



## Financial Management Policy

### PURPOSE

The purpose of this policy is to define the terminology, principles, and practices surrounding the management of the Association's financial resources, including the financial responsibilities of the Association's Board of Directors, Committees, and Secretariat.

### DEFINITIONS AND SCOPE OF POLICY

Although this policy applies to all aspects of the management of the Association's finances, it primarily addresses aspects of financial management which are not outlined in the *Canada Not-for-Profit Corporations Act* and Section 2 of the Association's bylaw.

The scope of this policy addresses the Association's financial practices in regard to accounting practices, the development of budgets, the management of revenue and expenses (including establishing fees as well as authorization and oversight of disbursements), the selection of service providers, amortization of assets, and reporting of financial results.

For the purposes of this policy, the phrase "duty of care" is defined as the expectation and legal obligation for a Director to act in accordance with a minimum standard of care, to act honestly and in good faith, and in the best interests of the organization's members; and to exercise care, diligence and skill of a reasonably prudent person in exercising his powers and performing the duties as a director. In particular, the Association's Board of Directors, Committees and Secretariat have a duty of care to adhere to the principles, practices and standards within this policy in their management of the Association's finances.

In addition, the phrase "fiduciary" is defined as a person who holds a legal relationship of trust with one or more parties (groups of persons). The fiduciary has a duty not to be in a situation where personal interests and fiduciary duty conflict, a duty not to be in a situation where one fiduciary duty conflicts with another fiduciary duty, and a duty not to profit from his fiduciary position without knowledge and consent, while the overriding duty of a fiduciary is the obligation of undivided loyalty. In this particular fiduciary relationship, the Association's members, who are in a position of vulnerability with respect to their knowledge of the financial management of the Association, must be able to vest their confidence, good faith, reliance, and trust justifiably in the Association's Board of Directors, Committees, and Secretariat and their understanding of their fiduciary responsibilities.

### POLICY STATEMENT

The Association is committed to efficiency, effectiveness, economy and accountability in the collection and use of funds at its disposal so that Association members receive good value.



As a voluntary organization with limited opportunities to generate revenues, the Association must be a careful steward of its financial resources. As the managers of the Association between annual meetings, the Board of Directors has a fiduciary responsibility to Association members and a duty of care to ensure that the finances and assets of the Association are managed appropriately. The Association's Board of Directors, Committees and Secretariat cannot benefit personally from the trust resulting from the obligations imposed by the duty of care and fiduciary responsibilities inherent in their roles as the financial managers of the Association.

The Association complies with the Generally Accepted Accounting Principles (GAAP) of Canada to provide a standard framework of broad guidelines, conventions, rules and procedures to govern the Association's accounting practices. If the GAAP is revised, those revisions will trigger a review of this policy, and any necessary revisions to this policy will be made to bring the Association back into compliance.

To provide the most accurate financial reports, the Association operates on the accrual basis of accounting. Revenues earned and expenditures incurred are reported on the income statement of the fiscal year to which the revenues or expenditures are assigned, as opposed to the dates when cash is received or expended. The Association defines its fiscal year as the period from January 1-December 31. The Association also maintains a chart of accounts listing subdivisions of its revenues and expenditures. This chart is reviewed on a regular basis to ensure that the categorization of revenues and expenditures accurately reflects the Association's financial operations.

To deposit its revenues and facilitate its expenditures, the Association maintains a bank account at a financial institution in Canada that is a member in good standing of the Canada Deposit Insurance Corporation.

The remaining principles of the policy are divided into the following sections: budgeting, revenues, expenditures (including selection of service providers and assets), and reporting.

### **Budgeting**

To manage its finances effectively, the Association creates a budget estimating its revenues and expenses for each fiscal year. Using the revenue and expenditure categories found in the chart of accounts as a basis for the document, the budget is submitted to the Association's membership for approval at a duly constituted meeting of the Association.

In developing its budget, the Association estimates revenue conservatively by using the figures from the most recent, completed fiscal year while adjusting for identified year over year trends, as well as broad economic trends and those impacting the archives community. Expenditures are estimated on a realistic basis

### **Revenues**

The Association generates revenues through the following sources:



- Membership fees;
- Subscription fees to *Archivaria*;
- Fees for professional development opportunities, such as workshops and the annual conference; and
- Miscellaneous income sources, including publications, advertising, and grants.

Although the Association also derives income generated from investments that comprise its reserve fund, the management and disposition of these funds are governed by a separate Reserve Fund policy.

