

## **Wellington on the Lake Residents Association Inc.**

### **FISCAL POLICY**

**Approved on November 25, 2016**

#### **1.0 Purpose**

1.1 As indicated in By-law 7.04, the purpose of the Fiscal Policy is to define the financial policies, accounting practices and related procedures and rules that ensure the long-term financial credibility and sustainability of the Corporation.

1.2 The goals of the policy are: transparency or disclosure of important financial information to Members; accountability for financial decisions made by the Board of Directors on behalf of the membership; and compliance with the *Canada NFP Corporations Act & Regulations*.

#### **2.0 Financial Authority**

2.1 As indicated in By-law 4.01, the Board of Directors has the authority to maintain the Corporation's financial health, approve budgets and manage the performance of the Corporation.

2.2 As the Board's representative, the Treasurer is responsible for overseeing the financial management of the Corporation. As described in By-law 5.04, the Treasurer will:

- (a) Establish sound financial policies and practices that will lead to the long-term financial sustainability of the Corporation;
- (b) Ensure that all monies received and disbursed on behalf of the Corporation are recorded;
- (c) Ensure that proper accounting records as required by the *Canada Not-for-Profit Corporations Act* are maintained;
- (d) Provide the Board with a monthly accounting of the financial position of the Corporation;
- (e) Prepare for the Board of Directors, a proposed budget for the upcoming fiscal year;
- (f) Ensure that the Corporation meets any internal and external financial reporting requirements; and
- (g) Perform other such duties as may from time to time be established by the Board.

#### **3.0 Finance Committee Terms of Reference**

3.1 As specified in By-law 6.02, a Finance Committee will advise the Treasurer on appropriate financial policies accounting principles and practices, including the preparation of financial reports and the Annual Operating Budget.

3.2 The Finance Committee will consist of three (3) members including the Treasurer who will act as chair. At least one member of the Committee should have a good understanding of generally accepted accounting principles (GAAP) as set out in the *Canadian Institute of Chartered Accountants Handbook* and the application of GAAP to the compilation and reporting of annual financial statements.

3.3 The Finance Committee will meet quarterly at the call of the Treasurer or more often if required by the Board of Directors.

#### **4.0 Financial Cycle**

4.1 According to By-law 7.01, the Corporation's financial year begins on 1 July and ends on 30 June.

4.2 As described in Annex A, an Annual Operating Budget for the coming fiscal year will be prepared before the end of the current financial year.

4.3 The Board will present the Annual Financial Statements for the preceding year and the Annual Operating Budget for the upcoming year to the Annual General Meeting (AGM) for Members' approval.

4.4 The Board of Directors will review the Corporation's financial performance against the Annual Operating Budget as required.

#### **5.0 Annual Financial Reporting**

5.1 As indicated in By-law 3.02, the Board of Directors will present financial performance information to the Annual General Meeting (AGM) including:

- (a) Annual Financial Statements for the preceding year;
- (b) Treasurer's Report summarizing the Corporation's financial position; and
- (c) Annual Operating Budget for the current year.

#### **5.2 Review of Financial Information**

- (a) According to Part 11 of the *Canada Not-for-Profit Corporations Act* on Financial Disclosure, members shall appoint a Public Accountant by ordinary resolution at each AGM to conduct an external review engagement in order to prepare the Annual Financial Statements unless members waive this appointment by unanimous resolution.
- (b) At the same time as the waiver of external review, the members may appoint the Finance Committee or an Internal Review Committee to conduct a compilation of the Annual Financial Statements as described in 5.2 (d).

- (c) If the membership requires assurance as to the soundness of the financial statements, then a Public Accountant should be appointed to conduct an external review engagement.
- (d) Compilation is the process by which unaudited financial information is compiled to produce annual financial statements based on information provided by the Corporation. It does not provide any assurances as to the accuracy or validity of the financial statements.

5.3 According to the *Canada Not-for-Profit Corporations Act*, financial reports must consist of the following statements:

- (a) A balance sheet that includes a statement of retained earnings;
- (b) An income statement; and
- (c) A statement of cash flows or changes in financial position.

5.4 The Treasurer will file all annual tax information returns as required by the Canada Revenue Agency by December 31<sup>st</sup>.

## **6.0 Accounting Policies and Practices**

6.1 The Corporation will account for all financial transactions including revenue, operating expenses and capital expenditures on an accrual basis, i.e. revenue is recognized when earned (rather than when the cash is received) and expenses are matched with revenues when the expenses expire or when title/ownership has transferred to WOLRA (rather than at the time when expenses are paid). Under the accrual method, changes in cash are accounted for in the balance sheet along with other assets.

The Corporation moved from the cash basis to the accrual basis of accounting effective during the 2016-17 fiscal year.

6.2 The Corporation uses the restricted fund method of reporting. Operations appear as an unrestricted or general fund in financial reports. Money held in trust and restricted for use by certain WOLRA clubs appears as Trust Funds. The Corporation maintains Trust Funds on behalf of the respective club or activity. The Corporation also maintains a restricted capital asset replacement fund.

