage interest (Note 4)	—	—	27	—	—	—
	335	293	62	64	—	—
Excess (deficiency) of revenues over expenses	38	75	65	(11)	75	—
Fund balances, beginning of year	105	30	203	214	150	150
Interfund transfers	(137)	—	122	—	15	—
Fund balances, end of year	\$ 6	\$ 105	\$ 390	\$ 203	\$ 240	\$ 150

Statement of Operations and Changes in Fund Balances

Restricted Fund Method

Note multiple columns for current year

Note combined operations and fund balances (Net Assets).

Only surpluses on funds specifically designated by funders/donors to apply to future periods are deferred.

All other revenue recognized in its entirety in the year.

Surplus / Deficit subject to large fluctuations from year to year

Sample Not-for-Profit Association

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES STATEMENT 2

For The Year Ended Month, Day, Year
(\$ 000s)

	General fund		Capital Assets fund		Endowment fund	
	Year	Prior	Year	Prior	Year	Prior
REVENUES						
Provincial government grants	\$ 158	\$ 150	\$ —	\$ 38	\$ —	\$ —
Contributions (Note 8)	83	98	124	—	75	—
Membership fees	120	113	—	—	—	—
Investment income (Note 9)	12	7	3	15	—	—
	373	368	127	53	75	—
EXPENSES						
Salaries and benefits	300	260	—	41	—	—
Purchased materials and services	35	33	—	5	—	—
Amortization of capital assets	—	—	35	18	—	—
Mortgage interest (Note 4)	—	—	27	—	—	—
	335	293	62	64	—	—
Excess (deficiency) of revenues over expenses	38	75	65	(11)	75	—
Fund balances, beginning of year	105	30	203	214	150	150
Interfund transfers	(137)	—	122	—	15	—
Fund balances, end of year	\$ 6	\$ 105	\$ 390	\$ 203	\$ 240	\$ 150

Statement of Operations and Changes in Fund Balances

Restricted Fund Method

Note multiple columns for current year

Note combined operations and fund balances (Net Assets).

Only surpluses on funds specifically designated by funders/donors to apply to future periods are deferred.

All other revenue recognized in its entirety in the year.

Surplus / Deficit subject to large fluctuations from year to year

Sample Not-for-Profit Association
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES STATEMENT 2
 For The Year Ended Month, Day, Year
 (\$ 000s)

	General fund		Capital Assets fund		Endowment fund	
	Year	Prior	Year	Prior	Year	Prior
REVENUES						
Provincial government grants	\$ 158	\$ 150	\$ —	\$ 38	\$ —	\$ —
Contributions (Note 8)	83	98	124	—	75	—
Membership fees	120	113	—	—	—	—
Investment income (Note 9)	12	7	3	15	—	—
	373	368	127	53	75	—
EXPENSES						
Salaries and benefits	300	260	—	41	—	—
Purchased materials and services	35	33	—	5	—	—
Amortization of capital assets	—	—	35	18	—	—
Mortgage interest (Note 4)	—	—	27	—	—	—
	335	293	62	64	—	—
Excess (deficiency) of revenues over expenses	38	75	65	(11)	75	—
Fund balances, beginning of year	105	30	203	214	150	150
Interfund transfers	(137)	—	122	—	15	—
Fund balances, end of year	\$ 6	\$ 105	\$ 390	\$ 203	\$ 240	\$ 150

Statement of Operations and Changes in Fund Balances

Restricted Fund Method

Note multiple columns for current year

Note combined operations and fund balances (Net Assets).

Only surpluses on funds specifically designated by funders/donors to apply to future periods are deferred.

All other revenue recognized in its entirety in the year.

Surplus / Deficit subject to large fluctuations from year to year

Sample Not-for-Profit Association
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES STATEMENT 2
 For The Year Ended Month, Day, Year
 (\$ 000s)

	General fund		Capital Assets fund		Endowment fund	
	Year	Prior	Year	Prior	Year	Prior
REVENUES						
Provincial government grants	\$ 158	\$ 150	\$ —	\$ 38	\$ —	\$ —
Contributions (Note 8)	83	98	124	—	75	—
Membership fees	120	113	—	—	—	—
Investment income (Note 9)	12	7	3	15	—	—
	373	368	127	53	75	—
EXPENSES						
Salaries and benefits	300	260	—	41	—	—
Purchased materials and services	35	33	—	5	—	—
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	335	293	62	64	—	—
Excess (deficiency) of revenues over expenses	38	75	65	(11)	75	—
Fund balances, beginning of year	105	30	203	214	150	150
Interfund transfers	(137)	—	122	—	15	—
Fund balances, end of year	\$ 6	\$ 105	\$ 390	\$ 203	\$ 240	\$ 150

