

# Following the Money

What Community League Board Members need to know



We must hang together .. else most assuredly, we will all hang separately.

Benjamin Franklin

Managing the league's money isn't just the treasurer's job.

Or the president's.

**It's the job of each member of the board.**



# All leagues are incorporated under the Societies Act. *(Revised Statutes of Alberta 2000)*

This legislation states the requirements for a society's formation and operation.

## ***Annual general meeting***

25            A society shall hold an annual general meeting in Alberta and shall present at that meeting a financial statement setting out its income, disbursements, assets and liabilities, audited and signed by the society's auditor.

RSA 1980 cS-18 s21

(2) A society shall each year, on or before the last day of the month immediately following its anniversary month, make a return to the Registrar containing

- (a) the address of the registered office of the society,
- (b) the full name, address and occupation of each officer and director of the society,
- (d) the audited financial statement presented at the last annual general meeting of the society.

(3) Notwithstanding anything in this section, where there is a change

- (a) in the membership of the officers or directors of a society, or
- (b) in the name, address or occupation of an officer or director of a society, the society shall, within 30 days from the day that the change occurs, give notice to the Registrar in a form acceptable to the Registrar setting out the change.

All board members have a fiduciary duty to their boards.  
When you join a board, you become a steward of the resources of that organization.  
Fiduciary duty is both a moral and a legal obligation.

*“In relation to a corporation, it is the duty of directors and officers to act honestly and in good faith with a view to the best interests of the corporation. It is provided for in section 122(1)(a) of the Canada Business Corporations Act and the common law.” (Irwin Law’s Canadian Online Legal Dictionary)*

***FIDUCIARY DUTY*** is in fact  
composed of three sub-duties:

1. the duty of care,
2. the duty of loyalty, and
3. the duty of obedience.

# DUTY OF CARE

## What's expected of a Board Member

- Prepare for and attend Board and committee meetings
- Actively participate in decision-making
- Apply sound business judgment
- Assure financial integrity
- Develop and maintain pertinent policies
- Ensure all pertinent local, provincial and federal laws and regulations are obeyed.



# DUTY OF LOYALTY

*To exercise the duty of loyalty, Board Members must:*

- Avoid Conflict of Interest*
- Develop, monitor and enforce a Conflict of Interest policy*
- Comply with organizational policies and practices*
- Demonstrate public support for Board decisions*

*Defining Conflict of Interest is a lot like defining pornography. Everybody thinks they know what it is when they see it. Until it applies to them, of course.*

Conflict of Interest not only applies to financial and employment transactions, but to duality of loyalty, where one's job, religion, or other volunteer commitment may affect one's ability to make an impartial decision.

Simply put:

Board members should not use their positions or the league's assets for their own benefit or for the benefit of any member of their family.

If your league does not yet have a Conflict of Interest policy, what should you do?

I recommend:

## 1. DISCLOSE.

In clear language, state the perceived conflict.

e.g.: “My son has applied for a rink rat position, and the facilities manager wants to hire him.”

“ I work for a construction company that wants to bid on the hall renovations.”

## 2. RECUSE YOURSELF.

To recuse means to remove oneself from participation to avoid a conflict of interest.

*If you recuse yourself from a vote in a meeting, make sure the minutes note your recusal and the reasons for it.*

Because whole families are involved, and there's often a shortage of volunteers or part-time workers, community leagues are often faced with conflicts of interest.

To avoid the hard feelings that inevitably arise, keep in mind that:

- family members should not hire one another without the consent of the Board;
- family members should not supervise other family members (which includes setting schedules of work and completing or verifying timesheets);
- and, ideally, family members should not sign the paycheques of other family members.



# DUTY OF OBEDIENCE

*Requires that when Board Members make decisions they do so in accordance with:*

- *Local, provincial and federal bylaws, laws and regulations*
- *The league's bylaws*
- *The Tripartite Agreement*
- *The EFCL Code of Ethics*
- *The adopted policies and procedures of the Board*

Once a decision has been approved by the Board, all Board Members should publicly support that decision.

That's not to say that an unpopular or unworkable decision can't be revisited.

*Robert's Rules of Order* states the procedures to reconsider a vote. But these are not battles to be fought in public, which can undermine community confidence in the board.

*To follow the league's money, begin at the beginning:  
With a budget.*

And again, developing a budget isn't just the treasurer's job.  
Every director should have input into the budget.

Developing a budget allows new board members to become familiar with the league's activities and programs and the costs associated with them.

Budgeting should be part of the planning process for the league: Where does the money come from? Where does it go?

What are we doing?

What should we be doing?

What are our priorities?

What can we afford?

There are two types of budget: **operating** and **capital**.

An **operating** budget, usually set for a financial year, incorporates overhead costs such as facility operating expenses (utilities, insurance, cleaning and minor repairs, groundskeeping, etc.) as well as program and activity expenses: administrative, communications, payroll, and membership, social and program expenses.

A **capital** budget looks at a longer time period, planning for the acquisition of major equipment; renovations or new construction; or projects such as parks and playgrounds. Keep in mind that most of the grants for which community leagues are eligible are matching grants. You must have money in the bank to get grant money.

To prepare an operating budget, the board must determine what it wants to achieve in the coming year and then realistically estimate **all** the costs involved, leaving some margin for the unexpected. Likewise, all the income should be estimated.

The previous year's financial statement is a good starting point. Then it can be adjusted for inflation and changes in programming or funding. The league may find that it needs to alter its plans to suit the amount of money available.

Look at operating expenses: Can utility costs be reduced by signing a contract? Can costs be reduced by changing fixtures or installing timers?

Look at income. Are membership costs reasonable?

Do program fees cover the cost?

Are you making the best use of casino income?

Can you apply to carry over unused gaming funds for a planned major project?



Once you've developed and approved a budget, the challenge begins.

The budget is only useful if it is used during the year to monitor the progress of the league.

**Predicted** revenues and expenses should be compared to the **actual** income and expenses at least quarterly.

And monthly financial statements should be prepared for the board and circulated before the meeting.

Major differences between the budget and the actual income and expenses should be looked into and, if necessary, plans changed to correct the situation.