

# *Treasurer's Orientation Package*



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## Introduction

The purpose of this Treasurer's Orientation Package is to:

- introduce and familiarize treasurers with general information about non-profit child care financial management as well as the responsibilities of a volunteer treasurer
- introduce board members to key information about financial management pertaining to child care and to outline the financial responsibilities of a board of directors
- provide a "Checklist for Common Indicators of Effective Financial Management Systems"
- recommend related print resources available from Westcoast Child Care Resource Centre

### ***Recommended prior reading includes:***

- ◆ *INFORM Guide: An Administration Manual for Non-Profit Child Care in B.C.*
  - Organization  
Chapter 2
  - Legal Issues and Liability  
Chapter 8
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- ◆ *Internal Control Systems for Child Care*
- ◆ *Preparing the Treasurer's Financial Reports to the Board of Directors*

## ◆ Glossary

<i>accrual based accounting</i>	recording of revenue and expenses when they are earned or due
<i>actual results</i>	the real revenue and expenses
<i>annual operating budget</i>	a financial plan for the year expressed in dollars which shows the planned revenue and expenses of the organization for the fiscal year
<i>charitable status</i>	if a society is registered as a charity under the Income Tax Act, it receives a registered tax number and any donations received are tax deductible
<i>Child Care Operating Funding Program (CCOF)</i> child care	the provincial child care operating funding program provides some operational funding to eligible licensed centres
<i>child care operating revenue</i>	in infant, toddler, pre school, 3 to 5 year old, and school age care programs, the biggest source of revenue is typically the parent fee paid for each enrolled child
<i>child care subsidy program</i>	<p>individual families who meet specific financial criteria are eligible to apply for an income tested child care subsidy</p> <p>the licensed child care center receives an Authorization for Child Care Subsidy for each eligible child and completes a monthly Child Care Provider's Subsidy Claim Form billing Child Care Accounts, MCFD (Ministry of Children and Family Development) to pay for part/all of a child's fee</p> <p>the family is responsible for the difference between the subsidy and the child care fees.</p> <p>for more complete information of the process of applying for and claiming child care subsidy please go to <a href="https://www.mcf.gov.bc.ca/childcare/subsidy/index.htm?WT.svl=Body">https://www.mcf.gov.bc.ca/childcare/subsidy/index.htm?WT.svl=Body</a></p>
<i>Corporate Registry</i>	provincial department responsible for incorporating and monitoring non-profit societies (formerly called the Registrar of Companies)
<i>expenses</i>	money spent to operate the organization and its services

<i>fiscal year</i>	the financial year for a non-profit organization (e.g., April 1, 2003 to March 31, 2004; or January 1, 2003 to December 31, 2003)
<b>MCFD</b>	Ministry for Children and Family Development is the provincial ministry currently responsible for funding to child care centres and child care subsidy in B.C.
<b>monthly statement of operations</b>	<i>summary of the revenue and expenses for a particular month</i>
<i>budget notes</i>	accompanying explanatory notes providing highlights for the treasurer's report to the board of directors
<i>internal controls</i>	procedures used to implement board policy, promote efficiency in daily operations, protect assets, reduce risks, and ensure that reliable and accurate information is produced
<i>revenue</i>	money earned or due to the Society from fees/subsidy, grants/contracts, fundraising and donations
<b>Society Act</b>	provincial legislation governing incorporated non-profit societies in B.C.
<i>statement of financial position</i>	a financial report which compares what the organization owns (assets) with what it owes (liabilities) at a particular point in time (used to be called a 'balance sheet')
<i>surplus or deficit</i>	if an organization's revenue is greater than the expenses, there is a surplus  if the expenses are greater than the revenue, there is a deficit
<i>variance</i>	the difference between the amount that was budgeted and the actual results
<i>year end</i>	end of the fiscal year for an organization

## Effective Financial Management Systems

All non-profit organizations, regardless of their annual operating budget, require effective financial management systems. As outlined in the *INFORM Guide: An Administration Manual for Non-Profit Child Care in B.C.*, effective financial management has three main elements:

1. financial planning or budgeting
2. record keeping and
3. financial reporting

Financial information is required for *internal* and *external* use.