Functional Reporting - Optional

- No requirement to allocate expenses for accounting purposes
- But often allocated in three classes:
 - Program services
 - Management and General
 - Fundraising (charities)
- Required for T3010 (Charities)

Statement of Functional Expenses

- Expenses may be presented by major classification in either:
 - Statement of Operations (Activities), or
 - Notes

NONPROFIT ORG, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 200X

	<u>Program A</u>	<u>Program B</u>	<u>Program C</u>	<u>Program D</u>	<u>Total Program Expenses</u>	<u>Supporting Services</u>		<u>Total</u>
						<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$168,189	\$ 67,710	\$247,474	\$129,323	\$612,696	\$ 74,120	\$ 75,697	\$ 762,513
Payroll taxes and Employee benefits	34,037	13,703	49,962	26,120	123,822	15,228	15,263	154,313
Rent	97,288	8,215	24,436	13,271	143,210	7,162	6,530	156,902
Utilities	2,935	1,180	3,509	1,906	9,530	1,029	938	11,497
Office cleaning	1,797	723	2,149	1,167	5,836	630	574	7,040
Consultants	6,989	3,237	8,668	7,440	26,334	1,887	46,987	75,208
Accountants	4,850	1,950	5,800	3,150	15,750	1,700	1,550	19,000
Office expense	6,123	2,462	7,248	3,945	19,778	2,122	1,921	23,821
Supplies	7,907	2,500	3,355	2,514	16,276	-	-	16,276
Telephone	7,591	3,052	9,078	4,930	24,651	2,661	2,426	29,738
Postage and messengers	1,500	750	600	1,584	4,434	1,784	4,000	10,218
Photocopying	135	145	80	2,565	2,925	390	-	3,315
Equipment leasing	3,535	1,421	4,227	2,296	11,479	1,239	1,130	13,848
Insurance	2,848	1,145	3,406	1,849	9,248	998	910	11,156
Local transportation	667	268	798	434	2,167	234	213	2,614
Meals and entertainment	1,798	723	1,371	125	4,017	1,000	2,026	7,043
Seminars and training	500	250	750	2,500	4,000	3,698	1,000	8,698
Fees	560	3,247	1,003	-	4,810	219	-	5,029
Data processing	496	199	593	322	1,610	174	158	1,942
Dues and subscriptions	385	532	130	683	1,730	375	185	2,290
Advertising, promotion, website	5,017	3,838	3,245	5,979	18,079	432	393	18,904
Depreciation	2,284	918	2,731	1,483	7,416	800	730	8,946
Miscellaneous	<u>522</u>	<u>210</u>	<u>625</u>	<u>16,275</u>	<u>17,632</u>	<u>176</u>	<u>4,328</u>	<u>22,136</u>
Total expenses	<u>\$357,953</u>	<u>\$118,378</u>	<u>\$381,238</u>	<u>\$229,861</u>	<u>\$1,087,430</u>	<u>\$118,058</u>	<u>\$166,959</u>	<u>\$1,372,447</u>

Internal Financial Statements and Reports

Internal Financial Roles

Bookkeeper	Controller	CFO/VP Finance
<p>Records daily financial transactions and reconciles accounts</p>	<p>Primarily responsible for accuracy and completeness of regular financial reporting and budgeting</p>	<p>Interprets financial reports and advises management</p>
Accounting and Bookkeeping Services		
<ul style="list-style-type: none"> • Daily Journal Entries • Accounts Payable Processing • Accounts Receivable Payments Processing • Bank and Credit Card Reconciliations • Payroll Management • Annual Sales Tax Forms Processing • Trial Balances 	<ul style="list-style-type: none"> • Accounting System Selection, Setup & Implementation • Monthly Closing & Account Reconciliation Review • Inventory review • Vendor Management • Audit & Tax Provider Selection & Interface 	<ul style="list-style-type: none"> • Establish Internal Financial Policies, Procedures & Controls • Supervise Existing Staff