As revenues are received by the Association, they are categorized according to the appropriate revenue codes in the Association's chart of accounts as part of the continuing management of its revenues and expenditures. Revenues are deposited weekly and at month's end to the Association bank account.

A schedule of membership fees is developed and proposed by the Association's Board but is subject to the approval of members at a duly constituted meeting of the Association. All other fees are approved by the Association's Board of Directors, based on an analysis performed at regular intervals of the costs of service, current market conditions, and fees charged by similar organizations.

In instances where revenues exceed expenditures in a given fiscal year, the Association reviews its Reserve Fund policy to determine whether the surplus funds are required to meet the requirements defined in that policy.

### **Expenditures**

The Association expends funds to support its ongoing operations, including such activities as:

- Compensation for staff and contractors within the Secretariat;
- Statutory financial obligations;
- Contractual obligations including rent for office space and annual conferences;
- Support for the Association's Board and committees, particularly for travel and accommodation for meetings;
- Support for Association program areas, including communications, publications (such as *Archivaria*), outreach, advocacy, membership development, professional learning; and
- Purchase of miscellaneous items and services in support of Association business, such as office supplies.



As funds are expended by the Association, they are categorized according to the appropriate expenditure codes in the Association's chart of accounts as part of the continuing management of its revenues and expenditures. Expenditures are paid out weekly so that the Association does not inconvenience volunteers and others in reimbursing expenses, and it avoids incurring penalty fees or interest charges on other bills and invoices.

All disbursements for expenditures must have the documentation necessary to prove that they are valid expenses incurred while conducting Association business. With respect to travel and accommodation expenses, the Association maintains a separate Travel and Accommodation policy containing expense reimbursement limits and guidelines specifying the allowable amounts for reimbursement to volunteers and staff attending events on Association business.

To facilitate its expenditures, the Association maintains a corporate credit card. The use of the corporate credit card reduces the number of monthly payments relative to its operations, covers the expenses for travel and accommodations by ACA volunteers, provides adequate travel insurance coverage, reduces the volume of reimbursement required, pays routine monthly expenses as well as significant conference related expenses, and generates non-dues revenue through card rewards.

When the expense involves the creation of a contractual relationship with an outside service provider, the Association uses requests for proposals to assess service providers. Although most requests are put forward on an annual basis, requests for proposals for information technology, insurance and accounting services are put forward every 4-6 years.

To provide oversight over expenditures involving credit cards, contracts, and other financial documents, the Association designates signing authorities who have the authority to commit the Association's funds toward valid expenses. The designated signing authorities for the Association are:

- President
- Treasurer
- Executive Director
- Client Services Coordinator

The designated signing authorities have authorization to spend Association funds within the allocations set out in that fiscal year's budget. All payments require two signatures. Payments in excess of \$10,000 as well as monthly salary payments, with the exception of statutory and contractual disbursements (e.g. conference hotel & AV contracts), require the signature of a) the President or Treasurer and b) the Executive Director. In the case of payment of larger or non-routine expenditures for which the two signatures are both ACA staff or which are paid by credit card, the President or Treasurer will maintain appropriate oversight. For example, one of them will review invoices for such expenditures before these are paid.



As a result of some of its expenditures, the Association acquires assets, such as computer hardware, furniture and fixtures. The Association will record capital assets so that the cost of the asset can be amortized over the asset's expected life. Only those assets with a life expectancy of 2 or more years and a dollar value in excess of \$1,500 will be considered for capitalization.

### **Reporting**

To provide accountability and transparency, the Association monitors its financial operations through a series of reports reviewed throughout the year.

In its role of providing oversight to the Association's finances between annual general meetings, the Board of Directors receives and reviews the following statements at specific intervals throughout the year:

- Income & expense statement compared to approved budget – monthly
- Bank account statements – monthly
- Bank account reconciliations – monthly
- Payroll withholding taxes, employer CPP & EI remittance – monthly
- Reserve Fund statements– bi-monthly
- Goods and Services Tax / Harmonized Sales Tax remittance – quarterly

At the close of each fiscal year, the Association undertakes an audit of its financial operations in compliance with the financial disclosure provisions of the *Canada Not-for-Profit Corporations Act* as well as the *Income Tax Act*.

At each annual meeting, the members appoint an accounting firm that provides audit services to review the Association's financial operations for the subsequent fiscal year. The auditor produces a management letter and an audited financial statement for that fiscal year. The management letter and audited financial statement are submitted to the Board of Directors for its review and approval. The Board submits these documents to be received by the membership at the Association's annual general meeting. The documents submitted to the annual general meeting are also posted on the Association's website and published as part of the Association's annual report distributed to the membership.