- ▶ *Internal Users:* typically the Board, staff, users of the child care service, and members of a society. They require financial information for budgeting, preparing and reviewing financial statements, collecting and paying child care fees, preparing subsidy claim forms etc.
- ▶ *External Users:* typically bankers, accountants, auditors and funders (e.g., provincial government, charitable organizations, Gaming Commission) and persons who are outside of the organization.

To be useful, financial information must be:

- ▶ **clear** (readable and understandable with reasonable effort);
- ▶ **relevant** (useful, meaningful to the users and helpful for planning and decision making);
- ▶ **timely** (provided within an acceptable time frame); and
- ▶ **consistent** (similar information should be presented in a consistent format so that comparisons can be made easily and accurately).

## Financial Responsibilities of a Board of Directors

The treasurer along with the board of directors is responsible for ensuring that:

- ▶ the Society's finances are well managed
- ▶ adequate internal controls are in place
- ▶ financial policies are approved by the Board
- ▶ appropriate financial procedures are implemented
- ▶ all resolutions regarding banking are recorded in the minutes of a board meeting.

While in many organizations some or all of the day to day financial administration and management tasks may be delegated to employees, accounting firms, and/or payroll services, it is the board of directors that is legally responsible for ensuring the financial viability of the organization and its services. This means:

- ▶ securing adequate financial resources to operate viable and sustainable programs;
- ▶ developing and approving viable annual financial plans;
- ▶ ensuring there are adequate funds before spending is approved;
- ▶ establishing and monitoring organizational and financial policies to ensure that all legal obligations are met; and
- ▶ monitoring financial records and reports on a regular basis.

The treasurer, like all other officers and board members, is a volunteer and provides services without expectation of being paid or receiving any services in exchange for duties.

As a board member, the treasurer is expected to act:

- ▶ honestly
- ▶ in good faith and
- ▶ in the best interests of the Society.

**Fiduciary duty** requires that all board members must avoid and declare all potential conflicts of interest. Directors are expected to put the interests of the organization first, to report a potential or actual personal interest, and to ensure that their board involvement does not in any way serve their personal interest.

A board member is expected to exercise the “care, diligence and skill of a reasonably prudent person”.

- ▶ A director who has special expertise, is expected to practice a standard of care equal to “their professional abilities”. In other words, a board member with accounting expertise e.g., a businessperson, a Certified General Accountant, Certified Management Accountant, or a Chartered Accountant is expected to apply their financial expertise to their volunteer involvement as a treasurer and/or board member.
- ▶ A director with little financial knowledge cannot assume they don’t owe responsibility just because finance isn’t their area of strength or expertise. They too are expected to ask questions, to seek advice, and to understand the financial information presented and financial implications of board decisions.
- ▶ If an organization is unable to sustain its child care programs and meet all of its financial and legal obligations (e.g., as an employer, as one of the two parties in a facility operating agreement), then directors may be held personally liable for the debts of the Society (e.g. unpaid employee wages).

## **Financial Records**

Financial records include:

- ▶ petty cash records
- ▶ receipt records
- ▶ records of cheques written
- ▶ GST records
- ▶ payroll records
- ▶ journals
- ▶ general ledgers
- ▶ financial statements

The financial records are typically stored in a safe place at the Society’s main office and are accessible when and if they are required. If for any reason they are not housed on site, the Society Act requires that the Board approve a motion outlining the decision as to where they will be kept. In accordance with legislation, an organization’s financial records must be kept for a minimum of seven years.

## **Treasurer's Volunteer Duties**

Each organization can assist their treasurer to understand their responsibilities, obligations and authority to make decisions by providing a Treasurer's Role Description.

