

221A

Policy 008: Financial Management

008. Financial Management

Policy Objective: To establish guidelines for financial management, reporting and compliance.

Suggested Review of Policy: Annually.

1. Lines of Authority

The Board has authority to approve Policy and the Annual Budget. The Executive Director has the authority to manage the day-to-day financial activities of the Society.

2. Basis of Accounting and Fiscal Year

The organization uses the accrual basis of accounting with a March 31 fiscal year-end.

3. Recordkeeping

Accounting records are maintained for at minimum of seven years.

Procedures

- a. All financial records are scanned/saved and filed digitally on the 221A server.
- b. Key paper records are kept in a locked filing cabinet.
- c. Key paper records include grant applications, grant correspondence, tax correspondence, payroll files, audit records, bank statements and correspondence and vendor files with receipts/statements above \$500.
- d. Paper records are moved to archive storage after two years.
- e. Paper records older than seven years may be shredded and recycled.

4. Security

The organization maintains security of its assets to ensure that only people who are authorized have physical or indirect access to money, securities, real estate and other valuable property.

Procedures

- a. Blank cheques, petty cash, important files, receivables and keys are stored in a locked file cabinet at the 221A office. The filing cabinets are opened at the start of each work day and locked at the end of each work day. Keys for the file cabinet are stored in a hidden location in the office.
- b. Deposits are made weekly by the Systems Designer at the bank.
- c. Access to the accounting software is granted to the Executive Director, Systems Designer and the Accountant, who all have distinct logins and passwords.
- d. Digital archives are password protected and require personal logins. Access is granted to 221A staff, Board President and Secretary only.
- e. A master password document is housed in a cloud and access to this document is granted to 221A employees and Board signatories only. Passwords are changed annually.

5. Audit

The organization conducts an audit each year. Audited financial statements are to be completed no later than July 31 of each year, four months after the completion of the fiscal year.

6. Tax Compliance

The organization complies with applicable taxes, correspondence and tax filing on a timely basis as expected by the Canada Revenue Agency.

Procedures

- a. The Accountant prepares the financial sections of the T3010 Registered Charity Information Return after the completion of the annual Audited Financial Statements
- b. The Executive Director completes and submits the T3010 Registered Charity Information Return within 6 months of the fiscal year-end.
- c. The Accountant prepares the payroll T4SUM and T4 Slips by January 31 each year.
- d. The Executive Director approves and submits the T4SUM to the CRA and distributes the T4s to the Staff by February 28 of each year.
- e. The Systems Designer makes monthly Payroll Tax payments to the CRA for all payroll taxes owed by the 15th of each month.
- f. The Accountant submits quarterly GST remittances and GST PSB (Public Service Body) Rebates.

7. Annual Budget

The Annual Budget is prepared by the Executive Director for approval by the Board of Directors before the end of the first quarter of the fiscal year. The Annual Budget includes the previous year operating budget actuals, current fiscal year operating budget, next fiscal year operating budget projection and budget targets for major classes. The Executive Director is thereby authorized to manage the day-to-day affairs of the society.

Accounting Codes

Accounting codes are based off of the CADAC (Canadian Arts Data / Données sur les arts au Canada) to ease government reporting requirements to three levels of government.

Major Classes

The Annual Budget is an aggregate total of class budgets that define significant business units within the Society. Each major class budget details proportionate revenues and expenses and an expected net budget figure.

Annual Financial Goals

The Annual Budget will also be accompanied by a description of the financial goals of 221A and how they will be achieved through the budget implementation.

Interim Budget

The Board may pass an interim budget if significant items have not yet been determined.

8. Regular Reports

The Executive Director will provide regular reports at each board meeting on the financial position and activity of the society that includes the following:

- A. **Summary Report** – a written statement describing the recent and forthcoming financial activity of the society.

- B. **Balance Sheet** – showing all assets, liabilities and equity up to the most recent reconciled monthly period and showing a comparison to the previous period.
- C. **Budget Variance: Accounts vs Quarters** – showing comparisons up to the most recent reconciled monthly period to budget, highlighting significant budget variances.
- D. **Budget Variance: Classes vs Totals** – showing comparisons up to the most recent reconciled monthly period to budget, highlighting significant budget variances.
- E. **Cash Flow Report** – showing the anticipated net change in cash resulting from the operating, investing, and financing activities of the Society.

