

Nonprofit Financial Series: The Nonprofit Treasurer's Role in Practice



February 29, 2024
2:00-3:15

 IntegralOrg

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Mohkinsstis
Land Acknowledgement

Bearspaw First Nation **Siksika First Nation**

Piikani First Nation **Goodstoney First Nation**

Chiniki First Nation **Kainai First Nation**

Tsuut'ina First Nation

Métis Nation of Alberta, District 5 and 6

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Your Facilitator for

Introduction to Finance

INTEGRALIntros

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Consultant, Stella, M. Penner Professional Corporation
Financial Education for IntegralOrg



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Overview

- Where is the treasurer's role defined?
- Examples of role descriptions
- Reporting relationships
- Common duties assigned
- Key qualifications
- Understanding & interpreting nonprofit financial statements

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Defining the Role

Bylaws of most nonprofits require appointment
Board policy may provide a **job description**

- Which duties may be delegated?
- Frequency of reporting
- Involvement in various matters
 - Budgeting
 - Serving on committee(s)
 - Liaison with auditor
 - Liaison between board and management



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Variations in Mandated Role

- Under what legislation was the entity created?
- When was it incorporated?
- Does the board have a formal governance policy framework?

Following examples illustrate differences over time and nature of a nonprofit



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Role Descriptions

Sample Bylaws – Alberta Societies Act

“ The Treasurer shall receive all monies paid to the society and be responsible for the deposit at whatever Bank (etc) that the Board may order.

He/she shall properly account for the funds of the Society and keep such books as may be directed. He/she shall present a full detailed account of receipts and disbursements to the Board whenever requested and shall prepare for submission to the Annual Meeting a statement duly audited of the financial position of the Society and submit a copy of the same to the Secretary for the records of the Society. The office of Secretary and Treasurer may be filled by one person if any annual meeting for election or

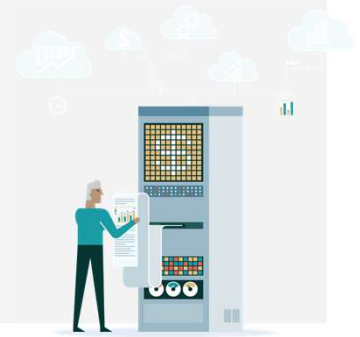
Source: Alberta Corps Registries, Jan 2024

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Role Descriptions

Model Bylaws – Canada Non-Profit Corporations Act (CNPCA)

”
“ Treasurer: If appointed, the treasurer shall have such powers and duties as the board may specify



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Role Descriptions

Sample from Calgary Nonprofit – Societies Act

”
“ The Treasurer of the Association is one of its officers and primarily responsible for all financial transactions, financial accounts, budgets and financial audit procedures. The Association may provide the opportunity for the Association to establish more specifically the structure for their Treasurer, but a few duties to be fulfilled are:

1. He shall develop and maintain reporting systems which has every committee, group or individual turning over all their revenues and expenditures so these can all be accurately recorded into the Association records and accounted for to the members.
2. He shall prepare and present financial statements to the Board and the members which contain all the Association revenues, expenditures and cash balance situations.”

There are five more points, even more detailed than these
Adopted in 1974; currently under first revision.

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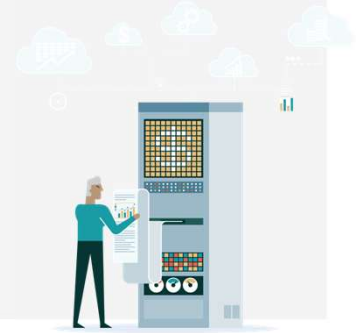
Role Descriptions

Sample from Charity - CNPCA

These are taken from the bylaws listing of officers to be appointed by the board

“
“ *A treasurer, who may be either a Director or an employee of the Society, and who shall have responsibility for oversight of the Society's financial and tax matters.*

