

Financial Documents



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Financial Documents

7.1 Why are Financial Documents Important to Charities?



Key info

A charity should keep **adequate books and records**,

- in either English or French
- at a Canadian address it has on file with CRA,

so that CRA can verify official donation receipts issued, as well as income and expenditures.

For the purposes of this section, books and records include:

- *Financial statements, ledgers, bank statements, expense accounts, and accountant's working papers.*
- Books and records also include **source documents**.
- Source documents support the information in the books and records, and include items such as: *invoices, vouchers, formal contracts, work orders, delivery slips, purchase orders, and bank deposit slips.*

What this means for you

You must keep a copy of your financial documents in a safe and easily-accessible place.

Information follows on how to find these documents. File a copy here in your Office in a Box.



From www.charitycentral.ca/site/?q=node/455



From CRA's website www.cra-arc.gc.ca/tx/chrts/prtnng/bks-eng.html

Financial documents provide information on an organization's income and expenditures, and support the information on prepared financial statements. These documents can be used to reflect the financial health of an organization as of a specified date.

Importance of Docs	Basics	Keeping Records	Statements	The Budget	FAQs	Check-list	Sample Reports	Glossary	More Info	Your Docs
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7.2 The Basics of Financial Records

The need for financial records

Financial records are essential for operating an organization and for reporting to the board, donors, funders, government, supporters and the community.

Registered Charities are required by the CRA to keep adequate financial records in English or French to ensure compliance and to verify revenues and expenses reported on the Annual Information Returns. The records of individual revenue and expense items are essential in completing the Annual Information Returns.



From Charity
Central [www.](http://www.charitycentral.ca)

charitycentral.ca



Refer to
Section 8.1
for your
annual information
returns.

Types of financial records

Financial records generally include:

- Financial statements
- General Ledger and other ledgers
- Bank statements
- Inventories
- Expense accounts
- Investment agreements
- Accountant's working papers
- Payroll records
- Source documents such as invoices, vouchers, purchase orders, contracts, receipts and bank deposit slips.

Financial records also generally include:

- Copies of official donation receipts, which you will find in section 9 of Office in a Box, and
- Copies of the T3010A and T3010B Information Return, which you will find in section 8.1 of Office in a Box.

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Control procedures

Cash management/ internal controls

Establishing sound, effective internal controls is vitally important for the financial health of an organization since they are indicators of potential fiscal issues.



Internal controls ensure a system of checks and balances.



From *Community League Resource Guide*, Sec.

6, p. 68 www.efcl.org/Resources/2009ResourceGuide/tabid/185/Default.aspx

The broad principles of internal control are:

- Responsibilities should be clearly established.
- Adequate records should be maintained.
- Assets should be insured and employees bonded.
- Record keeping and custody should be separated.
- Responsibility for all aspects of a transaction should be divided.

The following procedures are recommended as an effective system of internal control.

- Monies and cheques are turned into the treasurer only by the person collecting within 24 hours. The preferable method of collecting monies is by cheque.
- The treasurer issues written receipts for all monies received and keeps in his/her files.
- Receipt books should be pre-numbered.
- Reports all monies received and bank reconciliations to be presented at all board meetings.
- Two signatures required on all cheques. Cheques should be pre-numbered and have two lines for signatures.
- All reimbursements should be done by cheque and be supported by receipts or an invoice from an approved budget expenditure.
- Signing officers should not live in same household nor should they be related.
- Signing officers cannot sign cheques issued in their favour or issued to anyone related to them.
- Never sign blank cheques.
- Inform your bank, in writing, of your procedures with regards to clearing of your cheques.
- Appoint an internal auditor to audit/review the books on a regular basis. This/these individual(s) should not be involved in the daily transactions.
- Establish a maximum limit with respect to issuing cheques for normal ongoing expenses. Any excessive or extraordinary expenditure should be approved by the board prior to issuing the cheque.

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7.3 Keeping Financial Records

Cash versus accrual accounting

There are two common accounting systems or methods for keeping track of an organization's financial situation: cash and accrual.

Cash basis accounting recognizes transactions when the cash changes hands. It does not show all the assets and liabilities and is less complicated than accrual basis accounting. Many small clubs or organizations with relatively few transactions each month use this system.

Accrual basis accounting recognizes income when it is earned and expenses when they are incurred. Under the accrual method, a bill that must be paid by the organization is included as a liability and money that the organization is owed is listed as an asset on financial statements. Accrual basis accounting gives a more accurate financial picture than cash basis accounting.

The Canada Revenue Agency (CRA) does not say how to set up financial books and records or what accounting systems should be used. However, a charity's books and records must allow CRA to verify:

- revenues, including all donations received;
- that resources are spent on charitable programs; and
- that the charity's purposes and activities continue to be charitable.

Records must be supported by source documents that allow CRA to verify the entries in the books. Records must be kept in English or French.

Information follows on eight topics that charities should understand in order to keep adequate financial records. It is reprinted with kind permission from Imagine Canada's Charity Tax Tools, available online at <http://charitytax.imaginecanada.ca> Topics include:

- **Bank accounts**
- **Reconciling the bank account**
- **Recording deposits**
- **Recording memberships and grants**
- **Recording disbursements**
- **Invoicing for goods or services**
- **General ledger**
- **Organizing expense accounts**



Adapted from
*Understanding
Your*

*Organization's Financial
Statements* [www.omafra.
gov.on.ca/english/rural/
facts/96-037.htm](http://www.omafra.gov.on.ca/english/rural/facts/96-037.htm)



From *Imagine
Canada's Charity
Tax Tools*

[http://charitytax.
imaginecanada.ca](http://charitytax.imaginecanada.ca)



Bank accounts:<http://charitytax.imaginecanada.ca/print/102>**Charity Tax Tools**Published on *Charity Tax Tools* (<http://charitytax.imaginecanada.ca>)[Home](#) > Bank accountReprinted with
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Bank account

Your charity will need to have a bank account. This account will be the central point of controlling your charity's finances. All money received should be deposited into your bank account, and all payments should be made from it (except for very small amounts as discussed in Cash Disbursements). Here is the basic process for setting up a bank account:

- Open an account at a bank or credit union. Choose an account that will provide a statement and return your paid cheques (or copies or digital images of them) every month.
- The board of directors ^[1] must make a motion to authorize the opening of the account and name signing officers. Often, the bank or credit union will provide sample wording for such a motion that satisfies their lawyers.
- Choose signing officers. Generally this includes the board chair and the volunteer treasurer, as well as the executive director. Signing officers are the only people who can sign cheques.
- Order pre-numbered cheques. You may wish to include your charity's address and phone number on the cheques.

