# The Role of the Treasurer –
# Canadian Parents for French (CPF) Overview and Resource Document

Prepared for use by National Board & Branch Board Directors

## Introduction

The Treasurer plays an important role on the CPF National and Branch Boards. While all Directors of the Board are responsible for financial stewardship of CPF as a part of their fiduciary duty, the Treasurer takes on some additional responsibilities on behalf of the other members.

This document describes the role of the Treasurer and is of value to all CPF Directors of the Board looking to increase their understanding of financial operations. Board directors and the treasurer may want to review and update annually.

## The Role of Treasurer

The Treasurer's role does not require a financial professional (though their field experience and expertise are an asset). The key requirements for the role of Treasurer are:

1) Ability to review financial documents such as a draft budget,
2) Understanding of financial terminology to read budgets, comparative reports and draft annual audited financial statements,
3) Knowledge to read and present financial reports (with support from Executive Director or appropriate staff person) to the other Directors of the Board or to the membership at the Annual General Meeting,
4) Being able and willing to identify potential or actual issues and bringing them to the attention of the Board.

While the Treasurer may be designated by the Board to carry out these responsibilities, all Board Directors should be able to fulfill these requirements. Ongoing learning for all Directors should be encouraged and the Treasurer would also benefit from local non-profit treasurer training.

Calendar:
The Board should have a multi-year succession plan.
Education on financial stewardship for Directors should be encouraged on an annual basis.
Treasurers are named by the Board during the nomination of the Executive after each AGM.

## What is not solely the Treasurer's role?

The Treasurer should not be responsible for the day-to-day accounting, for preparing the budget or financial reports, or for preparing information for the external audit. Nor should the Treasurer be tasked with preparing an assessment of the financial position of the organization. The Treasurer works collaboratively with staff to understand CPF's financial operations and position and, on behalf of the Board, the oversight of and reporting on these activities are the responsibility of the Treasurer.

Some questions to consider:

- What skills would we look for when looking for (recruiting) someone to fill the Treasurer's role for our level of CPF?
- How do we go about finding potential candidates for this role?
- What learning can we encourage for our Directors on financial management?
- What is our succession plan for the Treasurer?
- What role can board members play in supporting the Treasurer to detect potential financial difficulties, irregularities, or good practices?
- What basic financial information / training should new Board members get when onboarding?

## The Annual Budget

The annual budget is an important tool to support the Board's duty of financial management. The budget should demonstrate appropriate and responsible use of CPF's funds, should align with the strategic plan of the organization, and should be monitored for changes throughout the fiscal year.

**January/February:**
Treasurer reviews draft budget with the ED/ Appropriate staff person and presents draft budget to Board (via a Treasurer's report) for discussion.
**April:**
The Board approves the annual budget at the first Board meeting of the new fiscal year.
**Quarterly:**
Treasurer reviews the comparative budget against the actuals to evaluate variations. The Treasurer provides a report to the Board noting any major variations or liabilities (via a Treasurer's report).

The Board's role is to develop priorities for staff to guide the preparation of the budget (such as the budget is balanced or allowable profit for the year, investment in key project initiatives, or adding to cash reserves) and to formally accept the budget, thereby authorizing the beginning of operations as planned.

**Some questions to consider::**

- How is the budget set? Who is involved? When does it take place?
- Does the budget reflect the priorities identified in the strategic plan? Is the budget organized according to the pillars?
- Does it provide sufficient financial resources for delivering programs and services?
- Why might there be significant differences in the proposed budget from the previous annual budget? Why? What is an acceptable discrepancy?
- Have any events changed the predicted financial situation for the coming year?
- What are the revenues identified (PCH core, provincial grants, special projects)?
- Is the budget balanced?

- Has the annual budget been appropriately forecast for each financial quarter?
- Are funding diversification goals realistic and reflected in the budget?
- What are our capital assets?
- Are revenues and expenses allocations realistic? Distributed as expected? Do they align with programs and services?
- Is the budget aligned to meet the obligations as set out in the contribution agreement (cash sources, in-kind)?
- Do the expenses align with what is acceptable in our funding agreement?
- Do we have contingency funds budgeted?
- What are our unrestricted assets?
- What year of our multi-year funding agreement with PCH are we in?

## Internal Controls

The Board has a responsibility to ensure that accounting policies and internal controls are in place to allow financial reporting, and to satisfy itself that all appropriate areas have been covered to minimize the risk of financial mismanagement or fraud.

Internal controls include questions regarding who does what with CPF funds, how expenses are approved and the financial management procedures.

CPF policies include lines of signing authority, conflict of interest, segregation of duties, and physical security and are outlined in the CPF National Policy: Risk Management: Financial Accountability & Controls, Liability.

**Quarterly:**
Treasurer reviews bank transactions, accounts receivable, credit card statements or other documents as identified for internal control checks by the auditor. They provide a report to the Board noting any major variations or liabilities (via a Treasurer's report).
**August:**
The Board reviews the recommendations of the auditor made during the annual financial audit. The accounting policies are updated to reflect these. The ED provides a management letter to the board as required.

