

## **FINANCIAL ACCOUNTABILITY PROCEDURES**

There may be no board responsibility more important than responsibility for the financial integrity and accountability of a not-for-profit organization. The board must ensure that the Society uses its funds efficiently, as donors have designated, and in pursuit of the Society's purpose.

Financial matters span a broad range of topics, including personnel and internal controls as well as accounting and the budget. Not all board members need to be familiar with financial terms and concepts, but the Society needs a clear agreement for how financial accountability will be ensured. These procedures reflect an accountability agreement between board and staff.

### **1. Related to Tax and Legal Responsibilities,**

a) The station manager will:

Immediately notify the board with complete information related to any delays in payroll tax payments to Revenue Canada or any legal matters;

If investigated by Revenue Canada, be as co-operative as possible;

Immediately notify the board of any tax investigations, problems or penalties; and

Immediately notify the board of any legal suits.

b) The board will:

Work closely with station manager to respond to notification of possible tax problems and develop plans for resolving tax and legal problems; and

Formally approve any tax and legal settlements.

### **2. Related to the CRTC Annual Return,**

a) The station manager will:

Submit to the CRTC a statement of accounts, on the CRTC "Annual Return of Broadcasting Licensee" form, on or before November 30 of each year for the year ending on the previous August 31; and

Immediately notify the board of any inquiry directed to the Society by the CRTC.

b) The board will work closely with staff to provide a response to any CRTC inquiry.

### **3. Related to Accounting,**

a) The station manager will:

i) Complete financial statements within one month of the end of the semester, including:

Income and expense statement for each major project and for the Society as a whole (should include statements for the previous semester and on a year-to-date basis); and

Comparison of actual to budget on a year-to-date basis for the Society and, if appropriate, for each project.

ii) Deliver statements to finance committee in advance of meeting.

iii) If the statements are not available, explain the delay and estimate a date by which the statements will be completed.

iv) In a timely manner, prepare end-of-year statements and federal and provincial forms.

b) The board will:

Form a finance committee of directors and members that understand financial information and standard accounting terms and practises;

Carefully read financial information;

Ask questions to be sure the statements are understood;

Periodically review key accounting policies, such as depreciation, cash or accrual basis statements; and

Be patient and understanding when statements are occasionally late or infrequent accounting problems occur.

\*In this document, Board means the body that legally governs the radio station. It could also be the university or student society.

#### **4. Related to General Bookkeeping,**

a) The station manager will:

- i) Mail or deliver Revenue Canada remittance and all other payments, deposit cheques, and process activity fee refunds, donations and station sales processed by the bookkeeper; and
- ii) Work with the bookkeeper to manage and keep organized the Society's books, financial documents and materials such that:
  - A) All cheques issued by the Society are accompanied by an invoice with a written note by the station manager of which *chart of accounts* item it should be expensed to;
  - B) Coded cheque stubs and invoices, cancelled cheques, and bank statements are filed in monthly folders;
  - C) Petty cash disbursements are kept in envelopes with the petty cash cheque number and the date written on the envelope and all the receipts inside;
  - D) A new deposit book is used for each fiscal year;
  - E) Funding confirmations and correspondence are filed by fiscal year in a "funding" folder;
  - F) The names of individuals who have received an activity fee refund are filed by fiscal year in a "refunds" folder; and
  - G) Guides for Revenue Canada and any other financial reporting guides are kept in a "reporting guides" folder.

b) The board will retain the monthly services of an independent bookkeeper to maintain the Society's books.

#### **5. In Cash Flow Projections,**

a) The station manager will:

Obtain monthly account balances and monitor cash flow;

Prepare cash flow projections when requested;

If cash flow shortages are expected, discuss with the board a plan for bridging the shortages; and

If cash flow surpluses are expected, discuss with the board a plan for maximizing investment.

b) The board will pay attention to any cash flow reports it requests and work with the station manager to solve shortages and surpluses.

#### **6. In Financial Analysis,**

a) The station manager will:

i) Prepare a brief written narrative for each semester including the following:

Highlights of recent period;

Outstanding and/or anticipated problems;

Anticipated opportunities;

Analysis of financial health; and

Comments on recent financial performance.

ii) As part of the annual budget preparation or at another key juncture:

Investigate and analyze outside trends affecting the organization's finances;

Revisit key decisions related to assets and liabilities, such as mortgages, debt, investments; and

Prepare vertical and, if possible, horizontal analysis.

b) The board will:

Propose items for ad hoc investigation;

Discuss analysis with the station manager;

Work with the station manager to improve financial performance; and

In the absence of the expertise of the station manager, one or more individual board members may be able to do some of the analysis.

## **7. In relation to the Audit and Internal Controls,**

a) The station manager will:

Ensure that the audited statements can be completed within four months of the end of the fiscal year;  
Ensure that the bookkeeper produces statements for the audit in a timely manner;  
Deliver the statements, the minutes for Board and General meetings, deposit books, invoices, cheque stubs, bank statements and cancelled cheques to the auditor as required; and  
Alert board of any problems with audit.

b) The board will:

Receive financial statements and audit letter directly from auditor;  
Review written internal control procedures with the bookkeeper and station manager separately; and  
Prepare a brief written response to comments and recommendations in the audit letter for presentation at an annual general meeting.

## **8. In relation to the Budget and Long Term Planning,**

a) The station manager will:

Develop a proposed budget by project and for the operating costs of the organization as a whole; and  
If significant budget variances occur, explain the variances and proposed action such as better attention to budget control or revised end-of-year projections.

b) The board will:

Develop parameters for the station manager to guide preparation of the draft budget, such as maximum allowable deficit for the year, reduction of Accounts Payable, etc.;  
Give careful attention to budget reports;  
Engage in long term planning for funding, such as identifying a target mix of contributed and earned monies;  
Review investment powers in governing documents and retain an investment adviser for advice on investments (without delegating investment decisions to advisers);  
Review any insurance policies and seek advice from an insurance broker on recommended coverage;  
Formally accept the budget, thereby authorizing the beginning of operations as planned; and  
Give approval for changes in the budget once accepted.

## **9. In Salaries and Personnel,**

a) The station manager will:

Maintain an annual schedule showing each staff person and that person's salary for the finance committee;

Maintain an annual schedule of individuals to whom T4s were issued, and the amounts; and  
Order and prepare Record of Employment forms for departing employees.

b) The board will:

Establish salary ranges for each category of employee;  
Negotiate and approve the station manager's salary;  
Ensure that other salaries are within approved salary ranges, or if not, to have approved exceptions;  
Approve employment contracts and policies; and  
Periodically review employee benefits.

## **10. In General,**

a) The station manager will:

Always file accounts and annual returns on time;  
Make a good faith effort to communicate all significant information;  
complete requests for ad hoc reports;

Appreciate that tough questions are appropriate and not hostile;  
Have good answers.

b) The board will:

Give serious attention to financial information;

Be understanding when problems occur;

Make only reasonable requests for ad hoc reports;

Work as problem solvers as well as governors;

Become knowledgeable of legal, tax and insurance pitfalls affecting the Society and any new activity it undertakes;

Be willing to ask "tough" questions;

Respect the difficulty of the work, and express appreciation when appropriate;

Ask good questions

AGREED TO BY:

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STATION MANAGER

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BOARD TREASURER

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BOARD CHAIRPERSON

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BOARD SECRETARY

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BOARD MEMBER

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