**TIP**

It is good practice for cheques to be signed by two signing officers. However, depending on your charity's situation, you may require just one signature for cheques below a certain (small) limit. Remember that all signing officers will not always be available, so designate more than just two people as signing officers. NEVER pre-sign blank cheques to use when no signing officers are available.

Source URL: <http://charitytax.imaginecanada.ca/browse-list-topics/record-keeping-and-reporting/setting-and-keeping-books-and-records/setting-and-k-3>

Links:

[1] <http://charitytax.imaginecanada.ca/glossary/2#term51>

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Reconciling the bank account:

<http://charitytax.imaginecanada.ca/print/104>



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[Home](#) > Reconciling the bank account



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Reconciling the bank account

Reconciling a bank account means comparing the account balance in your records to the balance in the bank's records and explaining any differences. Differences are explained by checking the details on the bank statement against the details in your books and identifying items recorded in one set of records but not the other.

All transactions will be recorded in both your accounting records and in the bank's records. But, transactions are often recorded in these two places at different times, so the balance shown in the two sets of records will also differ. Reconciliation is the way to be sure that no transactions are missed in either set of records and that your accounting records show the correct balance.

The bank will issue monthly statements showing deposits and withdrawals according to its records. Banks occasionally make mistakes on statements. Reviewing these statements, and reconciling your bank account, will identify any mistakes. Reconciliation should be done monthly, since most banks have time limits on when you can dispute their records.

Here is how to do a reconciliation:

- Tick off the paid cheques you received from the bank against the bank statement itself. Circle any charge (debit item) on the statement that doesn't have a cheque attached to it (such as monthly bank charges).
- Check the deposits against your record of bank deposits. Circle any deposit (credit item) that is not on your record of bank deposits.
- Enter the circled items in the appropriate accounts in your general ledger ^[1] (unless they are errors on the part of the bank).
- Write down the bank account balance from the bank statement. Deduct from this balance any cheques you have written that have not yet gone through the bank ("cleared"). Add to this balance any deposits you have made that have not yet cleared. This will give you an "adjusted bank balance".
- When the adjusted bank balance, as above, agrees with the balance in your accounting system, your bank account is reconciled.



TIP

The bank reconciliation should be prepared by someone who does not write cheques or handle cash deposits. It should also be reviewed and approved by a more senior person.

Source URL: <http://charitytax.imaginecanada.ca/browse-list-topics/record-keeping/keeping-books-records/keeping-financial-records/reconciling-bank-a>

Links:

[1] <http://charitytax.imaginecanada.ca/glossary/2#term39>

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Recording deposits:<http://charitytax.imaginecanada.ca/print/103>Reprinted with
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Charity Tax Tools**Charity Tax Tools**Published on *Charity Tax Tools* (<http://charitytax.imaginecanada.ca>)[Home](#) > Recording deposits

Recording deposits

The bank or credit union will give you deposit slips to be used to deposit money received into the account. These slips are often in a book to keep them together, and are usually in duplicate or triplicate. For each deposit, you fill out a deposit slip and present it with the items to be deposited.

Filling out the deposit slip

The following information must be on the deposit slip:

- the date of deposit,
- the initials of the person making the deposit,
- a list of cheques included in the deposit,
- cash included in the deposit,
- the total of the cheques being deposited,
- the total of cash being deposited, and
- the total amount of deposit.

**TIP**

If you often have several cheques to deposit, invest in an adding machine with a tape. Make a tape of all the cheques to be deposited and include it with your deposit slip. This will save time for both you and the bank teller.

Source URL: <http://charitytax.imaginecanada.ca/browse-list-topics/record-keeping-and-reporting/setting-and-keeping-books-and-records/setting-and-k-1>

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Recording memberships and grants:

<http://charitytax.imaginecanada.ca/print/106>



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Recording memberships & grants

Membership fees

A common source of funds for charities is membership fees or dues. The charity should keep records of all its paying members. These records should include:

- the amount paid;
- the date paid;
- the expiry date of membership (if it has a fixed term);
- the member's name, address, and contact information; and
- the membership category (if applicable).

Government grants

A charity may also receive funds from government grants. Government grants require very careful record-keeping. The records to be kept and the form of reporting are usually set out in the contract between the government and the charity.

The charity must set up its records to track the flow of funds for each separate government grant. This may be done through the general ledger ^[1]. Remember, each expense entered into the general ledger must be supported by source documents.

A government grant requires very precise tracking of every expense charged against it. Depending on the terms of the individual grant, expenses may be tracked and summarized by type (for example, salaries or travel) or by project cost category (for example, needs assessment or Web site development). Some expenses may be 100% project-related (for example, travel) and some may be allocated to several different activities (for example, the executive director's salary or the costs of an event that showcased several of the charity's programs). See [Recording and Allocating Expenses](#) ^[2] for more information on this topic.

The charity must make sure that copies of all source documents related to these expenses are kept in one location in case the government audits the project.

Issuing receipts other than tax receipts

The charity may issue receipts that are not tax receipts. These receipts simply acknowledge that an amount has been received; they cannot be used by the donor ^[3] to claim a charitable tax credit. These receipts should be issued in cases where the charity cannot issue a tax receipt (for example, because there is no [eligible amount](#) ^[4]) or where the donor cannot use a tax receipt. These receipts should include:

- the date the payment was received;
- the name and address of the person to whom the receipt is being issued;
- the amount of the payment; and
- the payment reference (for example, the invoice number or a description of the reason for the payment, such as "membership fee").

Source URL: <http://charitytax.imaginecanada.ca/browse-list-topics/record-keeping/keeping-books-and-records/keeping-financial-records/recording-memb>

Links:

[1] <http://charitytax.imaginecanada.ca/glossary/2#term39>

[2] <http://charitytax.imaginecanada.ca/node/59>

[3] <http://charitytax.imaginecanada.ca/glossary/2#term14>

[4] <http://charitytax.imaginecanada.ca/glossary/2#term15>

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Recording disbursements:

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Recording disbursements

Disbursements, or payments, may be made by cheque or cash. Cash disbursements should be limited to very small amounts (generally called petty cash); any large or recurring disbursements should always be made by cheque.