Accounting policies should be updated as required if recommendations are made during the annual financial audit. The Treasurer and all Board Directors have a responsibility to understand the internal controls and financial policies of the organization.

CPF internal controls specifically reserve the following responsibilities for the Board:

- Matters involving financial amounts above a certain limit.
- Approval of contracts and obligations above a specified limit.
- Approval of or changes to the annual budget.

Some internal controls are the responsibility of staff, including ensuring that:

- CPF's assets are protected, adequately maintained and not placed at unnecessary risk.
- Board approved priorities are reflected in the allocation of resources.
- Budgeting is based on generally accepted accounting principles and budgets are balanced.

Another consideration for the board is the process for reimbursement of personal expenses related to their work for CPF. Expense claims should be submitted and signed off by at least one board member and senior staff. In addition, by donating a part of their reimbursement, board members demonstrate their support for revenue diversification and their personal commitment to increase the number of donors, which is important to funders and for the financial sustainability of the organization.

Some questions to consider:

- Where can I find the CPF National and Branch financial / accounting policies?
- Does our practice adhere to the CPF National and Branch policies?
- Are the recommendations from the Auditor being followed? Is a response to management letter provided by the ED to the Board as required?
- Who approves expenses and has signing authority for cheques over a certain amount? How many signatures are required?
- Who reviews the bank transactions? Who reviews the **accounts receivable**? Who reviews the credit card statements? What is the process for sign off?
- Is there clear segregation of tasks? How is information shared, how regularly?

- What is the process for reimbursement of personal expenses? Who authorizes reimbursement of expenses for Staff and Board volunteers?
- How can the board support CPF through donations?
- Do we have a strategy, policy and procedures in place to wind-down the organization?
- What budgeting challenges did we face during the last financial year? What could we do differently?
- How can we better leverage Board members' insights in supporting the Treasurer for financial planning and reporting?

## Quarterly Financial Statements

There are two key types of financial statements that the Treasurer and Board of Directors will oversee as part of the financial operations process and throughout the year for monitoring of results. They will also be found in the review of the external auditor's formal financial statements.

**Quarterly:**
The Treasurer should carefully read financial information provided and reported on a balance sheet.

The Statement of Operations may also be called an income statement, and it summarizes revenues and expenditures over a period of time. It also shows the net balance between the two: in other words, the Excess (or Deficiency) of Revenues over Expenditures for the period. The Statement of Financial Position is also called a balance sheet. It demonstrates that Assets equal (i.e., balance) the sum of Liabilities and Net Assets.

**Some questions to consider:**

- Is there adequate cash flow for normal operations?
- How often does the Board need to review these statements? What is the appropriate frequency for our organization at this time?
- Is there a push to spend funds at the end of the fiscal year?
- Does the office have at least 60 days of operating reserves in cash or cash equivalent unrestricted assets? How long could the organization survive without revenue?
- How significant are the variances in the annual budget?
- Are there any concerns to be flagged in the expenses category?
- Is revenue on track? Are there significant decreases?
- Are there any concerns around balancing the budget at this point?
- Do we know what are the early signs of financial troubles? Do we know how to identify them?
- Do we have an emergency plan to deal with a financial crisis e.g. insufficient cash flow, major funding no longer available?
- What does this snapshot of the finances demonstrate?
- What weaknesses have been identified?

- Is revenue on track? What are we comparing it to? What is our tracking mechanism?
- Do board members know who the legal and accounting firms are for the organization?
- Where are the wages and operational expenses at in terms of the budgeted forecast?

## The Annual Audit

As part of CPF funding obligations, a public accountant (auditor) will be appointed to conduct an annual external audit where they produce a report to present to members at the Annual General Meeting. The auditor has the mandate to directly review the books and records of the organization and to provide an assessment of accounting information and practices.

The auditor will answer one key question: Do the financial statements paint a picture that is a fair presentation of the organization's financial position and results of operations?

At the end of the auditor's work, they will communicate their opinion to financial statement users through the auditor's report.

Staff will be responsible for preparing information for the Auditor who will compile a Statement of Operations and a Statement of Financial Condition.

Annually:

The selection of the auditor is approved at the AGM for the following year. The audit takes place annually at fiscal year-end.

The Treasurer should meet at least once per year with auditor when no staff are present.

On behalf of the Board of Directors, the Treasurer presents the audited financial statements to the members at the Annual General Meeting and answers questions about the report.

The Treasurer should understand and be prepared to answer questions on the Auditor’s report when the final audited financial statement is presented and approved at the Annual General Meeting.

Some questions to consider:

- Did the activities of the organization lead to any concerning impacts on the financial results?
- Did the auditor have any concerns about management making significant estimates in the financial statements?
- What can we learn from the point in time snapshot of the statement of operations on March 31?
- Do the financial statements reflect a short-, mid- and long-term investment strategy?
- What are the limitations of using the annual audit to track short-, mid-, and long-term strategy?
- Was it necessary to make any significant changes to the financial information presented by management prior to forming the audit opinion?
- Has the frequency of review of the financial strategy been discussed?
- Did you receive full cooperation from management during the audit process?
- Do you have any suggestions or recommendations to improve financial reporting?

