

[NGO NAME]

POLICY ## FINANCIAL REPORTING POLICY

Adopted: November 20, 2012

Reviewed:

OBJECTIVE: To ensure prudent financial management of ABC Society

SCOPE: Applicable to the board, officers, Executive Director and all employees of the ABC.

PRINCIPLES: The board controls and is ultimately responsible and accountable for the prudent financial management of the Society. The Executive Director and staff must be given sufficient flexibility and latitude to perform their duties as long as they operate in a financially prudent manner.

GUIDELINES: No spending shall occur without the Board having previously approved a budget authorizing that expenditure, except for emergencies. In case of emergencies, the Executive Director shall seek approval of at least two members of the Board, preferably the President and Treasurer, but in any case including at least one Officer.

The Executive Director is responsible for ensuring that bookkeeping and financial control systems are in place to meet the requirements of this policy and Generally Accepted Accounting Principles (GAAP).

No unplanned and unauthorized deficits shall occur. Planned deficits shall include identification of sources of funds to be used to cover the deficit.

The budgeting process is on a cash flow basis. Non-cash items (such as depreciation) need not be budgeted, while items affecting cash flow that do not affect net income (such as capital expenditures and borrowing requirements) need to be included in the budget.

The fiscal year is from April 1 to March 31 of the following year.

The Executive Director and the Treasurer shall prepare an annual budget and monthly cash flow projections for the Board meeting before the beginning of the fiscal year for consideration by the Board.

Budget Items shall be sufficiently broad to allow the Executive Director to make reallocation decisions within a budget Item. Any increase in expenditures in a budget Item requires Board approval except that the Executive Director may reallocate up to 15% of expenses from one budget Item to another as long as the overall projected surplus or deficit is not affected.

The Officers may unanimously approve the reallocation of expenses amounting to more than 15% of any one expense budget item as long as the overall projected surplus or deficit is not affected.

At least a week before the Board meeting prior to the end of the fiscal year, the Executive Director and the Treasurer shall provide a proposed budget including total annual revenues and expenditures and monthly cash flow projections, as well as comparisons of the annual figures with the two previous years. The Executive Director and/or the Treasurer shall provide details on each Item if requested by Board members. Where some temporary monthly deficits are projected, the budget request shall indicate the source of funds for covering the deficit. The Board will have to approve by resolution the amount of any borrowing (including use of a line of credit that results in a negative balance at the end of a month) required to cover temporary deficits.

Board Meetings Reports:

The Executive Director shall report on the state of the Society's finances at every Board meeting.

One week before each Board meeting, the Executive Director shall provide a report on the to-date finances and present a budget change request, if needed.

Revised monthly cash flow projections may also be presented if approved or contemplated major changes in budgets require them. If the meeting is held after the 15th of a month, the financial information shall be as of the last of the preceding month, otherwise, it may be as of the last of the month previous to the preceding month. If any reallocations or increases in budget are needed, they will be considered and approved by the Board. Budgets for new projects also will be considered and approved by the Board.

The financial report will contain columns for:

- Original total annual budget
- Revised total annual budget
- Current forecast to year-end
- Actual year-to-date figures
- Previous year's figures for the same period
- Budgeted cash flow year-to-date

The Executive Director shall explain any major discrepancies between the actual and forecast and budgeted figures and request reallocations as needed. If reallocations cannot cover projected over-expenditures, the Executive Director and/or the Treasurer will present a plan outlining corrective actions to ensure that a deficit does not occur. Where additional temporary borrowing is required, the Board will consider it and approve it, if need be, through a resolution.

As well the Executive Director shall report on the following Balance Sheet items:

- Accounts Receivable
- Accounts Payable
- Cash on hand (bank accounts)
- Loans outstanding

Annual Report

At the Board meeting following the fiscal year-end (or the meeting following that if the previous meeting is held before the 15th of the month), the Executive Director shall provide preliminary financial statements for the previous year, including a Balance Sheet, Income Statement and Cash Flow Statement.