The Executive Director, from time to time, be expected to provide additional reports on the financial position and activity of the society to the Board of Directors or a committee of the Board of Directors

- F. **Budget Variance: Detailed Class Reports** – showing comparisons up to the most recent reconciled monthly period to budget, highlighting significant budget variances.
- G. **Internal Sample Audit** – identifying groupings of expenses that be made available for review.

9. Extraordinary Events – “No Surprises”

In the event that extraordinary financial events occur, the Executive Director must inform the board immediately. The Board may accept significant budget variances or approve an updated budget.

10. Controls on Multi-Year Agreements or Procurements

Multi-year contracts or agreements that extend beyond the scope of the Annual Budget such as lease or sub-lease agreements, multi-year employment contracts, major multi-year grants, multi-year borrowing or investment arrangements, require approval by the Board of Directors.

11. Controls on Income

The Executive Director is responsible for approving all revenues including self-generated, private sector and public sector revenues in accordance with approved budgets and financial goals.

The organization receives a significant portion of its revenues through the management of multi-tenant facilities. The Society collects rental payments from tenants monthly, as detailed in sub-lease agreements, on the first of each month by way of Pre-authorized Debit Agreement, E-transfer, Cheque or Cash. The rental revenues are coded/classed to the corresponding multi-tenant facility.

The organization receives support for its charitable programs and activities through individual and corporate donations. Private sector support requiring naming rights require Board approval.

The organization receives significant financial support from three levels of government through operating grants and project grants. The Executive Director is responsible for ensuring the Society complies with subjects and conditions for submitting, accepting, and reporting on government grants.

12. Controls on Expenditures and Procurement

Expenditures – The Executive Director approves all expenditures in line with the Annual Budget.

Procurements – The Executive Director approves all contracts and agreements for the procurement of contractors including but not limited to artists, curators, fellows, project managers, coordinators, consultants, designers, technicians, fabricators and tradespeople. The Executive Director is responsible for verifying the classification of that person as a contractor and not an employee.

Delegated Authority – The Executive Director may delegate limited authority over purchasing and procurement to staff members.

Cheque Signatories – Bank account signing officers are the Executive Director, President, Treasurer and up to two other Board Members. Cheque payments under \$1,000 are signed by a minimum of one signing officer. Cheque payments over \$1,000 are signed by a minimum of two signing officers.

Reimbursements – The Executive Director authorizes reimbursements to Employees and Contractors who incur approved expenses. Employees and Contractors submit an invoice or reimbursement report to the Systems Designer, who prepares cheque payment for authorization. Where possible, Employees and Contractors are encouraged to use company payment methods rather than reimbursements.

Credit Cards – The Society maintains one credit card in the name of the Executive Director and one credit card in the name of the Systems Designer. Credit card expenditures must be approved by the Executive Director or an authorized staff delegate in accordance with approved project budgets.

Procedures

- a. The Executive Director or delegated staff approves of expenses on a day-to-day basis.
- b. Credit card purchases and orders placed with vendor accounts are made by the Systems Designer or Executive Director.
- c. Credit card bills are reviewed by the System's Designer, double checked by the Executive Director. In the event an unrecognized charge appears, the Systems Designer seeks remedy with the Executive Director, which may be investigated further through the credit card provider.
- d. Credit card bills are paid online by the Systems Designer through the TD Easyweb protocol.
- e. Internal account transfers are made by the Systems Designer through the TD Easyweb protocol.
- f. Vendor bills, security deposit returns, petty cash disbursements and reimbursement reports are prepared by the Systems Designer for cheque payment awaiting final authorization.
- g. The Executive Director and Signing Officers sign the cheque payment(s).
- h. The Systems Designer delivers the cheque payment(s) to the recipients.

13. Controls on Travel Expenses

Travel expenses pertaining to business of the Society must be authorized by the Executive Director.

Procedures

- a. The Executive Director may authorize the use of points accounts such as Aeroplan for travel.

14. Controls on Payroll

The Board of Directors has sole authority to approve changes to the Executive Director's remuneration, while the Executive Director has sole authority to approve changes to staff payroll in line with applicable organizational policies. Payroll changes should be made only in accordance with signed employment agreements or written approvals from the appropriate authority. The payroll status and information of all employees is considered confidential.