### ***Please Note:***

*You may need to modify the following sample role description to reflect your organization's bylaws, organizational structure and any other aspects that may be unique to your organization.*

### ***Sample***

#### ***Role Description for a Treasurer***

*The treasurer's duties include:*

- chairing the staff/board finance committee which meets at least quarterly or more often when needed*
- preparing, monitoring and reporting of the annual budget*
- attending all board meetings and presenting a written report to accompany the monthly statement of operations and statement of financial position*
- keeping the Board updated on issues related to the financial status of the organization; all activities of the treasurer where they are acting on behalf of the organization; and the activities of the finance committee*
- acting as an authorized signing officer on behalf of the organization (for cheques and any legal documents including contracts) within the authorities as approved by the Board*
- ensuring that board approval is documented in board meeting minutes for all legal contracts before signing on behalf of the organization*
- ensuring that the organization's bank accounts, banking records and financial records are maintained and that all obligations are met in terms of municipal, provincial and federal legislation*
- ensuring that all decisions with financial implications for the organization that are not within the approved financial plan for the year are formally approved by the executive and/or board and documented in meeting minutes*
- participating in any meetings of the Society's membership to present financial reports and/or respond to financial questions from members*
- attending the annual general meeting (AGM), presenting the annual financial report to participants at the AGM, and ensuring that the procedures for filing the report to the Corporate Registry are completed within time lines*

## Points to Consider

1. At times, the treasurer may have access to **confidential information**. The treasurer must ensure there is no disclosure of information that is considered to be confidential (e.g., personal, private and/or sensitive financial information specific to an employee or family) unless legally required. To ensure respect for confidentiality at all times, it is important for a treasurer to be familiar with the Society's policies and procedures regarding confidentiality:
  - how confidential information is securely stored;
  - how written and verbal information is released (if at all); and
  - the Society's expectations of employees and board members in relation to confidentiality.

***For more information, please refer to:***

Policies and Procedures for Child Care Programs - Tough and Sensitive Issues Part 1, Westcoast Child Care Resource Centre

2. Several pieces of legislation (e.g., *Employment Standards Act, Society Act, Income Tax Act*) lay out legal responsibilities and obligations for individuals and organizations.

*“Failure to comply with the requirements of these statutes (\*Society Act) may result in directors being held personally liable. For example, under the Society Act directors may become personally liable if the Society has fewer than three members for more than six months. Directors may also be personally liable if they cause (or allow) a society to act beyond the scope of its authority, as defined by the act and the organization's stated purpose in its constitution and bylaws.*

*Directors can also be held personally liable if they have breached their duties, for example if they have misused funds, made improper loans or made unlawful personal profit in the course of their duties as directors. In addition to these obligations, directors may be personally liable for financial obligations imposed by specific statutes, such as the Employment Standards Act or the Income Tax Act.”*

***People's Law School “Volunteers and the Law”, 3<sup>rd</sup> edition***

***Please Note:***

*Copies of Volunteers and the Law can be downloaded from the website at [www.volunteervancouver.ca](http://www.volunteervancouver.ca)*

## **A Checklist of Common Indicators of Effective Financial Management**

The following checklist may serve as a guideline to help an organization assess the effectiveness of its financial management systems.

***Please Note:***

*You may have to adapt this checklist to reflect aspects unique to your organization.*

Here are some important questions to ask.

**A. General Areas:**

Does the organization have:

- an active treasurer on the board of directors?
- financial records kept by a qualified accountant/bookkeeper experienced with accrual accounting or is a senior staff person assigned to financial administration and/or the Board accessing accounting expertise as required?
- a finance committee or at least an ad hoc committee for preparation of the annual budget?
- policies regarding fee payment, collection of outstanding fees, and payment terms that have been approved by the Board?
- a fee policy that is implemented consistently?
- financial information readily accessible when required? (e.g., for funding applications)

**B. Annually:**

- Is a budget prepared and approved by the Board?
- Are the year end financial statements and other reports presented to the members of the Society as required by the Corporate Registry?
- Are all annual filings complete? (e.g., T 4's, annual reports etc.)

**C. Monthly:**

- Is a monthly financial statement (statement of operations) prepared comparing budget to actual results?
- Are these statements presented by the treasurer at monthly board meetings?
- Are significant differences between the budget and actual results explained (e.g., reduced revenue due to lower enrolment; increased staffing costs because more

