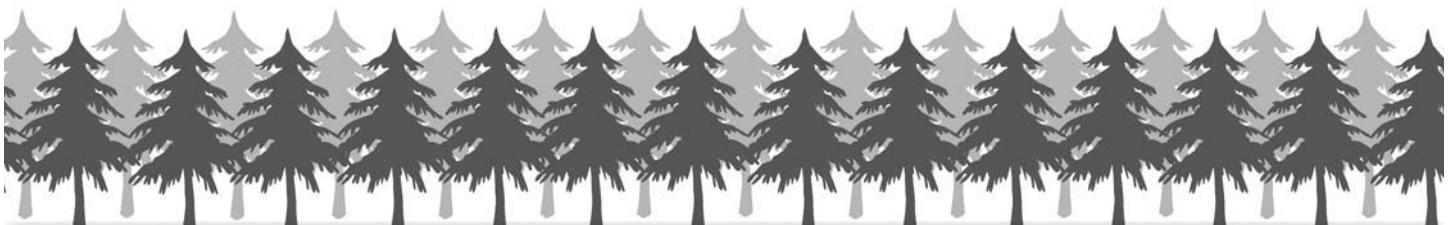

14. Financial Management and Budgeting



14. Financial Management and Budgeting

Introduction

Every organization receiving funding must have solid financial management and a budget. Financial management involves accepting responsibility for money through recognized bookkeeping and accounting practices. In its most basic form, it is about accounts receivable and accounts payable. Money in and money out. In its most complex form, it is a whole system with forecasting, projections, daily management, variance reports and systems designed to track many transactions. For most community groups, it only gets complicated when tracking and monitoring funds from several different sources such as grants that each have their own criteria and requirements for what the money can be used for, when and how it needs to be monitored and, in the end, how it is accounted for.

The ultimate responsibility for the organization's budget and finances rests with the board of directors. This is called fiduciary responsibility and is written into the bylaws of all non-profit groups. Although the director or senior staff person oversees (or does the day-to-day financial activity), the board needs to track and review the status of the budget to ensure that the financial management system is effective and that funds are well managed. Boards normally review finances at each meeting to ensure that things are going the way they should be, and if they are not, to make changes. Normally the senior person will present the financial information in the form of financial reports to the board and will explain any issues or reasons for variances between the budget and the day-to-day financial picture.

Budgeting

Budgeting is the process of planning all things connected with money. It includes budget forecasting (projecting what you expect to have happen financially) and aligning revenues and expenditures to the projected budget goals. A budget is the overview of the organization's finances and outlines what the financial targets are (what has been projected) what the current situation is (the reality) – revenues that are in hand and those that are outstanding and the same for expenditures. Cash flows and other financial tools and documents can help the director or board track money, so that they are better informed to make decisions.

Bookkeeping

Bookkeeping is most often thought about as tracking the day-to-day financial activities of the organization. It involves keeping track of revenue coming in, making payroll, paying bills, writing cheques and knowing what the bank balance is at any given time. The senior person in the organization is normally responsible for this even if they do not do the work. Some groups have an administrator or bookkeeper on staff and some buy this service by the hour. Bookkeeping is a skill and should be done by someone who knows how to do it or who is willing to learn.

Computer Programs

Most often a computer based system such as QuickBooks, Simply Accounting or First Edge is purchased and someone is trained to use it for basic bookkeeping and accounting. While these systems are helpful, it is still important to have receipts and a hard copy of financial records on file in case the computer system has difficulties. It is a good idea to train two or more people in the organization to use the computer program so that this skill is not lost if the person holding it changes jobs or is not available.

Financial Policies and Procedures

There are a few basic financial policies that should be in place that are grounded in being accountable, transparent and responsible. Northern groups say that this area is key to building credibility and often requires more attention than it is given. The key policies should be around signing authority, keeping reports and financial backup documents in a safe and confidential place and always having a backup system. There should be clear rules about honesty and accountability and no sloppy approaches to the use of credit cards, petty cash or any other form of funding that is attached to the organization. Basically it's, no "monkey business" with the handling of any of the money.