Petty cash disbursements

Records of each petty cash disbursement must be kept, generally on a separate spreadsheet. Petty cash disbursement records must contain:

- the date of disbursement;
- the amount of the disbursement;
- to whom the cash was given;
- who gave out the cash; and
- the type of expenditure.

Be sure that you keep source documents to account for all the cash that has been given out. A source document for a cash disbursement is an invoice, expense chit or cash register receipt that accounts for the cash.

Petty cash disbursement records should be reconciled monthly. This means that the total amount from all the source documents on hand, plus the remaining amount of cash on hand, should be compared to the starting amount of cash on hand (usually called the "float"). These amounts should be equal.

Record of disbursements

Itemized records of all disbursements, or payments, should be kept in a Cash Disbursements Journal or in an electronic accounting program. Disbursement records should contain:

- the cheque number;
- the date of the cheque;
- the name of the payee;
- the amount of the cheque;
- the amount of GST/HST/QST included in the total, if any; and
- the type of expenditure (this is needed for the general ledger ⁽¹⁾).

In addition, if you are writing cheques by hand, be sure to fill out the cheque stub in full; this is your permanent record of cheques issued.

Source URL: <http://charitytax.imaginecanada.ca/browse-list-topics/record-keeping/keeping-books-and-records/keeping-financial-records/recording-disb>

Links:

[1] <http://charitytax.imaginecanada.ca/glossary/2#term39>

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Invoicing for goods or services:<http://charitytax.imaginecanada.ca/print/107>**Charity Tax Tools**Published on *Charity Tax Tools* (<http://charitytax.imaginecanada.ca>)[Home](#) > Invoicing for goods or services

Invoicing for goods or services

A charity may invoice members for fees or dues, or invoice customers or clients for products or services provided by the charity. The charity should keep a record of all invoices issued and mark all payments received against this record.

Many accounting programs track invoices and payments electronically in an accounts receivable system. A computerized accounts receivable system should be used if the charity has many invoices. See your accounting software vendor for details on setting up an accounts receivable system.

All invoices (electronic and paper) should show the following information:

- your charity's name and address;
- your charity's GST/HST/QST registration number;
- the invoice number;
- the date of the invoice;
- the name and address of the person or organization being invoiced;
- a description of the reason for the invoice (that is, description of goods or services provided);
- the invoice amount, GST/HST/QST amount, and invoice total (be sure to show any GST/HST/QST amount separately); and
- the date due or "due upon receipt."

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General ledger:

<http://charitytax.imaginecanada.ca/print/109>



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General ledger

The General Ledger ^[1] is the central “books” of the charity’s accounting system, and every transaction – a purchase, a payment, a donation, a cash transaction – flows through the General Ledger. The information below on setting up a General Ledger applies to both computerized and manual accounting systems.

Setting up a Chart of Accounts ^[2]

Setting up a General Ledger always starts with setting up a Chart of Accounts. The Chart of Accounts is a listing of all of the General Ledger accounts. There are many ways to set up a Chart of Accounts, but it is important for the charity to think through what will work best for its own situation. The Chart of Accounts should be flexible enough to allow for future expansion but easy enough to use and understand. A professional accountant is a good source of help in setting up a good Chart of Accounts.

In many cases, the structure of the Chart of Accounts is defined by a computerized accounting system. These systems quite often include account numbers already set up, though it is usually easy to change these.

Here are some general guidelines for setting up a fairly detailed Chart of Accounts. If your charity is very small, you may not need this much detail:

A. The first series of numbers often represents the different programs you want to track (for example, so that you can report back to government on a funded program). For example:

- 01 – Administration
- 02 – Fundraising or Development Activity
- 03 – Government Funded Program #1 (for example, a research study on homelessness)
- 04 – Internally funded operating program (for example, Kids Ice Skating)

B. The next series of numbers shows the type of account.

- 1000 series - Assets
- 2000 series - Liabilities
- 3000 series - Revenues
- 4000 series – Expenditures
- 5000 series – Net Assets

Each of these groups can be further broken down. For example, the assets could be:

- 1100 series - Current Assets
- 1200 series - Fixed Assets
- 1300 series - Other Assets

Current assets could be further broken down.

- 1110 series - Cash Accounts
- 1120 series - Short-Term Investments
- 1130 series - Accounts Receivable
- 1140 series - Other Current Assets

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General Ledger (continued)

The final digit is used for individual accounts within each group. For example, 1113 – Savings account.

The expense accounts require more extensive breakdown. Using the classification system above, in which the 4000 series is for expenditures, you might classify these accounts as follows:

- 4010-4090 series – Payroll
- 4100-4190 series - Benefits (for example, health benefits)
- 4200-4290 series - Training and Education
- 4300-4390 series - Communications (telephone, Web site, etc.)
- 4400-4490 series - Office Supplies (paper, binders, etc.)
- 4500-4590 series - Copying and Printing
- 4600-4690 series - Marketing and Advertising
- 4700-4790 series - Rent and Other Occupancy
- 4800-4890 series - Travel
- 4900-4990 series - Miscellaneous Accounts

Using the classification system above would give an account number structure of XX-XXXX. In other words, Program Number—Account Number. In general, this type of structure is flexible enough to allow a charity to track revenues and expenditures in as much detail as needed.

Source URL: <http://charitytax.imaginecanada.ca/browse-topics/record-keeping-and-reporting/setting-and-keeping-books-and-records/setting-and-keepin-6>

Links:

- [1] <http://charitytax.imaginecanada.ca/glossary/2#term39>
- [2] <http://charitytax.imaginecanada.ca/glossary/2#term35>

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Organizing expense accounts:

<http://charitytax.imaginecanada.ca/print/60>



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Organizing expense accounts

The basic structure of a General Ledger ^[1] Chart of Accounts ^[2] is discussed in Setting up Books and Records. That section describes one way to organize expense accounts, namely, by type of expense. In this method, expense categories could include items such as:

- salaries and benefits,
- consultants,
- rent,
- heat,
- office supplies,
- travel, and so on.

Organizing accounts by type of expense is quite common and lets you answer questions such as:

- How much did we pay in salaries to all of our employees last month?
- How much has our office space cost us this year?
- How much more does it cost to heat our building this year compared to last?

