



National Newcomers Association

CANADA

FINANCIAL GOVERNANCE GUIDELINES

Across Canada, Newcomers and Alumnae/i Clubs seek to maintain financial good standing with regulators and with their members. This document seeks to help member clubs with decisions they may make in regards to Club finances.

Non-Profit Status

Many Newcomer organizations in Canada incorporate as non-profit societies according to their Provincial laws. However, non-profit does not mean “zero money” in the bank. The following is excerpted from:

<http://www.corporationcentre.ca/docen/home/faq.asp?id=incnp>

What is a Non-Profit Corporation?

A non-profit corporation is a legal entity separate from its members and directors formed for purposes other than generating a profit to be distributed to its members, directors or officers. While a non-profit corporation can earn a profit, the profit must be used to further the goals of the corporation rather than to pay dividends to its membership. Non-profit corporations are formed pursuant to federal or provincial law. A non-profit corporation can be a church or church association, school, charity, medical provider, activity clubs, volunteer services organization, professional association, research institute, museum, or in some cases a sports association.

Non-profit corporations must apply for charitable status to benefit from tax-exempt status and to issue tax deductible receipts to donors. Non-profit corporations are distinct from business corporations which are formed to make a profit and to distribute the profit to its shareholders.

Newcomer organizations can be non-profit and still retain funds at the end of the fiscal year. It is how those funds are used that determines the non-profit status. Clubs can strive to act as a non-profit society and not incorporate. Incorporation is recommended and or required depending on a club’s legal needs.

National Newcomers Association of Canada (NNAC) does not represent all Newcomers organizations across Canada. NNAC does not require incorporation as part of its national membership program. Regardless, NNAC does not regulate or set standards regarding incorporation and or the financial management of a club. Incorporation as a non-profit society is required if a club seeks to have Directors and Officers Liability Insurance as provided by The Co-Operators through NNAC. Incorporation provides Club executive and members with extra



legal protections. More information should be obtained from your local or provincial agencies. Standard General Liability Insurance is available to all clubs, regardless of incorporation status.

Managing Budget Surpluses

Each Newcomer organization executive is faced with the challenge of determining an annual budget. Funds received from members are diligently utilized over the course of the year according to these budgets. It is always important to recognize the source of the revenue as being membership dollars and therefore members are to receive the benefit of how the club spends the funds. However, often funds are left over and this can cause some strife if a plan is not discussed in advance. Given that a zero-balance is not required, executives can and perhaps should aim to have a financial surplus in place to assist the club in times of financial difficulty.

Planning for the Future

Some Clubs have mandated in their bylaws that a minimum dollar amount be maintained. Here are three examples:

- 1) A set amount or a per member amount, i.e. \$5.00 per member;
- 2) \$1,000 for the club from one executive to the next; or
- 3) Three months operating costs, which for smaller clubs could be more than \$5 per member, but possibly less than \$1,000. The goal would be to help maintain a buffer for a “just in case” or “rainy day” scenario where funds are required but revenues are low. Financial guidelines should be modified by bylaw amendment
- 4) Insurance deductible should also be available in a clubs funds in the event it’s required. Currently the deductible is \$500 per claim.

Giving Back to the Community

Some Clubs have a requirement to give to certain charities as part of their Club’s community mission. Surplus funds, on an executive or club vote, can certainly be directed to a charity or charities of choice. It is important that this type of discretionary giving be discussed. Clubs could also have a fundraising event for a specific charity, and only the funds from that event are donated to the Club’s charity of choice. Amount of funds raised can be rounded off with club funds (i.e. \$169 raised, but \$200 would be given).

Giving Back to the Membership

Over time, should surpluses be the norm and not the exception, executives should apply due diligence and determine whether membership dues are in excess of club expenses. Members should receive the net benefit of any reduction in expenses by having membership dues



reduced. It does not strengthen a club to have high dues and a high bank balance as members may see this as poor financial management. Examples of how to manage a surplus:

- 1) A surplus could be moved to a special event account
- 2) These funds can be used to assist with the cost of delegates to travel to the NNAC AGM (as an example), or
- 3) Could be applied to a special member event
- 4) Could be applied towards the following year's membership in the form of a rebate.

Loans and Cash Advances

As a general rule, loans and cash advances to club members are not recommended uses of Club funds. Exceptions being where a club member requires a cash advance to pay for club expenses such as venue deposits. Expense reports and receipts should be submitted.

High Bank Balances

Should a club maintain a high bank balance over many years, it shows good governance to work towards reducing this over time. This may result in budgets that actually result in deficits, but prudent management should simply result in lower bank balances, not an overall debt.

Talking Points for Executives

The following should be discussed by each new executive:

- 1) The setting of a budget to reflect known revenue and expenses.
- 2) Bank balance – high/low or zero?

If your bank balance is “high” (as determined by executive/club member consultation) – set a strategy to mitigate it from becoming an issue (may include modifying bylaws to set a maximum balance which should not be exceeded from year to year).

3) If your bank balance is low – set a strategy to mitigate the club from facing financial stress from year to year (this may include modifying bylaws to set a minimum balance to be maintained from year to year).

4) If giving back to the community is important, make this a discussion point for the executive so the directive is clear. Always remember the source of your revenue is membership dues and as such the executive is accountable to the membership.

5) You can be comfortable with a budget deficit if your overall club financial health is good.

6) Remember, non-profit does not mean zero balance.

It is important to remember that good governance includes good financial accountability and management.

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