Financial policies outline who can do what with funds, what is expected from those using the organization's money and what needs to happen to ensure that it is well managed. Policies do not have to be complicated, but they do need to be in place, and they must be written down and shared with anyone who might be affected by them or expected to know and follow the financial rules.

The most common issues around policies are caused by either not having policies in the first place or by bad habits or lack of respect in bringing in expense forms, receipts and generally not accounting for money in a timely fashion. All of these expectations can be addressed by having clear policies, but ultimately, a policy needs to be enforced and consequences must be made clear so that everyone knows what will happen and there are no surprises or frustrations.

Reporting, Accounting and Auditing

Reporting is a normal part of financial management and takes place on several levels and at different times. The most common forms of report are between the staff and funders and between the staff and the board. Other reports could include reporting back to the community, to Chief/Mayor and Council or to others with a vested interest or legal responsibility for the funds.

An accountant is normally hired once a year to develop the annual accounting statements and year end reports. This is a normal process for organizations that require an annual audit, done by a professional accountant, and signed off by the board of directors. It is a requirement at the end of the year for most community organizations. The annual financial report is presented at the AGM as a way of accounting for funds that have been entrusted to the organization.



The Northern Context

Many northern organizations are good at financial management, but others say that we are only good at what we do. They also say that we are very honest, but often we are judged poorly due to a lack of financial management skills. Many groups in the north rely on bookkeepers or others who have the necessary skills, and while this is a good thing (getting it done rather than not), the capacity for good financial management within northern organizations is not increasing. Sport, culture and recreation groups have identified the need to train themselves in the basics of financial management, keeping track of expenditures, using funds for what they were intended and even basic habits such as saving and handing in receipts in a timely manner. These are all things that we think need to be improved.

“We spend the money the way we planned to ... but we have trouble keeping and tracking the receipts.” – Marty Robillard, Recreation Portfolio, Black Lake Council

14. Financial Management and Budgeting

What's Important to Know?

- ★ Financial management is an important and serious component of organizational responsibility – without it, organizations flounder or fail.
- ★ There are many tools and services available to help do it properly.
- ★ Financial policies and procedures are needed so that everyone knows the rules and how to do things in advance of any issues.
- ★ Funders have good financial systems – ask them for help if you need it.
- ★ The board and senior staff must work well together in order to manage finances.
- ★ Reporting is a good way to sort out the realities from the expectations.
- ★ Keeping an extra copy of all financial files (i.e. receipts) so they can be your back up if the originals go missing and to send in as grant and sponsorship follow up.

Tips and Advice

1. Have at least one person who knows the financial picture all the time.
2. If there are financial issues or possible problems, tell the board right away.
3. Keep finances both electronically and hand written (accountants recommend this).
4. Build a good relationship with your accountant as they give out good advice.
5. Have at least one board member with solid financial management experience.
6. Clean up any bad habits or casual processes related to money management.
7. Budget realistically and plan for the best but prepare for the worst.



Story

Creighton knows the importance of budgeting and keeping good financial records. They access many grants to provide new and unique programs for the community, as well as to maintain or develop new facilities where sport, culture and recreation programs take place. They know that proper financial accountability and reporting is how they continue to attain funding for keeping current and creating new opportunities for the people in their community. The town administrator does the treasurer/bookkeeping for the town, working alongside the Recreation Director.

“The Building Communities – North Grant was a huge opportunity for us to get a much needed community hall. We were very careful to keep good financial records in order to get this funding and be recognized as an accountable northern community.” – William McKenzie, Brabant Lake

“It is important to write grants but also to follow up on them. I’m really good at it and it benefits the community.” – Sylvia Lavallee, Timber Bay

Toolbox Connection

In the toolbox you will find the following tools related to this section:

- Budgeting
- Annual Budget Template
- Program Budget Template
- Monthly Budget Report
- Ten Most Common Mistakes