6.3 Every WOLRA club or activity that collects fees, raises funds, sells tickets and/or manages its own funds independently will submit a financial report to the Treasurer. See Annex B for the Club / Activity Annual Financial Report template.

- (a) Special events and Ad Hoc activities will contact the Treasurer prior to the event or activity to determine applicable usage fees and financial reporting requirements.

- (b) The Corporation does not donate funds to registered charities directly except as specified in 6.3 (c) below. However, a club or activity may submit a request to donate some of its cash proceeds to a charity specified in its financial report submitted to the Treasurer.
- (c) The Corporation can choose to donate funds to a registered charity provided that the charity's mission accords with WOLRA's own mission statement and the amount is approved by the Board.

6.4 All net proceeds derived from all Corporation activities defined in paragraph 1.1 of Annex A (Operating Budget) will be deposited into the general fund account in a timely manner. Funds raised for a specific purpose will be identified as such and a liability shown in the balance sheet to cover the return of these funds.

6.5 The Corporation maintains an inventory of capital assets. Certain assets will be re-assessed periodically to determine replacement values and the appropriate amount to be set-aside in a capital reserve.

6.6 The Corporation may establish a pooled capital reserve equivalent to expectations for repair, maintenance and replacement over the anticipated lifetime of capital assets.

6.7 A portion of operating and trust funds will be invested in government principal guaranteed instruments designed to firstly minimize risk of principal erosion, and secondly to maximize return to the Corporation (e.g. Guaranteed Investment Certificates, money market funds, Treasury Bills).

6.8 Any investment of new funds and reinvestment of funds coming due will meet the cash flow requirements of the Corporation plus a cushion of short-term assets to cover unforeseen cash needs.

## **7.0 Expenditure Authorities**

7.1 The petty cash fund will not exceed three hundred dollars (\$300.00) and will be replenished when depleted. Expenditures up to and including one hundred dollars (\$100.00) may be made from petty cash.

7.2 Non-budgeted expenditures over two thousand dollars (\$2,000.00) may be made only upon the recommendation of the Board of Directors and the approval of the membership.

7.3 Expenditures or authorization to expend the Corporation funds must represent the total (estimated or actual) cost of a single activity or event. Specifically, expenditures in support of a given activity or event may not be split into a series of small expenditures for the purpose of circumventing stated dollar limits and required approvals.

7.4 The Board of Directors may authorize monetary advances up to two thousand dollars (\$2,000.00) subject to the Board's approval of the required application.

7.5 Expenditures will not be reimbursed unless approved and supported by a verified billing or receipt.

7.6 All cheques drawn on the Corporation accounts must bear two (2) authorized signatures to be valid. Authorized signatures will be any two of President, Vice-president, Secretary or Treasurer. Blank cheques will not be pre-signed.

## **8.0 Budget Policy**

8.1 Budgeting specifies planned financial results and serves as a means of managerial control by:

- (a) Revealing areas that will need adjustment and/or corrective action;
- (b) Providing a benchmark against which Membership can measure the Board's management performance; and
- (c) Enabling systematic reporting on the Corporation's financial and operating performance.

8.2 The purpose of a Budget Policy is to set out the standard requirements that:

- (a) Provide stability and consistency in the budgeting process from year to year;
- (b) Help Directors make financial decisions consistent with the Corporation's goals;
- (c) Support operational control by identifying problems that require corrective action on a timely basis; and
- (d) Enable Members to hold the Board accountable for the Corporation's financial sustainability.

8.3 In May, the Treasurer will begin preparing an Annual Operating Budget based on results of April's Operational Review.

8.4 At least fourteen (14) days prior to the Annual General Meeting (AGM), the proposed Annual Operating Budget for the upcoming fiscal year will be posted on the Main Hall Bulletin Board.

8.5 Once the Budget is approved by the Members the Board will have the authority to spend resources to specific limits without returning to the Membership.

8.6 The Board shall present a monthly financial report approved by the Board of Directors to Members' Meetings for information. Approval of monthly financial reports will not be required unless spending authorities are exceeded. The monthly financial report shall include a year-to-date comparison to the Annual Operating Budget.

8.7 Details of the Annual Operating Budget preparation are provided in Annex A.

## **9.0 Insurance**

9.1 The Treasurer will ensure that an adequate, restricted capital asset replacement fund is maintained for replacing the Corporation's machinery, furnishings and equipment as described in paragraphs 6.6 and 6.7 of the Fiscal Policy.

9.2 The Treasurer will ensure that adequate liability coverage on its operations and appropriate Directors & Officers Errors and Omissions insurance on all members of the Board is in effect.

9.3 The Treasurer shall review and report on insurance coverage to the Board of Directors annually.

## **10.0 Effective Date & Amendments**

10.1 The Board of Directors approved this Policy by resolution at a Board of Directors meeting on November 25, 2016.

10.2 The rules, principles, guidelines and procedures detailed in this Policy remain in effect until the Board approves an amendment or repeal by resolution at a Board of Directors meeting.

10.3 Members may suggest amendments to this Policy at any time. Suggested amendments with supporting rationale will be submitted to the Board Secretary in writing and presented at the next Board of Directors meeting.