If your charity is very small and has only one program or activity, this may be all the information you need in order to manage and report on your activities. Most charities will need a different approach to give them more information, however.

Another common way of organizing expenses is by function. This approach bases expense accounts on the functions, activities, or programs of a charity. Depending of the charity and its operations, expense categories might include:

- fundraising,
- counselling services,
- education programs,
- research,
- administration, and so on.

Organizing accounts by function allows you to answer questions such as:

- What did we spend on fundraising last month?
- How much have we spent offering counselling services this year?
- How much more did we spend on research this year compared to last?

There are other, less common, ways of organizing expenses that may be useful in some circumstances. For example, accounts can be organized:

- by department, for larger charities (for example: communications, member services, finance, human resources ^[3], executive office, and so on);
- by geography, for multi-location charities (for example: by province, city, or country); or
- by organization sub-unit, for federated or other complex, multi-level charities (for example: local chapters, regional offices, provincial offices, etc.)

Each of these approaches provides answers to a different set of questions, but rarely does one approach answer all of your questions. And, none of these approaches by itself is adequate to provide all of the information required in a charity's annual reporting to the Canada Revenue Agency (CRA). To meet your charity's needs, you will probably have to combine more than one method of allocating expenses.

Source URL: <http://charitytax.imaginecanada.ca/browse-list-topics/record-keeping/recording-allocating-expenses/organizing-expense-accounts>

Links:

[1] <http://charitytax.imaginecanada.ca/glossary/2#term39>

[2] <http://charitytax.imaginecanada.ca/glossary/2#term35>

[3] <http://charitytax.imaginecanada.ca/glossary/2#term9>

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7.4 Financial Statements

“Financial statements” generally include the following:

- the Statement of Revenue and Expenditure (or Income Statement),
- the Statement of Financial Position (or Balance Sheet),
- the Statement of Cash Flows, and
- notes to the Financial Statements.

Some charities also include a separate Statement of Changes in Net Assets. A very brief introduction of Financial Statements is provided here; for help in setting up these statements for your charity, speak with a professional accountant.



Even if your charity's Financial Statements will not be audited by an accountant on a regular basis, it is a good idea to have an accountant help set them up. This will ensure that the format is correct and that you understand what should go into each line of the statements.

The information that is recorded over the course of the year goes into these reports. This is why accurate bookkeeping and internal control are so important. The quality of the Financial Statements depends on the quality of the information collected throughout the year.

Income statement

Also sometimes called the Statement of Operations or the Profit and Loss Statement, this report shows the amount of revenue that was earned over a period of time (usually a year) and the amount of expenses incurred over the same period of time. The difference between these two amounts is the excess (“profit”) or deficiency (“loss”) for the period.

Balance sheet

This report shows the total assets, liabilities, and equity of an organization at a point in time, generally at the end of a month or the *fiscal year*.

Assets are what the organization owns or is owed. They are divided into short term (or current assets), that are expected to be converted into cash or used in a year or less, and long term, which will be converted into cash or used in more than a year.

Liabilities are amounts the organization owes to others. Short-term liabilities (or current liabilities) are those that are payable within one year; long-term liabilities are those that it will pay in more than a year.

Net assets are what is left after the liabilities are subtracted from the assets.



“Financial statements” is reprinted with permission from *Imagine Canada's Charity Tax Tools*, available online at: <http://charitytax.imaginecanada.ca>

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Statement of cash flows

The statement of cash flows shows all the cash flowing into and out of the organization during the year. As well as showing revenue items (such as money received in a fundraising campaign) and expense items (such as salaries paid), it shows other cash coming into the charity (such as proceeds from a bank loan) and flowing out of the charity (such as for purchasing a delivery van).



A charity does not have to prepare a statement of cash flows if the information is already apparent in the rest of the financial statements.

Setting up financial statements: A few tips

A charity should set up Financial Statements and select reporting categories in a way that shows the most useful information to the statements' users. It should:

- prepare statements using generally accepted accounting principles (“GAAP”);
- use meaningful Financial Statement categories;
- ensure that any large amount is in a separate category; and
- use plain, clear language and avoid jargon.



To see sample financial statements, refer to Section 7.8.

7.5 Financial Planning Tool: The Budget

Your organization's budget depicts what you expect to spend ("expenses") and earn ("revenue") over a specific period of time. A budget is very useful to project how much money will be needed for a certain things, and it helps to keep track of whether or not you are on target fiscally. A budget is a financial planning and monitoring document for an organization, a project, or a capital expenditure.

The most common budget is the yearly (or "annual operating") budget. Other budgets include:

- Cash budgets
- Capital budgets (for major assets such as equipment and facilities)
- Proposal budgets (for fundraising)

An **annual operating budget** shows the financial requirements for an organization to carry out its activities. It is very important that an organization uses this financial blueprint to manage its finances. The budget built prior to a fiscal year will guide the organization in generating revenues and monitoring expenses throughout the year.

Generally, an organization uses its previous year's **Statement of Revenue and Expenses** as a starting point to build an annual operating budget. It should contain all the revenues and expense items for the organization. It is then adjusted to reflect the organization's plan for the year. For example, if the Board had decided to have a new program, then the corresponding required revenue and expenses will have to be included, plus a margin for the unexpected.

The budget is used through the year as a goal for the organization to achieve. The actual revenues and expenses have to be compared with the budget monthly to ensure that the organization is in a financially healthy condition.

For more information, see the Board Development Program's information bulletin *Budgeting for Not-for-profit Organizations* <http://culture.alberta.ca/bdp/bulletins/BudgetingforN-f-POrgs09-print.pdf>

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7.6 Frequently Asked Questions: Financial Reporting and Registered Charities

Information reprinted with permission from Charity Central



From Charity

Central

www.charitycentral.ca/site/?q=node/4

Professional Accountants

PA1. Once we're a registered charity, do we need a professional accountant?

No. It is not necessary to have a professional accountant.

Hiring a professional accountant is not related to your registered charity status with the Canada Revenue Agency (CRA). The CRA recommends that charities file audited financial statements if their gross income from all sources is more than \$250,000. You should evaluate the needs of your organization and the resources that you have available from within the organization. Someone in the organization needs to understand what is required in being a registered charity, including completion of the Registered Charity Information Return (T3010), and where to find the necessary information and resources.

