

FINANCIAL POLICIES

Implementing strict financial procedures is not an insult to staff or board members, it is the responsibility of all who manage funds for a non-profit organization. Financial procedures are as much for the protection of all involved, as they are for the protection of the organization. These procedures take the burden off the shoulders of the treasurer and eliminate temptations for anyone involved in managing the assets of the organization.

POLICIES TO CONSIDER

Independent Financial Reviews or Audits

Most organizations are required to have their operations reviewed by an independent, objective and qualified person once a year. Organizations should review the legislation under which they are incorporated, as well as their own constitution and bylaws, for information about the type of financial review required. Those that are registered charities may require a higher level of review.

Signing Authority

It is recommended that all non-profit organizations have two signing authorities for each cheque. This ensures that at least two people have oversight on the use of organizational resources. One person can be the Executive Director, and ideally, the other person is a board member. In larger organizations, two or three staff may have signing authority. Blank cheques should not be pre-signed in advance – this puts the organization at risk. The board should insist that all cheques are completely filled in before anyone signs.

Regular Reporting

A regular schedule of financial reporting should be determined to ensure the board has the information it needs to make decisions. At minimum, financial reports should indicate the current cash position of the organization, the inflows and outflows and any outstanding expenses or receipts. It is the duty of the directors to ensure they review and

understand the financial reports provided. The financial records should be open for review at any reasonable time by directors of an organization.

Annual Budgets and Spending Limits

Authority for spending is usually provided with the approval of the annual budget. Expenditures over a certain limit, or that fall outside the normal operating budget, should be approved by a motion at a board meeting. For larger expenditures, the organization may have a competitive bidding process, whereby it gets quotes from a number of vendors before making a purchasing decision.

Cash and Cheques

Traditionally, organizations have handled the majority of their expenses with cash or cheques. Procedures should be in place to limit theft or forgery. Receipts and records, as well as lock boxes and bank deposits, help manage these forms of payment.

Credit and Debit Cards

More businesses are moving to the use of credit or debit cards for organizational payments. Most financial institutions have options for organizations. These may include daily transaction limits. While record keeping is generally easy, as the banks can provide regular statements and online access, it is the organization's responsibility to ensure payments are appropriately approved. Staff and board need to keep receipts and reconcile statements, which may require additional approvals before payment. However, the organization is still accountable for the balance, so policies may be needed to build understanding of the correct use of credit and debit cards.

Retention of Records

Every organization should have a clear understanding of the length of time that financial records of the organization must be kept. This applies to print and electronic records. Seven years is a commonly accepted length of time.

ALWAYS MORE TO LEARN

There are several other financial policies that may be needed in different types of organizations, such as policies around Investments, Debt and Reserves. Charities may have different kinds of policies around Donations and Fundraising. Review the *Assurance Handbook*, produced by the Canadian Institute of Chartered Accountants, for more options. Financial policies are a safeguard for your organization. They are an important part of your organization's due diligence in ensuring sound financial management.

Other Topics to Explore:

[Financial Stability](#)

[Audit Committees](#)

[Financial Planning aka Budgeting](#)

[How to Read Financial Reports](#)

On-Site Materials:

[Budget Template](#)

Other Links:

[*Financial Policies and Procedures: Protecting Your Organization's Financial Assets.*](#)
Ontario Ministry of Agriculture, Food and Rural Affairs.

[*New Accounting Standards for Charities and Non-Profits.*](#) WEBINAR. Imagine Canada, 2012.

[*New Accounting Standards for Charities and Non-profits.*](#) Questions for Directors to Ask. Chartered Accountants.