Fact Sheet: Role of the Treasurer

October, 2021

For many smaller community foundations, the Treasurer often assumes both a governance role, related to their membership on the Board, as well as an operations role, especially if there is no staff to take care of bookkeeping and other financial matters.

This document will cover the following topics:

Financial Roles and Responsibilities of the Board

Financial Roles of Individual Board members

Additional resources relating to finance available through the Community Foundation of Canada Learning Institute's Resource Library include:

Getting Started – Setting up Financial Management Systems

Risk Management for Community Foundations

Reading and Understanding Financial Statements

Financial Roles and Responsibilities of the Board

- 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.
- 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, includes ensuring that adequate comprehensive financial controls are in place to mitigate risks, they are functioning effectively on an on-going basis and they are reviewed periodically to ensure accuracy.

- Financial assets of the organization are appropriately protected through insurance and appropriate internal controls.
- Board has the financial management skills and understanding to properly understand, evaluate and act on all financial information and reporting that it receives.
- Organization complies with its regulatory environment (Provincial, Territorial 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.

Financial Roles of Individual Directors

- 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!

Standard Bylaw for Treasurer’s Position Description

The Bylaw should reflect that the Treasurer is either doing, or making the necessary arrangements for, the following:

- Preparing an annual financial budget
    - revenue and expense budget

    - cash flow projections
- Managing the organization’s financial transactions
    - receiving and banking monies collected
    - paying the organization’s employees and vendors
- Keeping accounting records in respect of the organization’s financial transactions
    - bookkeeping and accounting
    - maintaining adequate financial books and records
- Preparing the organization’s financial statements and reports
    - for internal purposes (management, board meetings, etc.)
    - for external stakeholders (members, funders, etc.)
- Making the organization’s filing with respect to taxes
    - income taxes, sales taxes, payroll taxes, etc.
    - employment standards, Workers Compensation insurance
    - Appointment of the Auditor

A Successful Treasurer Would...

- Advise the board:
    - Think strategically about financial:
        - Funding model and activities
        - Health, performance and sustainability
    - Ensure the board meets all fiduciary duties.

- Reduce financial risk, increase efficiency and effectiveness:
    - Protect the assets and reputations of the organization and its directors,
    - Ensure financial systems appropriate and sufficient,
    - Ensure financial employees/volunteers competent and sufficient,
    - Documented financial policies, procedures and internal controls.

- Develop financial literacy of board members:
    - Interpret financial statement and reports and educate directors about relevance of reports.

- Bring in additional help if you need it.

- Help find and train a successor.

Finance Team Roles and Responsibilities

In smaller community foundations it is rare that a Chief Financial Officer (CFO) would be in place.

> ***What's critical with the finance team roles and responsibilities is that there is a separation of duty, meaning that one person is not doing all of the financial functions within the accounting cycle. This mitigates financial risk by having the ability to cover up an intentional or unintentional accounting error.***

Strategic Role (Treasurer and ED/CEO or CFO and Treasurer)

- Manages financial risk and financial sustainability,
- Facilitates strategic thinking within Board about financial viability,
- Advises on capacity-building and growth,
- Improves financial health and performance.
- Chair's Finance and/or Audit Committee (Treasurer)
- Advises management team on financial reporting.

Management (Treasurer, ED/CEO or CFO)

- Primarily responsible for accuracy of financial information provided by bookkeeper,
- Ensure board meets financial fiduciary responsibilities,
- Interprets financial reporting and advises the Board,
- Fund agreement compliance,
- Develops budgets, reports on variances and cash flow projections,
- Determines cost allocation methodology,
- Ensures internal controls,
- Develops financial literacy of the Board.

Compliance (Bookkeeper, Treasurer)

- Undertakes bookkeeping and accounting,
- Prepares payroll and vendor payments,

- Submits provincial worker's compensation reports/payments,
- Produces basic financial reporting.

Segregation of the Financial Duties with Appropriate Review

What is key here is to ensure that the reviewer has the appropriate financial skills, and that the reviewer has a higher level within the organization than the person who is being reviewed. The segregation and review process should be developed to align with the organization structure of the foundation. Assistance from the Foundation's external accountant would be helpful in designing this process.

Board Reporting Related to Governance and Finance

Given the board's fiduciary responsibilities, there are four types of reporting needed to meet those responsibilities. These relate to:

- Financial health (today)
- Financial performance (past)
- Financial sustainability (future)
- Financial risk identification and management

Financial Health (today)
These reports are primarily statements of financial position and reflect the foundation's ability to pay short-term liabilities, ability to pay long-term liabilities, ability to sustain the organization for a rainy day (i.e. strategic reserve), ability to replace assets (i.e. capital reserve), ability to fund special items (i.e. designated reserve) and also projections of cash flow.

Financial Performance (past)
This report would be the statement of operations reflecting budget vs. actual to date and projected to fiscal year end.

Financial Sustainability (future)

Forecasting operating budgets out three years provides a roadmap to the Board of resources needed to fulfill the Foundation's mandate. Key performance metrics provide the Board with a tool to determine the financial health of the Foundation (see below).

Financial Risk Identification and Management
Refer to CFC Resource Library documents entitled Risk Management for Community Foundations.

Financial Health and Key Performance Metrics

Establishing ***and reviewing*** these metrics on a regular basis help the Board to determine whether the Foundation is moving in the right direction towards achieving its goals and its sustainability, particularly for smaller community foundations. Examples of metrics include:

- Unrestricted fund balance – the more the better as this gives the greatest flexibility and control over the Foundation's unrestricted grants.
- Unrestricted fund balances as a % of all funds (capital) – a helpful tool when comparing foundations. Although a word of warning about this metric – it can be skewed if a large, restricted gift is made to the foundation. Plus, the hardest donations to receive are unrestricted gifts. The goal is to grow the unrestricted capital each year, which may be a more useful strategic metric.
- Unrestricted income as a percentage of all income
- Grant expenditures vs. operating expenses (%)
- Operating expense ratio (as a % of Assets Under Management (AUM)) – normally these ratio declines as the AUM increase.
- Personnel cost ratio (as a % of AUM)