The charity's treasurer should sign any financial statements that have not been professionally prepared.

PA2. What does a professional accountant do that our accounting clerk or volunteer can't?

While **bookkeeping** records your organization's transactions, **accounting** involves the whole process of recording, classifying, presenting, and interpreting the financial transactions. There is a big difference between accounting and bookkeeping.

Recording and preserving the transactions is **bookkeeping**. This function ensures that appropriate records and documentation exist for all financial transactions.

Presenting the financial transactions through financial statements and other required reports is an **accounting** function. These statements and reports show the results of operations and the financial condition of the organization.

The interpretation part of the accounting process involves analysis, explanation, and use of the information presented in financial reports. A professional accountant is trained and experienced in interpreting and reporting financial information from a perspective that an accounting clerk might not have.

You may be lucky enough to have a volunteer who is a professional accountant, but who may not have the time or the expertise in not-for-profit reporting to fill the role completely. If this is the case, you still need to examine your need for a professional accountant with the needed expertise.

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PA3. What types of accountants are considered professional accountants in Canada?

In Canada, the provinces govern the accounting profession and each type of accountant provides different services. All provinces recognize the three main accounting designations in Canada:

- CGA (Certified General Accountant)
- CA (Chartered Accountant)
- CMA (Certified Management Accountant).

PA4. What type of professional accountant do we need for what?

As mentioned in FAQ PA3, the provinces determine what services each designation can provide to the public. Services are usually categorized as

- **assurance services** that include audit and review services, and
- **non-assurance services**, which include compilations or notice-to-reader engagements (see FAQ **FMR7**) and tax filings that include Registered Charity Information Returns.

Once your organization decides what services you need, refer to the provincial website of each accounting body to determine which designation can best meet your needs. Most of these websites will also contain a referral list of accountants in your area that provide the services you're looking for.

The national websites for the accounting bodies are

- Certified General Accountants Association: www.cga-canada.org
- Institute of Chartered Accountants: www.cica.ca
- Society of Certified Management Accountants: www.cma-canada.org

Each of these websites has links to the provincial sites.

T3010 in English is available on CRA website at
www.cra-arc.gc.ca/tx/chrts/prtng/rtrn/flngb-eng.html

T3010 in French is available on CRA website at
www.cra-arc.gc.ca/tx/chrts/prtng/rtrn/flngb-fra.html

PA5. What should we look for in choosing a professional accountant, whether volunteer or paid?

Your professional accountant should have experience working with charities and understand the compliance requirements of being a registered charity. Whether volunteer or paid for their services, your accountant should have the time to provide all the services you need.

Ideally, a prospective professional accountant should provide references from other charities for which he or she is providing services.

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PA6. We're a new not-for-profit organization that recently received registered charity status. Should we get a professional accountant to set up our accounting records?

Accounting systems can be set up by anyone with experience in accounting or bookkeeping. A professional accountant can provide valuable advice if your charity has complex operations or a specific or unusual circumstance requiring professional expertise. In particular, anyone setting up your accounting records should know what's required to complete the T3010 (Registered Charity Information Return).

T3010 in English is available on CRA website at

www.cra-arc.gc.ca/tx/chrts/prtng/rtrn/flngb-eng.html

T3010 in French is available on CRA website at

www.cra-arc.gc.ca/tx/chrts/prtng/rtrn/flngb-fra.html

PA7. How should the accounting records be set up so we can easily complete the Registered Charity Information Return (T3010)?

Your charity needs to consider all the users of your financial information and their requirements. One of the most important users of a charity's financial information is the Canada Revenue Agency. You need to understand the financial information required for the T3010:

- The balance sheet information for the T3010 is basically the same as in any set of financial statements.
- The revenue and expenses accounts on the T3010 are designed to provide the Canada Revenue Agency with information they need to monitor charities. The CRA categories may not provide information in the same way as you need for management purposes or to meet other user needs.

Your charity should design your accounting system so that you can easily transfer information to the T3010 return. Keep track of where the information originates in the accounting system so that you can report consistently to the CRA from one year to the next. This is particularly important when the person who is completing the return changes from year to year, as may be the case when a volunteer or an external accounting firm does the work.

For more information, see the Tipsheet #4 - Financial and Other Information Needed to Complete the Registered Charity Information Return (T3010)

T3010 in English is available on CRA website at

www.cra-arc.gc.ca/tx/chrts/prtng/rtrn/flngb-eng.html

T3010 in French is available on CRA website at

www.cra-arc.gc.ca/tx/chrts/prtng/rtrn/flngb-fra.html

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Financial Management and Reporting

FMR1. What's the difference between financial statements from our accounting system and “audited financial statements”?

Having “audited financial statements” usually means that a person independent of the organization’s management has gathered evidence to support the financial information that management provided. This independent person or body adds a report to the information expressing whether the information has been fairly presented. (When accountants say the information is “fairly presented,” they mean that it is complete and has been shared openly and honestly.)

You need to address the fact that audited financial statements are not always done by professional accountant. Those involved in not for profit organizations generally think of audited financial statements as those audited by professional accountants. The bylaws of some organizations indicate that two members of the organization can also provide the audit services and report to the board.

When external professional accountants perform an audit and issue their audit opinion, they follow generally accepted auditing standards and report using generally accepted accounting principles. These are broad and specific rules adopted by the accounting profession as guidelines for measuring, recording, and reporting the financial transactions and activities of an organization. This provides consistency in reporting between organizations and within one organization from year to year.

In contrast, statements from a charity’s accounting system do not provide the same guarantee to financial statement users and very often do not match accounting standards.

FMR2. What is meant by “good financial management”? Who is ultimately responsible for the financial management of a charity?

Good financial management means your charity cares appropriately for the money entrusted to your organization in order to meet your community’s needs and your requirements as a registered charity. Good financial management includes planning ahead for your financial needs, establishing and monitoring financial policies, and establishing and monitoring internal controls appropriate for your organization.

The whole board is responsible for the financial management of the organization, not just the treasurer or the finance committee. The board should establish financial policies and monitor these policies to ensure they reflect the current desires or practices of the board and make changes as required. The board must also keep an eye on financial practices to ensure that the policies are being carried out as intended.

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FMR3. Are audited financial statements always done by professional accountants?

No. The term “audited financial statement” does not always refer to financial statements that are audited by a professional accountant. The bylaws of some registered charities indicate that two members of the organization can also provide the audit services and report to the board and members.