Bookkeeper	Controller	CFO/VP Finance
Financial Reporting Services		
<ul style="list-style-type: none"> Prepare Reports as directed by CFO/Controller 	<ul style="list-style-type: none"> Monthly Management Reports 	<ul style="list-style-type: none"> Board of Directors Reports
Planning & Budgeting Services		
<ul style="list-style-type: none"> Prepare Reports as directed by CFO/Controller Cash Forecast 	<ul style="list-style-type: none"> 3-Year & 5 Year Plans 12-Month Rolling Forecast Variance Analysis 	<ul style="list-style-type: none"> Risk Management Asset Planning & Preservation Management of Budget vs. Actual Review Process Strategic Business Plans Turnarounds and Workouts
Treasury Services		
<ul style="list-style-type: none"> Daily Journal Entries 	<ul style="list-style-type: none"> Cash Management and Excess Cash Investment Risk Management 	<ul style="list-style-type: none"> Manage Banking relationships Manage Capital Raising Process Equipment Lease and Borrowing Terms Mergers and Acquisitions Outside Lawyer Interface Working Capital and Line of Credit & Debt Administration

Board & Treasurer Financial Roles

Available on our website

www.humanityfinancial.ca

Scroll to bottom of page

Front page shows best practice.
Back page shows usual practice.

As treasurers take on additional roles beyond first page – greater likelihood of burn-out and treasurer churn.



With respect to financial management, the Board of Directors is ultimately responsible for ensuring that:

- the Board is receiving all of the financial information it needs (in appropriate and useful formats) to ensure the long term financial sustainability of the organization.
- there are appropriately skilled people (including the Treasurer) and appropriately designed systems (software, policies, processes and internal controls) in place to make sure that all financial information and reporting is relevant, timely, accurate and complete.
- financial risks are identified and managed and that the financial assets of the organization are appropriately protected through insurance and appropriate internal controls.
- the Board has the financial management skills and understanding to properly understand, evaluate and act on all financial information and reporting that it receives.
- the organization is in compliance with its regulatory environment (Provincial or Federal Incorporation legislation, Canada Revenue Agency, Ministry of Finance, Constitution and By-laws, organization policies, procedures and internal controls, etc.)

NOTE: The responsibilities listed above CANNOT be delegated.

The Board Treasurer is often tasked with helping the Board of Directors understand and achieve these responsibilities. All Board Treasurers have some basic roles and responsibilities. In addition Board Treasurers often take on additional roles and responsibilities unless there are formal committees and hired staff or contractors in place.

Treasurer's basic roles and responsibilities:

- Chair's the Audit and/or Finance Committee (if in place)
- Ensures the board meets all of its' financial fiduciary duties
- Educates and informs board members - Interprets financial reporting from management and advises Board directors
- Facilitates strategic thinking within board about short-and long-term financial vitality
- Develops financial literacy among all directors
- Establishes key financial performance indicators for organization and reports on these indicators regularly
- Advises management team on preparation of financial budgets and regular board financial reporting required
- Oversees all financial reporting – internally to the board and externally