Adopted in 2021



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Board Policy



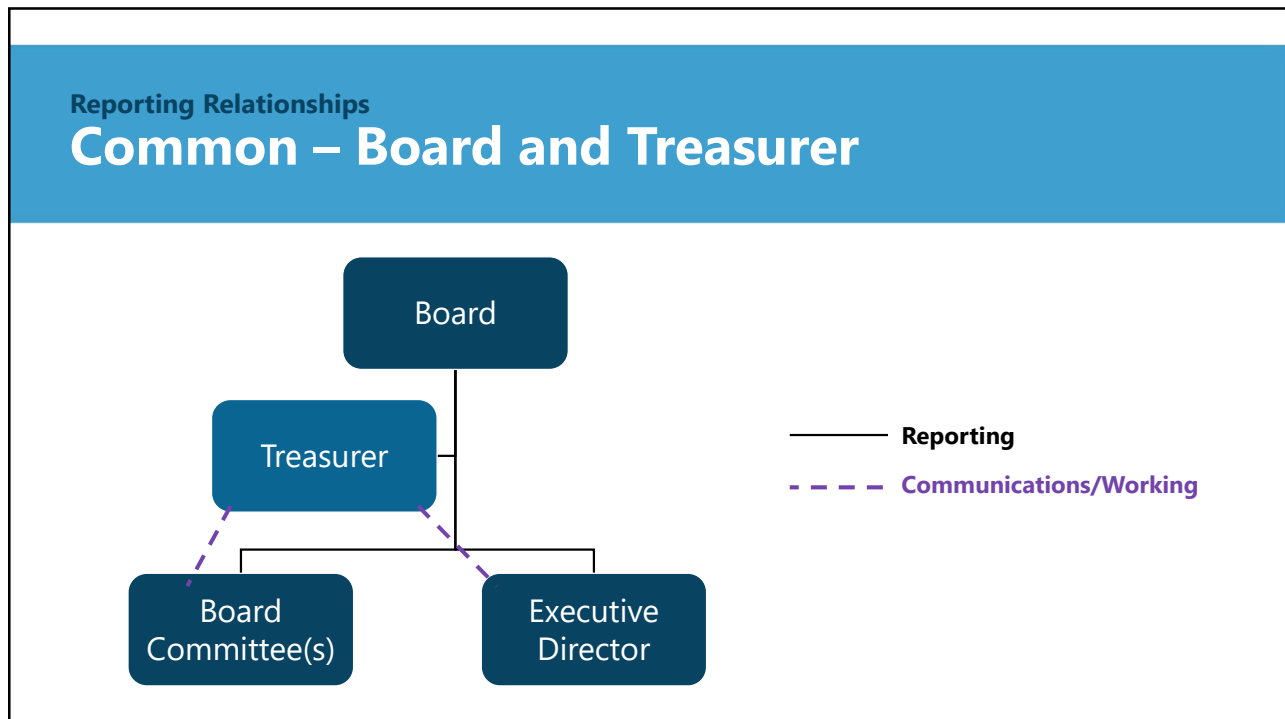
We recommend Board *job descriptions* for officers!

- Which of the required duties may be delegated to management (staff)?
- On which committees (if any) would the treasurer be expected to serve?
- Reiteration of duty of care, code of conduct
- May specify qualifications, which should be considered during Board recruiting

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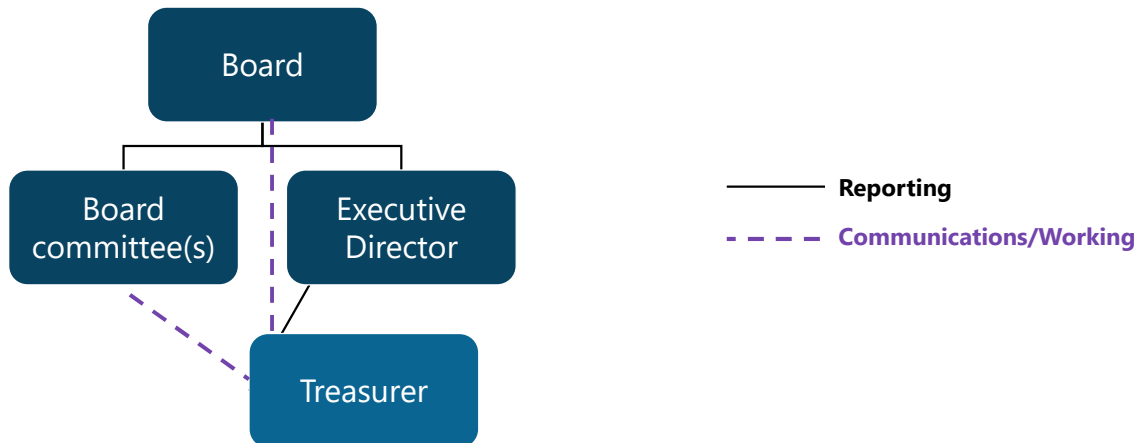


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Reporting Relationships

Alternative – Board and Treasurer

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Treasurer Duties

Interpreting the Bylaws



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Small Organization with Few Staff



The board is *hands on* by necessity

The board likely has finance committee active in overseeing finances, budgets, and auditor liaison