FMR4. Are registered charities required to submit audited financial statements to the Canada Revenue Agency with their annual T3010?

No. Registered charities are required to provide a copy of their financial statements with their T3010, but the statements do not have to be audited. The CRA recommends that charities file audited financial statements if their gross income from all sources is more than \$250,000.

FMR5. If the CRA doesn’t need audited financial statements, why do we have to have them?

Audited financial statements assure the users of your financial information that the information is fairly presented. You may need the audit financial statements to meet legal requirements in your constitution and bylaws or to satisfy government regulations and the needs of the users. Users include funders, members, board, management, creditors, bankers, employees, donors, beneficiaries of services, and the community at large.

FMR6. Is it a good practice to have our financial statements audited by a professional accountant?

The requirement for an audit may be found in a charity’s bylaws or other legal documents or may be required by a funder or other financial statement user. An audit can often identify financial errors in information, but whether it is a good practice, necessary, or unnecessary is different for different types and sizes of organizations.

FMR7. What is a “letter of engagement” with a professional accountant?

An engagement letter is a formal contract with a professional accountant for services. This letter outlines the terms of the arrangement with the accountant and the type of report that will be provided. Read the engagement letter carefully; once signed, it becomes a legal contract. If there are any questions regarding the content of the letter, discuss these items with the accountant before signing.

FMR8. What are the different types of services that a professional accountant can provide?

You may engage an accountant for three types of financial statement services available to charities:

- compilations (or notice-to-reader engagements)

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- review engagements
- audit engagements

A **compilation engagement** is appropriate for many small private organizations. The goal of a compilation is to prepare financial statements or other necessary financial information for your charity, based on data and information that you provide. Because you have provided all the information, the accountant does not give any assurance about the reliability or accuracy of the financial information being prepared.

Financial statements prepared under a compilation engagement are considered “compiled statements”.

A **review engagement** is seen as a limited-assurance engagement. What this means is that an independent accountant is expected to determine whether the financial information presented by the charity is “plausible” or believable, but does not actually express an opinion on the “fairness” or validity of the financial statements. Unlike a compilation, which provides no assurance to the financial statement users, a review engagement is designed to offer a moderate promise that the information is reliable. For some registered charities, a review engagement may be appropriate to satisfy the needs of the financial statement users. You need to determine whether your financial statement users will be satisfied with a review engagement or whether your bylaws permit a review engagement instead of an audit.

Financial statements prepared under a review engagement are considered “reviewed statements”.

An **audit engagement** is designed to provide the highest level of assurance for financial statement users. Audit procedures are designed specifically to allow the auditor to develop and express an independent opinion on the overall fairness of the financial statements. The auditor is also examining the financial statements to verify that they have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

Financial statements prepared under an audit engagement are the only ones that can be considered “audited financial statements”. The more assurance that the accountant provides to financial statement users, the more time the accountant will require on the engagement and therefore, the higher the fee. So you see, a compilation engagement that does not provide any assurance has fees that are much less than a review, which provides some assurance. An audit provides the most assurance so the fees are highest for an audit. An audit also provides a letter to management with recommendations for improvements to internal controls and other areas of interest to management.



FMR9. How is cost determined in having our financial statements audited?

In general, audit fees are based on a combination of the time needed to complete an audit and the level of staff required for that specific engagement. Audit fees can be charged based on a set fee quote agreed to before work begins or the fees may be based on the number of hours required to complete the work. Though time and expertise are the most significant factors determining audit fees, organizational characteristics, such as complexity and size, will have an impact.

FMR10. What work do we need to do in an audit of our financial statements?

In order for the audit to progress smoothly and efficiently, you must play an active role in the audit process.

- The auditor will provide your organization with a list of documents and working papers needed for the audit to proceed. You'll need to prepare these and provide them to the auditor on time.
- Both your management and accounting staff should be aware of the audit and be available during the fieldwork portion of the audit in order to answer questions. If key personnel will not be available, you should let the auditor know as soon as possible, so that the audit plan can accommodate this.
- Management is responsible for informing the auditor of your expected timeline for the completion of the audit, particularly of any strict deadlines and the reasons for them.
- You are also responsible for continuing to maintain accounting records throughout the audit period, and making these documents available to the auditor upon request.
- Management should carefully read all letters from the auditor and ask immediately about any items that are unclear or incorrect.
- When you receive the audited financial statement drafts, management and other key parties need to take the time to review the statements and contact the auditor with any questions, comments, or concerns. Management must also review all audit adjusting entries and approve them before the final financial statements are issued. If your organization and the auditor are able to work together effectively and have an open line of communication, the audit can proceed as planned and all deadlines can be met.
- The board of directors has legal and fiduciary duties that include oversight of financial reporting. On a day-to-day basis, the board relies on staff or volunteers to provide them with the financial information needed to make effective decisions. Although others provide the board with the financial information, ultimately the board of directors is responsible for reporting to members and funders. For this reason, the board is asked to read, understand, and approve the final draft of the financial statements before the auditor releases the audit report.
- Depending on your organization, you may or may not have a finance or audit committee. If there is a committee, it usually plays an oversight role and is responsible

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for monitoring both management and the external auditor during the audit process. The committee is responsible for checking the selection of and compliance with accounting policies and practices within the organization. If an audit committee has been formed, it is also primarily responsible for monitoring the appointment of an external auditor. The committee is also responsible for reviewing the organization's internal control systems to make sure that they are operating effectively. Without either of these committees, the board of directors usually assumes these responsibilities.

FMR11. What work does the auditor do?

- The auditor gathers information from the client to assess whether the financial information provided is correct. Once the risk is assessed, the auditor plans how to gather evidence to support the financial statements.
- The auditor ensures that the financial statements follow generally accepted accounting principles and adds a report that provides assurance to the financial statement users.
- The auditor will provide a report to management recommending any needed improvements in internal controls and other financial recording and reporting areas.

FMR12. Does an audit help the charity in completing their annual Registered Charity Information Return?

No. Not necessarily. An audit is carried out to meet requirements as outlined in FAQ **FMR4**. As audited financial statements are required by users other than the Canada Revenue Agency, the information is often presented differently from what is required on the Registered Charity Information Return. An audit will identify errors in a charity's accounting records that may have an impact on the accuracy of information provided on the return.