Board & Treasurer Financial Roles

Available on our website

www.humanityfinancial.ca

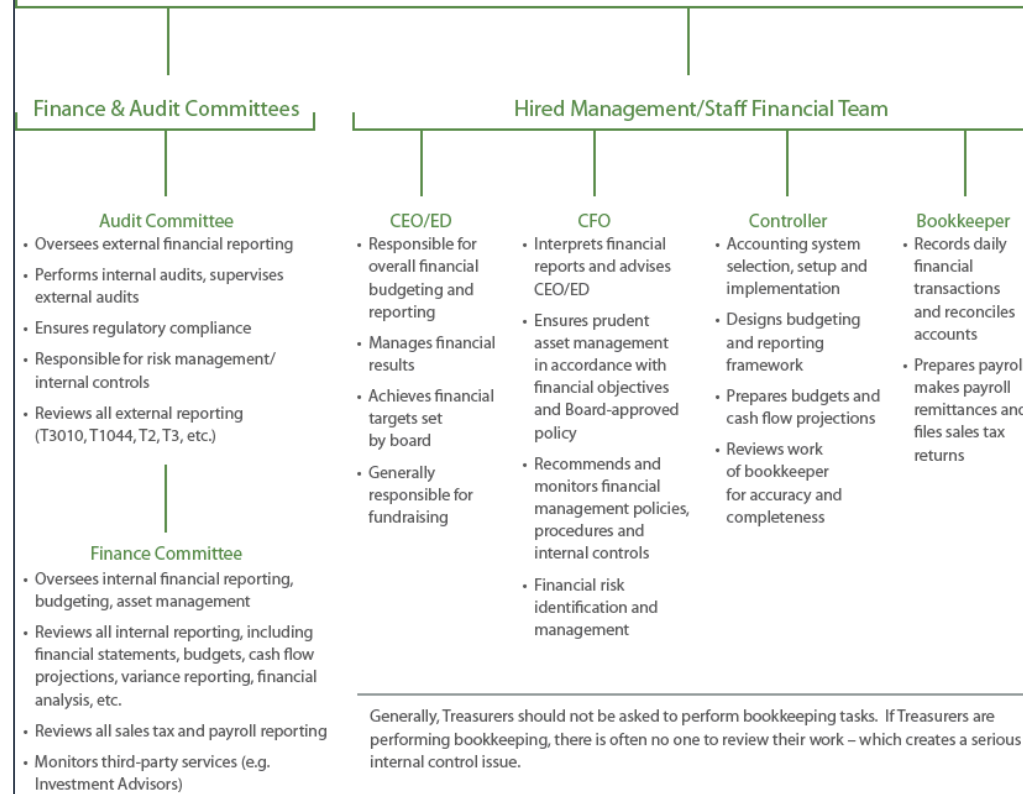
Scroll to bottom of page

Front page shows best practice.
Back page shows usual practice.

As treasurers take on additional roles beyond first page – greater likelihood of burn-out and treasurer churn.

Treasurer Roles and Responsibilities – NFPOs and Charities

Additional duties if not being performed by formal committee, hired staff, or contractor:



Treasurer's Primary Roles

- Chair's the Audit and/or Finance Committee (if in place)
- Ensures the board meets all of its' financial fiduciary duties
- Educates and informs board members - Interprets financial reporting from management and advises Board directors
- Facilitates strategic thinking within board about short-and long-term financial vitality
- Develops financial literacy among all directors
- Establishes key financial performance indicators for organization and reports on these indicators regularly
- Advises management team on preparation of financial budgets and regular board financial reporting required
- Oversees all financial reporting – internally to the board and externally

Financial Reporting - Board

- Standard board financial reporting package
 - Comparative Statement of Financial Position
 - Budget compared to actual
 - Consolidated (MTD, YTD, Annual)
 - Summary and Analysis of Financial Results
 - Significant Variances with explanations
 - Issues for discussion
 - Issues for decision
 - Resolution(s) to approve/change budget



Fabrikam Works, Inc.
Variance Analysis
For the Three Months Ending March 31, 2007

March			YTD			
Actual	Budget	Budget Variance		Actual	Budget	Budget Variance
Revenue						
\$1,156,045	\$290,550	\$865,495	Sales	\$2,259,375	\$852,198	\$1,407,177
10,169	5,129	(5,040)	Sales Returns	24,836	15,045	(9,791)
33,893	17,098	(16,795)	Sales Discounts	98,332	50,151	(48,181)
1,111,983	268,323	843,660	Net Sales	2,136,207	787,002	1,349,205
814,066	167,165	(646,901)	Cost of Goods Sold	1,444,056	490,305	(953,752)
297,917	101,158	196,759	Gross Margin	692,151	296,698	395,453
Operating Expenses						
123,927	58,300	(65,627)	Salaries and Wages	361,244	171,796	(189,449)
5,257	3,229	(2,028)	Depreciation Expense	15,567	9,687	(5,879)
4,679	2,521	(2,158)	Office Expense	13,654	7,555	(6,099)
21,445	463	(20,983)	Supplies Expense	36,199	1,544	(34,656)
1,245	814	(431)	Maintenance Expense	3,712	2,388	(1,324)
11,227	6,387	(4,840)	Rent Expense	33,000	18,729	(14,271)
7,132	5,412	(1,720)	Travel Expense	20,944	15,874	(5,070)
10,677	4,854	(5,824)	Advertising Expense	27,191	14,373	(12,819)
18,073	12,252	(5,821)	Commission Expense	52,859	35,937	(16,923)
203,663	94,232	(109,431)	Total Operating Expenses	564,371	277,882	(286,489)
94,254	6,926	87,328	Income From Operations	127,780	18,815	108,964
(998)	(638)	(360)	Interest Income(Expense)	(2,986)	(1,940)	(1,046)
93,255	6,288	86,968	Income Before Income Taxes	124,793	16,875	107,918
7,251	1,687	(5,564)	Income Tax Expense	21,173	4,659	(16,514)
\$86,004	\$4,601	\$81,404	Net Income	\$103,620	\$12,217	\$91,404