## Overall, the Treasurer and the Board of Directors' role in financial oversight and reporting is to:

- Give serious attention to financial information.
- Ask good questions.
- Work closely with appropriate staff person.
- Make reasonable requests for reports and information.
- Respect the difficulty of the work and express appreciation when appropriate.
- Work as problem solvers as well as governors.

## Resources

- CPF National Board Policies
- Financial Reporting 101, article (The OTIS Group)
- CPF BC-YK Branch: Chapter Treasurer Orientation and Materials (Slideshow)

## Glossary

The following definitions are taken from the Canadian Chartered Professional Accountant Handbook and other sources, as appropriate and have been adapted to the CPF context.

Accounting policies: specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Accounts payable: amounts owed by an organization that appear as a liability on a financial report. Examples for CPF may include contracts, rent, utilities, or phone and internet costs.

Accounts receivable: amounts remaining to be paid to an organization. Examples for CPF may include revenues from contracts, membership, recoverable expenses or even Harmonized Sales Tax reimbursement.

Annual audited financial statement audit: Every year, CPF's financial statements and accompanying disclosures must be reviewed by an independent auditor. The result of this examination is a report by the auditor, attesting to the fairness of presentation of the financial statements and related disclosures.

Assets: possessions having value. In accounting, assets are resources owned, or in some cases controlled, by an individual or organization as a result of transactions or events from which future economic benefits are expected to flow to that individual or organization. CPF assets include cash, cash equivalents, investments, etc.

Balance Sheet and income statement: shows the balance of assets and liabilities, and any equity if applicable. Balance sheets should be prepared quarterly for the Board.

Capital assets: comprising tangible properties, such as land, buildings and equipment, and intangible properties. CPF capital assets may include computers, furniture, intangible assets such as database and software, etc.

Cash flow: the net amount of cash and cash-equivalents being transferred into and out of an organization.

Contributions: non-reciprocal transfers to a not-for-profit organization of cash. Government funding is considered to be a contribution. CPF contributions may include Canadian Heritage or provincial funding contributions.

Endowment fund: a restricted, self-balancing set of accounts which reports the accumulation of endowment contributions. An example of an endowment fund is the CPF Alberta Branch endowment.

Expenditures/Expenses: decreases in economic resources, either by way of outflows or reductions of assets or incurrences of liabilities, resulting from an entity's ordinary activities.

Financial operations: tasks that relate to the revenues and expenditures of the organization: could include management of grants, revenues from sales of memberships or other goods or services, and considerations of financial assets and liabilities.

Financial statements: state the financial position and resemble a balance sheet showing the net assets of the organization.

Fiscal year: the twelve month period designated by the organization for its "business year". The CPF fiscal year is April 1 to March 31. From which each quarter sets out a three month period:

First Quarter - April 1st to June 30th
Second Quarter - July 1st to September 30th
Third Quarter - October 1st to December 31st
Fourth / Final Quarter - January 1st to March 31st

Fiduciary duty: the legal duties to act primarily for another person's benefit. A fiduciary is a person who (a) owes another person the duties of good faith, trust, confidence, and candor; and (b) must exercise a high standard of care in managing another's property. As a general matter, fiduciary duties are imposed by the law to protect those who are vulnerable from those who have power over them.

Internal controls: all measures taken to safeguard assets, check the accuracy and reliability of accounting data, promote operating efficiency and ensure compliance with the organization's policies and legislation under which it operates.

Liabilities: debt, represent amounts that it is expected will require settlement in the future as a result of events and transactions that occurred prior to the accounting date, or obligations for future delivery of goods or services for which payment has already been received.

Net assets: equity or fund balances, is the residual interest in a not-for-profit organization's assets after deducting its liabilities. Net assets may include specific categories of items whose use may be either restricted or unrestricted. An example of internally restricted fund is the Mary Joyce Booth Reserve.

Note disclosure: explanatory or supplementary information that elaborates on data summarized in the main body of the financial statements or provides additional information that is important to understanding the situation being reflected in the statements.

Revenues: increases in economic resources, either by way of inflows or enhancements of assets or reductions of liabilities, resulting from the ordinary activities of an entity. CPF's primary source of revenue are funds from Canadian Heritage. Other sources include membership fees and donations.

Signing authority: Officer or representative vested (explicitly, implicitly, or through conduct) with the powers to commit the authorizing organization to a binding agreement.

Statement of changes in net assets: provides information about changes in the portions of net assets attributable to endowments, internal and external restrictions, and unrestricted net assets.

Statement of cash flows: provides information about the sources and uses of cash by the organization in carrying out its operating, financing and investing activities for the period. This information may be found on the balance sheet and for CPF may include funds in the bank, awaiting deposit, or petty cash.

Statement of financial position: presents the organization's economic resources, obligations and net assets as at the reporting date.

Statement of revenues and expenses: presents information about changes in the organization's economic resources and obligations for the period.

Unrestricted assets: a contribution that is neither a restricted contribution nor an endowment contribution.