7.7 Checklist for Board Accountability: Fiscal Duties

What should your board do to be fiscally responsible? Have a look at some essential practices regarding expenditures, and accounting and reporting.

Expenditures

As part of its responsibilities related to spending, your board should:

- Ensure that the organization's financial resources are used to pursue its charitable mission
- Spend at least 80% of its receipted donations on charitable activities, to abide by Canada Revenue Agency regulations (if your organization is a registered charity)
- Ensure administrative and fundraising expenditures are kept to a reasonable amount
- Monitor and control expenditures according to an annual budget that it has approved
- Ensure that donations and grants are used in a manner that honors the donors' or funders' intent



From
Fundamentals
of Effective

Board Involvement

[www.mentoringcanada.ca/
training/Boards/modules/3_
fiscal_duties.html](http://www.mentoringcanada.ca/training/Boards/modules/3_fiscal_duties.html)

Accounting and reporting practices

Some wise financial practices of your board could include:

- Ensuring that all financial practices agree with generally accepted accounting principles (GAAP) for charitable or non-profit organizations
- Training all board members in how to read and understand financial statements
- Regularly reviewing financial statements
- Having an independent annual audit conducted by a qualified accounting firm
- Approving audited financial statements on an annual basis
- Establishing financial policies regarding such matters as investments, reserve funds, purchasing practices and other internal controls
- Ensuring that charitable receipts are issued and recorded according to Canada Revenue Agency (if your organization is a registered charity)
- Periodically reviewing the accuracy of financial records and adherence to financial policies
- Providing a confidential avenue to receive reports of financial misconduct.



Not all organizations need an annual audit! Refer to Section 7.6 FAQs.

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7.8 Financial Reports: Descriptions and Samples

The types and frequency of reports that are required by your charity depend on the nature and the situation of your organization. For example:

- banks might want reports to verify financial strength to pay back loans
- foundations, individuals, or other donors may want reports to verify that donations are being spent as expected by the foundation or donor
- the CRA will want a certain report when the yearly information return (T3010B) is filed.

Monthly treasurer's report

The Treasurer of any organization reports on the financial transactions to the board. This report is made monthly. If the organization meets every two months or quarterly, it may be enough to report at each meeting. The purpose of financial reporting is to make sure that the board understands the financial position of the organization. With that understanding, the board can make important decisions based upon good financial information. No matter how often the board meetings are held, it is still useful to give board members the Treasurer's Report monthly in writing and a week before the meeting.

The Treasurer's Report for a smaller organization simply lists:

- a. the name of the organization;
- b. the period which the report covers;
- c. the cash balance at the beginning of the period;
- d. the income received during the period;
- e. the expenses paid during the period;
- f. the cash balance at the end of the period; and
- g. the signature of the Treasurer.

The cash balance at the end of the period should agree with the balance on the bank reconciliation. The formatting is optional. An example is provided below. It is useful both as a report to the Board of Directors or for a general membership meeting. Accuracy is important but great detail is not.



From
http://culture.alberta.ca/bdp/workbooks/Financial_Responsibilities09.pdf,
p.32 & 33.

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Treasurer's Report for the Month Ended October 31, 1999

1	Cash balance, September 30		6,800
2			
3			
4	Revenue:		
5	Donations	3,080	
6	Proceeds from Social	1,219	
7	Other	123	4,422
8			11,222
9			
10	Expenses:		
11	Social	1,462	
12	Telephone	229	
13	Copying	120	
14	Postage	156	
15	Stationery	142	
16	Other	112	2,221
17			
18	Cash balance, October 31		9,001
19			
20			
21			
22			
23	Sharon McHalley, Treasurer		



Financial reports are confidential and should not be circulated outside the board. They should be marked “confidential”.



This report shows the cash position of the organization. It does not include what is owed to the organization (account receivables) and what the organization owes (account payables). For small organizations using cash basis accounting with regular monthly revenues and expenditures, this sample report may be sufficient. For organizations with multiple sources of revenues where revenues are not always received in the month that expenses are incurred, the Treasurer's Report needs to contain notes explaining receivables and payables, to provide a more accurate financial position.

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The Treasurer's Report does not need to show every single transaction that occurs during the period. In reporting revenue and expenses only the significant items are shown with smaller amounts combined under the category "other". A report that people understand is better than one with too many details.

The Treasurer's Report is written and there are copies for all members who will be present at the meeting when the report is presented. Members receive the report in advance of the meeting.

The report follows the same format as the budget so that the categories for revenues and expenditures on the Treasurer's Report align with the budget. The reporting is consistent from one report to the next. Items may get added from time to time but the order is maintained. This makes it possible for the board to compare the reports from month to month and year to year.

Financial report for the CRA



Key info

As discussed in Section 8.1, **a charity must include a copy of its financial statements along with its annual information return (T3010B).** If the charity does not include its financial statements, the CRA will consider the return to be incomplete, and the organization could have its charitable registration revoked!



From CRA www.cra-arc.gc.ca/tx/chrts/prtnng/rtrn/smpls-eng.html

At a minimum, financial statements submitted to the CRA must consist of:

- a statement of assets and liabilities (that is, the balance sheet), and
- a statement of revenue and expenditures for the fiscal period.

They should show the different sources of a charity's revenue and how it spent its money.

The return (other than the items marked confidential) and the financial statements filed with it are available to the public.

The CRA recommends that charities file **audited** financial statements if their gross income from all sources is **more than \$250,000**. The charity's treasurer should sign any financial statements that have not been professionally prepared.