Treasurer plays a key role on the finance committee

- Interpreting financial statements/accounting policies
- Reviewing financial reports before presentation to board
- Active in budget process

Treasurer may be expected to

- Review/approve expenditures
- Sign cheques
- Review bank reconciliation

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Mid-Sized Organization



Board leads through strategic planning and policy development

Board role more clearly oversight than active management

Board has audit committee; may be combined with finance

Treasurer's role is focused on financial oversight on behalf of the board

- Liaison between finance committee and board
- Liaison between management and finance committee

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Large Organization



Board's focus is leadership, risk management, and strategic priorities

Board has comprehensive working governance policy manual

Board officers have job descriptions

Board has independent audit committee

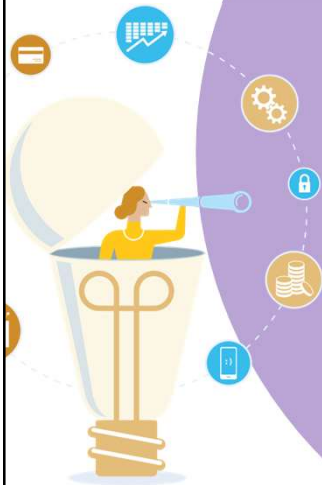
Delegation to CEO/ED is clearly described

- Day to day financial matters (transactions, budgeting, and reporting) is delegated to CEO
- Treasurer role may be somewhat notional
- The CEO/ED is held accountable by the board for financial matters and internal control

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Qualifications

What skills are you looking for?



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Treasurer Qualifications

Depends on the nature of treasurer's role as defined by the board

At minimum

- Financially literate – can read and understand financial statements

For smaller entities without professional accounting staff

- Understands basic differences between nonprofit & business accounting
- Able to assist in assessing internal controls and recommended by auditor
- Time commitment (e.g., for cheque signing, transaction review)

For all types

- Willing to ask questions and understand reports they are expected to present to board

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Additional Resources

If the treasurer is not an accountant, consider engaging a certified professional accountant (CPA) firm for some or all of...

- Quarterly preparation of board reports
- Meetings with treasurer, finance committee, or board periodically to review and interpret financial statements
- Availability for coaching the treasurer as needed



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Aside: A Note on Bookkeeping



Very small organizations may expect the treasurer to do the bookkeeping

Bookkeeping includes

- Entering financial data/transactions in the books of account
- Bank reconciliations
- Preparing deposits; issuing cheques
- Filing/storing financial documents

This is a ***separate/staff* role** the treasurer may do from necessity, not normally assigned by the board

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Financial Statements

What skills are you looking for?



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What's unique about nonprofit financials?



Contribution revenue

No concept of ownership or equity

Liability may include non-monetary obligations

Asset valuation not based on revenue-generation ability

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What's unique about nonprofit financials?

Contribution Revenue



- Results from non-reciprocal transaction
- Use of contribution may be restricted by contributor (e.g., grants)
- Need to segregate net assets that are restricted from net assets that can be used in general operations
- Currently two ways of **reporting unspent restricted contributions**:
 - Defer unspent balance (as a liability)
 - Segregate restricted net assets in a separate fund
 - Either way, the balance sheet differentiates how much of the net assets (assets less liabilities) is available for operational use

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What's unique about nonprofit financials?

No Ownership Concept

- Net assets are not the same as *equity* or *net worth*
- **Net assets** is a residual calculation – it does not represent the worth or value of the entity
- Net assets may be comprised of
 - **Unrestricted** – available to management for ongoing operations
 - **Internally restricted (reserves)** – may only be spend with board approval
 - **Externally restricted** – due to grant or endowment constraints
 - May either not be spent at all/ever, or spent only on specific activities
 - **Transfers** between classes of net assets reported on Statement of Changes in Fund Balances, not on income statement

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What's unique about nonprofit financials?

Non-Monetary Obligations



- Obligation to deliver specific outcomes or complete a service
- May be tied to grants or restricted contributions
- Will be reported as deferred contribution or a restricted fund balance
- Reported on the Statement of Financial Position (balance sheet) so include this statement in periodic board reporting

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What's unique about nonprofit financials?

Asset valuation and impairment

- Impairment of value of capital assets in a business context is determined by reduction in ability of asset to generate revenue or cash flow
- Determined by comparison to *market value* of asset or its revenue capacity
- Nonprofits don't own assets for the purpose of generating market-based revenues, so these measures are not relevant
- Asset impairment is identified and measured by loss of utility in providing of intended service

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Key Takeaways

Treasurer's need role clarity

Financial literacy is key for treasurers

Nonprofit financials have unique features



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