Procedures

- a. The Systems Designer adds, makes changes and and deactivates employees on the payroll system with the written authorization of changes from the Executive Director.
- b. Changes to the payroll of the Executive Director are made by the Systems Designer with the written authorization of the Board of Directors.
- c. Employees may at any time make requests to the Executive Director for changes in payroll.

15. Controls on Petty Cash

Petty cash expenses must be authorized by the Executive Director or Staff Delegate. The organization keeps a petty cash box not to exceed \$150. Petty cash payments are discouraged where other payment methods are available and should only be used for providing change for small transactions and purchasing incidentals/sundries/services (ie. window washing, minor hospitality, key cutting, etc.).

Procedures

- a. Petty cash is kept in a cash box that is locked in the filing cabinet.
- b. Keys to the filing cabinet are stored in a hidden location.
- c. When cash is used, the staff person must append a receipt and make a record including their staff initials in the petty cash ledger in the lock box.
- d. When cash is low the Systems Designer will prepare a cheque for authorization from the Executive Director.
- e. It is the Systems Designers responsibility to cash the cheque and keep track of funds in the box.

16. Payroll Payments

The organization pays employees on a semi-monthly basis by electronic file transfer.

Procedures

- a. The organization has an EFT account with TD Canada Trust commercial banking that allows for payroll payments in accordance with employment agreements.
- b. The Systems Designer enters newly hired employee name, sin number, wage/salary, vacation policy, benefits, T1 and other relevant information into Quickbooks, as per the employment agreement.
- c. The Systems Designer requires employees to submit a void cheque or direct deposit form to be enrolled in the EFT process.
- d. The Systems Designer makes payroll payments on a semi-monthly basis using calculations generated by Quickbooks through the TD Canada Trust EFT.

- e. In the event the EFT system is unavailable or an alternative payment method is more appropriate the Systems Designer may make payment by cheque. In the event a cheque is required, signing officer authorizations will apply.
- f. Payroll stubs are sent by e-mail to each employee for each pay period.

17. Pay Upon Termination

Upon voluntary and involuntary termination, payroll is processed at the nearest pay period.

Procedures

- a. The Systems Designer calculates and submits final payroll by way of EFT or cheque with the approval of the Executive Director. For cheque payments, signing officer authorizations apply.
- b. After final payment is made, the Systems Designer deletes the payee details of the employee off of the EFT TD Commercial banking account.

18. Borrowing

The members of the Society may by Special Resolution authorize the organization to borrow funds for specific reasons that serve the financial goals and charitable purposes of the Society.

The Society has a current borrowing arrangement in place with TD Canada Trust valued at \$75,000 total, made up of a \$65,000 line of credit and two (2) \$5,000 credit cards for the purpose of day-to-day cash flow. The total borrowed amount is 100% cash-secured in a separated business savings banking account. The Executive Director is authorized to use the line of credit on a day-to-day basis to ensure the long-term financial standing of the Society. Changes to the line of credit or credit cards require authorization by the Board of Directors.

All borrowing resolutions are effective until the close of the next AGM or at a date set by the members of the Society.

19. Insurance

Commercial General Liability – The Society must carry Commercial General Liability insurance with a coverage limit of \$5,000,000 per occurrence to protect the organization from unexpected financial costs resulting from bodily injury, property damage, personal injury and tenants legal liability.

Income Loss Insurance – The Society must carry income loss insurance in an amount sufficient to provide the lost rental income for each of its properties for a period of not less than 24 months.

Directors and Officers Liability – The Society must have in place Directors and Officers Liability insurance with a coverage limit of \$1,000,000 per occurrence to protect members of the Board of Directors from exposure to lawsuits against the organization. This insurance will be made available for review upon request.

20. Investments

The Executive Director is responsible for managing the investment accounts of the organization in relation to the approved Annual Budget.

21. Capital Assets

Equipment, tenant improvements and property may be capitalized rather than expensed in line with the approved Annual Budget. The sale of significant capital assets require additional approval from the Board of Directors.

Procedures

- a. Capitalized inventory is registered on the Quickbooks software assets account.
- b. The Accountant determines the appropriate depreciation method based on general principles of accounting.
- c. Depreciation is registered once per year at the end of the fiscal year by the Accountant.

POLICY HISTORY:

June 19, 2018 - Major Revision Adopted

March 26, 2015 - Revision Adopted

Sep 22, 2014 - Adopted

Aug 27, 2014 - Draft