Source: Cornacchia, Dan H. (2010) *Accountants on Board a Guide to Becoming a Director of a Not-For-Profit Organization.* Toronto: The Canadian Institute of Chartered Accountants

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Treasurer

Accountants are often asked to serve as the Treasurer of a not-for- profit organization. As discussed above, the Treasurer is an officer
Of the organization, and is often a member of the board of directors, although this is not always the case. The specific roles and responsibilities will depend on the particular organization.

In general terms, the role of the Treasurer is to supervise the organization's financial condition and report on it to the board[11]. The duties of the Treasurer include ensuring that:

- The books of account and accounting records of the corporation are kept as required by law,
- Proper financial statements are submitted to the board,
- The accounts of the organization are audited as required by the auditor appointed by the members, and presented to the members at the Annual General Meeting, and
- The annual budget is prepared and submitted to the board.

In the for-profit sector, the responsibilities of a Treasurer would typically include cash and liquidity risk management, as well as investing and funding activities of the corporation. The Treasurer of a not-for-profit organization generally has a wider span of management responsibilities and may be involved in some or all of the following functions:

- preparing financial plans and operating budgets
- managing a broad spectrum of risks
- maintaining a system of internal controls
- negotiating contracts
- managing relationships with third party suppliers
- depositing cash receipts
- approving expenditures
- investing funds
- preparing and signing cheques
- maintaining the books and records
- analyzing the financial results and performance of the organization

11 The *Canada Not-for-Profit Corporations Act* and the draft *Ontario Not-for-Profit Corporations Act* provide that directors who rely in good faith on the financial statements of the corporation represented to them by an officer (such as the Treasurer) as fairly reflecting the financial condition of the organization will have satisfied their duty to the corporation and will therefore have a defence to liability. However, directors should still question the financial statements where circumstances warrant.

- preparing financial statements, tax returns and other filings
- reporting to the board and other stakeholders on financial matters
- preparing for the annual audit
- Supervising, coaching and/or training staff on financial matters.

The extent of involvement in the day-to-day financial workings
of the organization will depend on the size and complexity of the organization as well as the number and sophistication of the organization's staff. For example, in a small not-for-profit organization with few staff, the Treasurer may be actively involved in performing many of these functions and assisting in the management of the organization day to day.

In an organization with some staff and resources, the Treasurer may be able to delegate many of the basic day to day functions to the staff. As the senior financial officer, the Treasurer will still have the overall responsibility for these functions and will likely be active in managing the more challenging and complex functions. The Treasurer would also typically provide guidance and support to the CEO or Executive Director and may also supervise, coach and train staff on financial matters.

In a larger, well-staffed NPO, the Treasurer may be able to delegate substantially all of the functions to the staff and focus principally on the planning, supervision and review of work performed by others. However, the Treasurer maintains the overall responsibility for their function.

Audit and finance committees

Accountants who join the board of directors of a not-for-profit organization are also frequently asked to sit on (or chair) the Audit and/ or Finance Committee. Many organizations have a combined committee, but there are benefits to having two separate committees.

Audit Committee[12]

The Audit Committee is responsible for overseeing the organization's financial reporting, audit activities and risk management and internal controls. Its duties include:

Financial Reporting

- overseeing and approving the selection of accounting policies
- reviewing and discussing interim financial statements with management
- reviewing financial reports prepared for members, funders and the public

Audit

- reviewing and recommending to the full board the approval of the audited financial statements
- Approval of audit services and management of the auditor relationship

Risk Management and Controls

- reviewing the organization's financial risk management policies and processes
- ensuring the establishment of an effective system of internal controls to mitigate financial risks to the organization

12 This discussion is based on the Deloitte publication *Not-for-Profit Audit Committees*

Finance Committee

The Finance Committee is responsible for overseeing the preparation of the annual budget and financial statements, overseeing
the administration, collection and disbursements of the financial resources, and advising the board with respect to significant financial decisions. Its duties include:

Budget and Financial Statements:

- ensuring the preparation of the annual budget and financial statements
- reviewing budgets, strategy and fundraising plans to ensure adequate funding for operations

Stewardship of Financial Resources:

- ensuring that appropriate financial policies and practices are in place
- reviewing and recommending investment strategies
- reviewing and recommending lending/borrowing practices
- reviewing financial activity and advising the board regarding any concerns with the financial stability or practices of the organization

Combined Audit and Finance Committees

The Nonprofit Risk Management Center has identified the following areas of shared responsibility between the audit and finance committees of not-for-profit boards:[13]

- The finance committee ensures that budgets and financial statements are prepared; the audit committee has oversight responsibility for ensuring that reports are received, monitored, and disseminated appropriately.
- The finance committee monitors financial transactions; the audit committee makes sure things are done according to policy and with adequate controls.
- The finance committee provides guidance about what can be done; the audit committee ensures that independent oversight occurs.

13 *What's the Difference? Audit Committee v. Finance Committee*. Nonprofit Risk Management Center www.nonprofitrisk.org

Although many areas of responsibility are shared, the role played by the audit and finance committees is very different, as the role of the finance committee is generally forward-looking: authorizing policies, budgets and courses of action; whereas the role of the audit committee involves reviewing activities undertaken to ensure that appropriate policies and procedures were followed.

Fulfilling multiple financial roles

Since many not-for-profit organizations struggle to recruit board members with financial expertise, the numerous finance-related roles on the board are frequently performed by only a few individuals. This can raise the potential for confusion and/or conflict between roles. While in many cases, particularly in smaller organizations, the accountant or other financial expert on the board may have little choice but to fulfill various functions, they should remain conscious of the different roles they are required to play and whether they are management or oversight functions. Boards and directors should be aware that when financial roles are combined, a level of oversight and review is generally removed.

The primary function of the board of directors is to oversee rather than manage the organization. The ability to provide objective oversight may be impaired when the Treasurer's role involves numerous management-level responsibilities, and yet the Treasurer is a member of the board, since that person will be overseeing their own work. The more engaged the individual becomes in management functions, the more their ability to exercise independent oversight will be impaired. This challenge is particularly acute when a Treasurer with management responsibilities also chairs the audit committee. In this situation, one level of checks and balances around the organization's finances is effectively removed. The board should consider whether another person could fulfill one of the roles and duties should be defined in a clearly written mandate.