### **POLICY REQUIREMENTS**

In order to achieve the goals of this policy, the Association will:

- Adhere to the principles defined for its financial operations with respect to budgeting, revenues and expenditures;
- Maintain the reporting relationships regarding its finances;
- Identify the responsibilities and duty of care which the Board of Directors and volunteer groups exercise with respect to the Association's finances, and inform members of the Board and these groups of their duties and responsibilities



## ACCOUNTABILITIES

### General Principles

Association members are bound by the Volunteer Code of Conduct when participating in Association business, declaring conflicts of interest, and maintaining confidentiality of information. Employees and contractors of the Association are bound by the terms of their job descriptions or contracts regarding the handling of their duties; in the absence of any specific terms, this policy and the Volunteer Code of Conduct will apply as best practices documents.

### Board of Directors

The Board of Directors is responsible for the management of the Association's finances and the approval of all policies and procedures related to financial management. It has a fiduciary responsibility and duty of care to ensure that the Board, its committees, and the Secretariat each exercise careful disbursement of funds such that members receive good value in return. Members of the Board of Directors are expected to acquaint themselves broadly with the financial status of the Association with respect to revenues and expenditures.

The Board approves the draft budget prepared in consultation with the Secretariat and submits it to the Association's membership at the annual general meeting for approval. The Board uses the approved budget as a tool to monitor and manage the Association's finances throughout the fiscal year. The Board reviews monthly financial statements prepared by the Secretariat to monitor revenues and expenditures, including any variances to the budget approved by members. As part of its responsibility to manage the Association's operations between annual general meetings, the Board has the authority to change member-approved budgets over the course of the year if revenues or expenditures deviate significantly from those originally estimated in the member-approved budget.

The Board approves the management letter and audited statement produced by the auditor and submits these documents to the annual meeting for receipt by the membership.

The Board is responsible for review and approval of all fees, based on cost of service and market conditions. With respect to membership fees specifically, the Board reviews the schedule of fees with the input of the Secretariat and, when considered necessary, drafts a resolution for the annual general meeting regarding changes to the fee schedule that is subject to the approval of the membership.

Although all Board members have a responsibility for financial management, the President and the Treasurer have specific responsibilities to implement and monitor the Financial Management Policy. In addition, either the President or Treasurer confirms the review of the following documents by initialling a copy for inspection during the annual audit:

- Monthly bank statement for each account
- Monthly reconciliation for each account



- Monthly corporate credit card statement
- Authorization of annual payroll disbursements, including signing monthly payroll cheques if the President and Treasurer are available to sign the cheques at that time
- Review and approval of Executive Director's expense reimbursements for payment
- Review of investment fund statements

### **Committee Members and Other Association Volunteers**

Committee chairs, committee members, Special Interest Section and Student Chapter coordinators, Editorial Board members, Conference Program and Host Teams, and any other individuals in a position of leadership within the Association are expected to acquaint themselves with the revenues and expenses associated with their program / projects when they take on a leadership role. They are expected to make every effort to ensure that revenue targets are achieved and that expenses are held within identified budget allocations, which may be adjusted to reflect higher or lower targets as additional information becomes available.

These individuals are required to discuss expenditures with their Board liaison or the Secretariat prior to committing funds to these expenses. All contractual commitments must be reviewed and authorized by the signature of an identified signing officer.

### **Secretariat**

The Secretariat is responsible for the Association's day-to-day financial administration.

The Executive Director undertakes the following activities with respect to financial management:

- implements and monitors the financial policy in consultation with the Board;
- prepares the draft budget in consultation with the Board;
- provides oversight to expenditures and the collection of revenues;
- coordinates the request for proposal processes for the Association's contractual relationships and reports the results to the Board;
- prepares and distributes monthly financial reports to the Board including: posting of bank statements, account reconciliations, corporate credit card statement, cheque log, current year budget and budget detail; and
- coordinates and supports the annual audit

The Executive Director is responsible for ensuring that fees set for the Association's products and services are appropriate given costs of service and current market conditions, including the initiation of the analysis of membership and other Association fees. Member fees charged by Association are typically reviewed every 3-5 years.



## **POLICY MANAGEMENT**

This policy shall be reviewed at minimum every five years by the Governance Committee and Board to ensure that it remains consistent with the overall objectives of the Association and with prudent and conservative financial practices. A review shall also be completed in the event of significant changes to Generally Accepted Accounting Practices (GAAP), or a recommendation from the Association's auditor for a change or addition to Association's financial practices. The Governance Committee will present the financial policy review results to the Board for its consideration.