

# FINANCIAL BEST PRACTICES

## 1. FINANCIAL ROLES

	Doing Well	Could Improve	Want to Try	NOTES
<b>ROLE CLARITY</b>				
Everyone who is involved in the organization's finances – whether board, staff or volunteers – has a position description that clearly explains what they are expected to do, what they are allowed to do and what they are not allowed to do when it comes to handling your organization's finances.				
Finance Committee (if you have one) has terms of reference that clearly list their core purpose, how often they will meet, and who can participate in the committee.				
Board makes sure financial policies, role descriptions and terms of reference are communicated and followed.				
<b>THE BOARD</b>				
Creates financial policies & procedures				
Approves the yearly budget and financial goals				
Monitors financial results				
Appoints the Treasurer and/or Finance Committee				
Takes required training to understand their duties and read financial reports				
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Approves the yearly budget and financial goals				
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<b>STAFF</b>				
Receives priorities from board				
Works with program staff and bookkeeper to draft budget				
Works with Treasurer (or Finance Committee) to match budget with strategic priorities				
Provides regular draft reporting to Treasurer (or Finance Committee)				
Inputs data and keeps records				
Prepares financial reports				

## 2. FINANCIAL PLANNING & REPORTING

	Doing Well	Could Improve	Want to Try	NOTES
<b>UNDERSTAND THE BIG PICTURE</b>				
Board has conversations to review the mission and vision of the organization, and understands the purpose of key programs and services.				
Board has conversations about success, discussing what they would like to achieve in the next 3 – 5 years.				
Board has discussions and reaches consensus on top 3 goals or priority areas.				
<b>SET ANNUAL PLAN AND GOALS</b>				
Board reviews and discusses draft budget, ensuring it reflects the organization’s resources.				
Board ensures most important projects are given the most resources, and the least important are given the least resources.				
Every board member clearly understands the annual budget before approving it.				
Board provides feedback on the draft budget.				
Board reviews and approves an annual operating plan that is connected to the approved yearly budget.				
Board sets annual goals or targets related to activities in the budget or operating plan.				
<b>MONITOR RESULTS</b>				
Board ensures all financial records are up-to-date, accurate, complete and properly summarized.				
Board ensures financial records for each major program are organized.				
Board reviews key financial reports – Statement of Financial Position (or Balance Sheet), and actual vs. budget expenses – at least once per quarter.				
Board sees that financial filings are completed and submitted on time.				
Board compares actual results with targets in the budget or operating plan.				
Board asks questions and gets clear explanations of any major differences.				
Board keeps track of financial discussions in the board meeting minutes.				
<b>ADJUST GOALS AND PLANS</b>				
Board updates and approves a revised budgets as required				
Board works with staff to get their perspective on any changes				
Board updates any related annual targets and goals				

# FINANCIAL POLICIES

	Doing Well	Could Improve	Want to Try	NOTES
<b>SEPARATION OF DUTIES</b>				
No one person has control over all parts of a financial transaction.				
The person who inputs financial records is not the same person who reviews financial records for accuracy.				
<b>PETTY CASH PROCEDURES</b>				
Policy exists to specify how petty cash can be used, by whom, and how it is replenished.				
Petty cash is physically secured, eg. in a locked drawer.				
Accurate records, including receipts, are kept detailing each time petty cash is used and to what purpose.				
<b>SPENDING AND SIGNING AUTHORITY</b>				
Policy exists specifying who is able to sign cheques and spend money on behalf of your organization.				
Number of people with signing authority is limited to a few board members and leadership staff person.				
Policy limits how much money can be spent without board approval.				
Person responsible for inputting financial records does not have signing authority.				
<b>TWO SIGNATURES ON CHEQUES</b>				
All cheques issued by the organization are signed by two different people.				
Cheques are only signed by those authorized by the board to have signing authority.				
<b>TRANSACTION REVIEW &amp; PAYMENT APPROVAL</b>				
Duties of receiving incoming invoices or bills and paying bills are handled by different people.				
Person who approves payments verifies that all paperwork is complete before authorizing cheque to be written.				
<b>TRAVEL AND EXPENSE REIMBURSEMENT</b>				
Policy details which records must be submitted, by when, and to whom before a volunteer, board member or staff member can be reimbursed for operational expenses.				
Policy outlines who will review and approve reimbursement forms.				
Policy sets expectations on when reimbursements can be expected.				
<b>PAYMENTS TO DIRECTORS</b>				
Policy created that details any payments to Directors of the organization – either for their director duties or other work.				
NOTE: Organizations can call the BC registry service at 1-877-526-1526 for more information about this requirement.				

## FINANCIAL FILINGS

Keeping up with the financial filings required for your organization is another core board responsibility. If you have leadership staff, this is something you may want to delegate to them. However, as a board, it is important to check to make sure all filings are up to date and correct.

The chart below details some of the major types of filings required by BC not-for-profit organizations and charities. In order to understand which returns you need to file, you need to understand whether your organization is a not-for-profit organization or a registered charity.

There may be additional filing requirements for your organization, especially if your organization employs staff or sells taxable supplies. If you are unsure of the filing requirements for your organization, you should get professional tax advice.

Type of Return	Charity	Not-for-profit
Annual Non-profit Corporation / Society Return	Yes	Yes
T2 – Corporation Income Tax Return	No	Yes
T1044 – Non-profit Organization Information Return	No	Maybe
T3010 – Registered Charity information return	Yes	No
GST – Public Service Bodies Rebate	Yes	Maybe