Financial Reporting – Finance Cmtte

- Standard Finance Committee reporting package
 - Everything on the previous slides for Board plus additional detail
 - Detailed Accounts Receivable / Payable Aging Reports
 - Surplus / Deficit by Funder/Contract
 - Surplus / Deficit by Program/Project
- Finance Committee Reviews
 - Prior to distribution



KPIs and Dashboards

- Nonprofit Financial Stability KPI Recommendations
 - <https://humanservicescouncil.org/wp-content/uploads/Initiatives/HSCCommission/Nonprofit-Financial-Stability-KPI-Recommendations.pdf>
- Nonprofit Financial Health Analysis Worksheet
 - <http://www.wallacefoundation.org/knowledge-center/resources-for-financial-management/Documents/Financial-Health-Analysis.xlsx>

Additional Financial Reports

- Budget
- Cash Flow Projection

- Accounts Receivable Aging Detail
- Accounts Payable Aging Detail
- Payroll expenses by position

Improving Financial Understanding

Improving Financial Understanding - Board

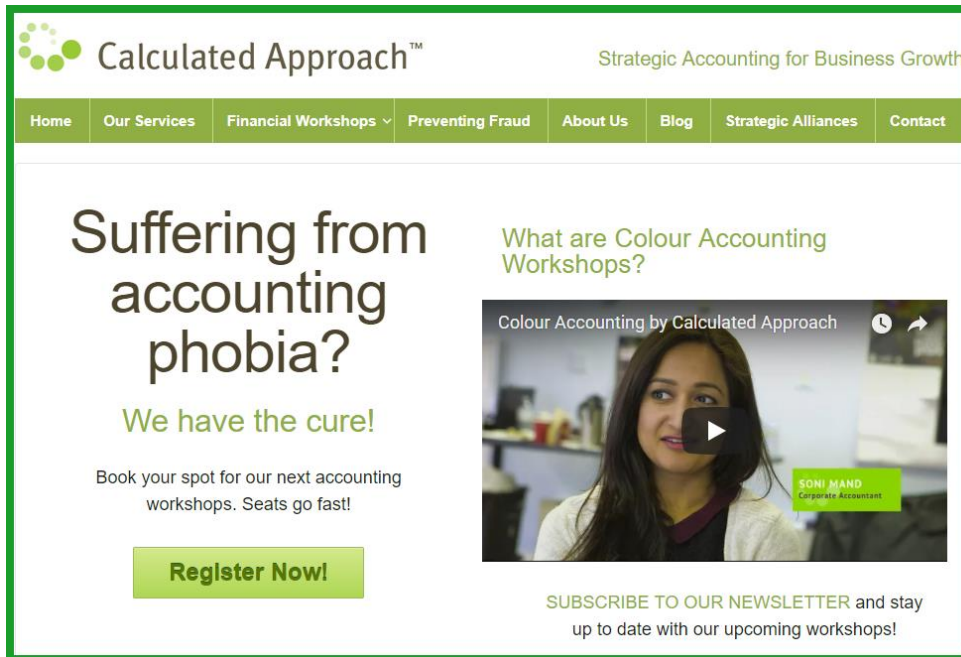
- Distribute Financial Reports to Board at least 7 days prior to board meeting
- Strongly encourage board members (particularly new board members) who have questions to get answers prior to the board meeting (in private)
- Create culture of inquiry (its good to ask questions).
- Board members should keep asking questions until they understand every financial report and the relevance of all financial information presented

Improving Financial Understanding

- Get the right team in place
 - So financial reports are accurate and complete
 - Hire a part-time controller / CFO
- Keep board reports at highest summary level
- Use Dash Boards
 - Visual representations are easier to understand
- Bring on new board members with financial background
- Provide access to resources and training if required

Canadian Resources for NPOs & Charities

- Colour Accounting
 - <https://www.calculatedapproach.com/>



The screenshot shows the homepage of Calculated Approach. The header includes the logo and tagline "Strategic Accounting for Business Growth". A navigation menu lists: Home, Our Services, Financial Workshops (with a dropdown arrow), Preventing Fraud, About Us, Blog, Strategic Alliances, and Contact. The main content area features a large heading "Suffering from accounting phobia?" followed by the sub-heading "What are Colour Accounting Workshops?". Below this is a video player with a play button and a caption "SONI MAND Corporate Accountant". To the right of the video is a call to action: "SUBSCRIBE TO OUR NEWSLETTER and stay up to date with our upcoming workshops!". A green button labeled "Register Now!" is positioned below the text.

