

Policy Type: Operations

Policy Title: Financial Management

The Executive Director is accountable to the board for the day-to-day financial management of the Association. Board approval is required whenever the following practices are changed or set aside.

Financial Controls

The Executive Director is responsible for:

- Not making unbudgeted expenditures of more than \$ _____
- Not transfer budgeted allocations from one major program or expenditure category to another except where _____
- Submit payroll and other taxes as required by law
- Settle payroll and other liabilities in a timely manner
- Issue income tax receipts for donations received consistent with the fundraising policy and our charitable designation
- Not allow any one individual complete authority over a financial transaction. (e.g. there must be two signatures on every cheque)

Budgeting

The budget is the primary mechanism enabling for board and staff to keep track of, and measure financial performance. The Executive Director is responsible for:

- The drafting and presentation of the annual budget
- Insuring that the budget is developed with sufficient information to judge the accuracy of the projections of revenues and expenditures
- Ensuring that the basis of the budget in any one year is consistent with previous presentations
- Presenting budgets that anticipate an operational deficit

Contracts

The executive director cannot, with board approval:

- Enter into new contractual arrangements with vendors that involve annual commitments by the organization of more than \$ _____ or are longer than three years.
- Enter into contractual relations with funders that involve commitments for services of more than \$ _____ annually.¹
- Substantially change the organization's banking arrangements or financial institutions
- Enter into a loan agreement with a bank or financial institution.

Financial Reporting and Record Keeping

The executive director is responsible for:

- Maintaining a full and complete set of financial records in a manner consistent with accepted accounting and bookkeeping practices
- Presenting a budget to the board's consideration at least one month prior to the beginning of every fiscal year
- Updating the board on a regular basis as to the performance of the organization in relation to budget
- Reporting on any financial issues that jeopardize the ability of the organization to meet its financial obligations
- Present particular financial reports as requested by the board from time to time

Purchasing and the Protection of Assets

The Executive Director is responsible for:

- Ensuring that where an expense for particular goods or services purchased is significant that there is an assessment of the quality and price offered by different vendors.
- Not purchase or enter into contracts in situations where he/she, members of board or staff have a conflict of interest.
- Operating with adequate fire, theft and liability insurance in effect
- Operating with effective procedures for the safekeeping of key legal and contractual documents
- Operating with procedures for backing up and the safekeeping of computer records

Date Approved

Note: A policy should reflect the level of detail that the directors are comfortable specifying as instructions to the executive director or CEO in any area of management practice. This example of a policy on financial management will be adequate for most organizations with a full time executive director.

Such a policy requires the executive director to ensure that procedures are in place which supports these instructions. This policy adds to the requirement, often stated in by-laws (and therefore a board rather than staff responsibility) to undertake an independent audit. This does not preclude a statement here that provides some direction to the executive director on his/her role in the audit process.

¹ This item tries to take into account service delivery contracts with government. Such contracts may have their own documentation in the form of a service agreement, MOU or MOA (Memorandum of Agreement) that the Chair of the board, on behalf of the organization, ought to sign.