## Annex A

## Preparation of the Annual Operating Budget

Timelines	Activity / Event
April	Vice-president begins Operational Review
May	Treasurer & Vice-president present the results of the Operational Review and a preliminary budget to the Board of Directors.
June	Nominees to the Board of Directors may review annual financial report and preliminary budget.
June General Meeting	Treasurer presents a preliminary budget to the Members for information. Review Committee begins compilation of annual financial report. <i>Election of Directors.</i>
June 30	End of the Financial Year. Board of Directors finalizes the Annual Operating Budget.
Fourteen (14) Days before the AGM	The Annual Operating Budget for the upcoming fiscal year will be posted on the Main Hall Bulletin Board.
July Annual General Meeting (AGM)	Board of Directors presents Annual Financial Report for the past year and Annual Operating Budget for current year.

### 1.0 Budget Approach

1.1 As indicated in the By-law 1.03, the Corporation's purpose is to provide and active lifestyle and social activities for the residents of Wellington on the Lake. As such, all clubs, events and activities in the community that use *recreational facilities* provided by the Corporation and the Property Management Company are WOLRA's operating activities.

1.2 *Recreational facilities* are defined in By-law 1.02 as the common buildings and related grounds provided to WotL residents and maintained by Frontier Property Management. They include the Recreation Centre, pool, woodshed, tennis courts, parking areas, etc. as well as machinery, equipment and supplies provided by WOLRA residents for use by residents' clubs and activities.

1.3 The Annual Operating Budget represents the forecast financial expectations of operating activities for the year in the following categories:

- (a) Revenue – membership dues, fundraising (e.g. Garage Sale), advertising
- (b) Expenditures
  - (i) Fixed or recurring – predictable recurring costs e.g. consumable supplies
  - (ii) Discretionary – occasional items e.g. AV equipment, community activities
  - (iii) Capital – long-term assets that are property of WOLRA
- (c) Contingencies – funds needed for significant unexpected operating costs
- (d) Restricted Funds – funds set aside and available to the Board for a specific capital project (see paragraphs 6.6 and 6.7 of this Policy)

1.3 Budget allocations in each of the above categories may be pooled within some declared limits (e.g. not greater than 25% per line item) to provide some management flexibility.

## **2.0 Responsibility**

2.1 As indicated in by-law 5.03, the Vice-President is responsible for operational planning that includes organizing, scheduling and posting events and activities.

2.2 The Vice-President will assist the Treasurer in enforcing financial policies, practices and controls for each event, program and activity as follows:

- (a) Requests for WOLRA funding to cover fixed, recurring, discretionary or capital costs;
- (b) Funds generated and maintained independently by a self-sufficient club, event or activity by a WOLRA activity coordinator; and
- (c) Requests for WOLRA funding to initiate new activities, events and/or support.

2.3 The Treasurer is responsible for preparing the Annual Operating Budget, and ensuring that all relevant financial information is collected and presented to the Board of Directors.

## **3.0 Operational Review**

3.1 In April, the Vice-president will initiate the preparation of the Annual Operating Budget by reviewing the past financial performance of all events, programs and activities undertaken by clubs and committees throughout the year.

3.2 The goal of this review is to assess the operating performance of WOLRA for the current year before it ends, and identify budgetary requests expected for the upcoming year.

3.3 The Vice-president will present the results of the Operational Review to the Board of Directors before the end of May.



## **4.0 Budget Approval**

4.1 The Treasurer will prepare and present a preliminary budget to the outgoing Board of Directors each year prior to the June General Meeting.

4.2 The Treasurer will present the preliminary budget to the June General Meeting.

4.3 Nominees to the Board of Directors may review details of the preliminary budget prior to the June General Meeting where elections take place.

4.4 Before the July Annual General Meeting (AGM), the Treasurer will present the preliminary budget and recommendations for adjustment if any to the incoming Board of Directors for approval.

4.5 The Board of Directors presents the Annual Operating Budget for the coming year to the Members for approval at the Annual General Meeting (AGM) in July.

4.6 Once the Budget is approved by the Membership at the AGM the Board will have the authority to spend resources according to the limitations indicated in Section 7.0 of this policy without returning to the Membership for approval.

Annual Club / Activity Financial Report

Club / Activity \_\_\_\_\_

Reporting Period \_\_\_\_\_

Opening Balance \$ \_\_\_\_\_

Revenue Sources:

Ticket Sales \$ \_\_\_\_\_

Sale of Goods \_\_\_\_\_

Miscellaneous (Note 1) \_\_\_\_\_

Total Revenue \$ \_\_\_\_\_

Expenses:

Ticket Printing \$ \_\_\_\_\_

Cost of Goods \_\_\_\_\_

Miscellaneous (Note 2) \_\_\_\_\_

Total Expenses \$ \_\_\_\_\_

Profit / (Loss): \$ \_\_\_\_\_

Closing Balance \$ \_\_\_\_\_

Note 1 Revenue:

\_\_\_\_\_  
\_\_\_\_\_

Note 2 Expenses:

\_\_\_\_\_  
\_\_\_\_\_

Print name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date Submitted: \_\_\_\_\_