Canadian Resources for NPOs & Charities

- Colour Accounting

- Knowledge Foundry

- Online learning
 - 5 hours - \$99USD

- <https://www.knowledgefoundry.com/courses.php?courseid=1>

- Free first lesson

- <https://www.youtube.com/watch?v=jxoSkuYwcyo>



Canadian Resources for NPOs & Charities

- Muttart Foundation – Financial Responsibilities for Not-for-profit Boards
 - <https://www.muttart.org/wp-content/uploads/2015/11/Financial-Responsibilities-2008.pdf>
- USA – NASAA How to Assess Nonprofit Financial Performance
 - <https://nasaa-arts.org/wp-content/uploads/2017/03/Reading-5-Understanding-Financial-Statements.pdf>

Canadian Resources for NPOs & Charities

- Resources for Nonprofit Financial Management
 - www.strongnonprofits.org
 - Wallace Foundation

How to Strengthen Financial Management

Strong financial management involves four key elements – planning, monitoring, operations and governance. Here are resources for learning how to do them right. [More...](#)

Four Key Areas of Strong Financial Management



Planning

With budgeting and financial analysis, you can use your resources strategically to help achieve your organization's goals.



Monitoring

Regularly review financial results to ensure you're using resources according to your plan – and advancing organizational objectives.



Operations

A strong infrastructure for planning and monitoring means both employees who know how to analyze information and software that helps them.



Governance

Your board of directors should provide the oversight and guidance to ensure the organization fulfills its obligations – and its mission.

Canadian Resources for NPOs & Charities

- Humanity Financial Management
- www.humanityfinancial.ca
- Find on bottom of home page

CERTIFIED NONPROFIT ACCOUNTING PROFESSIONAL
Knowledge for Stronger Not-for-Profit Organizations
Canadian Curriculum



Join our newsletter list and get instant access to all our informative guides and templates! These guides are free to all our email list subscribers.

Financial Management Roles and Responsibilities Guide

It includes a roles and responsibilities matrix that includes many of the most of the important financial management tasks for Not-for-profit organizations and Charities.

It will help you:

- * Make sure that someone in your organization is responsible and accountable for all major financial management responsibilities
- * Identify financial management roles that are currently not being fulfilled
- * Update or revise your organization's job descriptions and terms of reference for key Financial Management tasks



Basic Internal Controls for Small to Mid-size Not-for-profit Organizations and Charities.

It includes a listing of the basic internal controls that most organizations in this sector should have in place. Compare it to the policies you currently have to determine which policies you might want to develop to increase protection your organization and its directors.

It will help you:

- * Identify important financial management policies and procedures that your organization should have to project its assets (its not a compressive list, but it's a good start!)



Treasurer Position Description Template for Not-for-profit Organizations and Charities

It includes a listing of the primary roles and responsibilities of a typical Treasurer in the social-profit sector. There are also notes that outline which roles the Treasurer should perform and which roles staff should perform.

It will help you:

- * Design a Treasurer position description for your organization.
- * Ensure that your Board and staff understand the Treasurer's critical role.
- * Ensure that your Treasurer understands the organizations expectations.



Treasurer Roles and Responsibilities – NFPOs and Charities

Treasurers have a specific role to play. Often, however, Treasurers are asked to take on roles that really don't fit with financial management best practices. Download our Treasurer Roles and Responsibilities Guide today to learn the specific roles that are appropriate for Treasurers and those that are better left for bookkeeping and accounting staff.

It will help you:

- * Understand the appropriate role for your Treasurer
- * Provide a basis for a great board discussion for the appropriate role for a Treasurer
- * Avoid unnecessary Treasurer turnover



Thank You!

- Gordon Holley, CPA, CA, FCPB
- Contact:
 - gh@humanityfinancial.ca
 - 604-229-9795