On the following page, see the sample financial report created by the CRA for a fictional small charity. It is available online at: www.cra-arc.gc.ca/tx/chrts/prtnng/rtrn/smpls-fnnc-eng.html

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Financial Statements Information

Statement of Assets and Liabilities

Assets

Current Assets

Bank balance	\$2,800
Bank GICs	\$2,550
	\$2,875
Sub total	\$8,225

Long-term Assets

Bank GIC	\$1,075
Bond	\$3,900
Sub total	\$4,975

Capital Assets

Building (church)	\$475,000
Land	\$300,000
Sub total	\$775,000
Total	<u>\$788,200</u>

Liabilities

Current Liabilities

Loans – n/a

Long-term Liabilities

Mortgage	\$55,000
Total	<u>\$55,000</u>

Statement of Revenue and Expenditures

Revenue

Envelopes	\$60,625
Other donations	\$100
Loose collections	\$925
Bequests	\$2,000
Summer Bible Program	\$3,650
Bake Sale	\$550
Hall rental	\$150
Total	<u>\$68,000</u>

Expenditures

Bank charges	\$175
Contribution to Diocese	\$6,100
Printing costs	\$275
Office expenses	\$375
Service supplies	\$950
Salary	\$35,450
Summer Bible Program	\$3,500
Utilities, insurance (for church and church grounds)	\$8,050
Facility/yard maintenance (for church and church grounds)	\$3,875
Mortgage payments (for church and church grounds)	\$6,000
Total	<u>\$64,750</u>

Notes:

i) Current Assets - GIC - Mature 2008 - 3.1% interest

ii) Long Term Assets - GIC - Mature 2010 - 3.3% interest; Bond - Mature 2012 - 3.5% interest

iii) Expenditures - Salary - Minister \$29,000; Secretary \$4,000; Organist \$2,450

iv) Revenue - Loose collections - \$925 - Anonymous

Treasurer Signature: _____

Expenditure Allocation

Item	Charitable	Administration	Other (Fundraising Costs)	Totals
Bank charges		\$175		\$175
Contribution to Diocese	\$6,100			\$6,100
Printing costs	\$150	\$15	\$110	\$275
Office expenses	\$200	\$175		\$375
Service supplies	\$950			\$950
Salary	\$33,450	\$2,000		\$35,450
Summer Bible Program	\$3,500			\$3,500
Utilities, insurance	\$8,050			\$8,050
Facility/yard maintenance	\$3,875			\$3,875
Mortgage payments	\$6,000			\$6,000
Total	\$62,275	\$2,365	\$110	\$64,750

The accompanying T3010B form for the fictional charity, the Registered Charity Information Return, can be found online here: www.cra-arc.gc.ca/tx/chrts/prtng/rtrn/smpls-t3010b-09e.pdf



The treasurer's report makes up part of the organization's annual report.

Annual treasurer's report

It is the responsibility of the Treasurer to prepare and present a report at the annual general meeting (AGM). This report provides information about the organization's financial standing in the form of a financial statement.

The report consists of:

- a statement of assets and liabilities (that is, the balance sheet), and
- a statement of revenue and expenditures for the fiscal period.

This is the same information that is submitted every year as part of the annual return to the CRA and the provincial or federal regulatory body.

The Treasurer's report must be accepted by the members at the AGM.

Whether or not the financial statement needs to be **audited** depends on the type of organization and its governing statute. Most not-for-profit organizations in **Alberta** are incorporated under the *Societies Act*, and do require an annual financial statement audit. The audit could be by a qualified accountant or reviewed by two members of the Society elected at the Annual General Meeting for this purpose.



Refer to
Section
7.6 FAQs

for more info audit
requirements.



In some cases, funders/grantors require audited financial statements.

7.9 Glossary: Accounting Terminology

accounts payable – amounts owed by an organization, e.g. unpaid bills for purchase, monthly obligations, loan repayments.

amortization – a) allocation of cost over the useful life of the asset in a rational and systematic manner, b) allocation of revenue (deferred contributions) over a number of periods to match expenses related to the revenue.

assets – what the organization owns or is owed to them as a result of past transactions or events.

audit – review and examination of financial books, records and internal controls to determine the reliability of the information.

balance sheet – an accounting statement of an organization's financial condition as of a certain date, generally at the end of its fiscal or quarter year.

budget – the organization's financial plan, usually prepared annually to forecast revenue and expense items. Throughout the year, the board reviews whether the organization is on track with actual figures compared to budgeted figures. The budget is a tool to monitor financial activities throughout the year.

capital reserve – monies set aside for capital purposes.

cash flow – the flow of monies into (receipts) and out of (disbursements) the organization.

contingency planning – allowing for financial flexibility in preparing a budget in order to meet unanticipated events.

cost – the amount paid or charged for something.

deficit – a deficiency in amount – an excess of expenditures over revenue.

disbursement – payment.

expenses – amounts paid out by the organization as a cost of running the organization.

fiduciary – fiduciary responsibilities relate to holding a position of trust that requires a board member to act honestly, in good faith, and in the best interests of the organization.

fiscal year – any twelve month period the organisation has designated as their business 'year'.

fund – a sum of money or resources intended for a special purpose.



Adapted
from:

Board Development Program
Workbook: Financial
Responsibilities of Not-for-
Profit Boards, p.55 [http://
culture.alberta.ca/bdp/
workbooks/Financial_
Responsibilities09.pdf](http://culture.alberta.ca/bdp/workbooks/Financial_Responsibilities09.pdf)

Board Development
Program, Information
Bulletin: Understanding
Financial Documents [http://
culture.alberta.ca/bdp/
bulletins/Understanding
Financial Statements-
print_09.pdf](http://culture.alberta.ca/bdp/bulletins/Understanding_Financial_Statements-print_09.pdf)

Importance of Docs	Basics	Keeping Records	Statements	The Budget	FAQs	Check- list	Sample Reports	Glossary	More Info	Your Docs
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GAAP (Generally Accepted Accounting Principles) – the broad and specific standards, procedures, and applications that are adopted by the accounting professions as guidelines for measuring, recording and reporting the financial transactions and activities of an organization.

governance – the way a board exercises its’ authority, control and direction over the organization.

insurance – coverage by contract whereby one party agrees to indemnify or guarantee another against loss by a specified contingent event or peril.

internal controls – plans, procedures and records adopted to enhance the safeguarding of assets and reliability of financial information. An example of an internal control is an adequate segregation of duties, i.e. the same person who approves an expense is not the same person who signs the cheque.

investment – using money to provide income or profit.

invoice – bill for goods or services received or provided.

journal – a record of transactions, can be manual or computerized.

liability – what the organization owes to someone else.

net assets – the difference between what is owned and what is owed.

policy – a statement outlining a guideline for future action. Policies express the will of the board.

professional accountant – trained and certified professionals who are authorized to conduct financial reviews and audits. Within Alberta there are three types of professional accountants who may do this: Certified General Accountants (CGA), Chartered Accountants (CA) and Certified Management Accountants (CMA).

revenue – money that comes into an organization for services provided or goods sold. This can be from grants, donations, interest, fees for service, membership fees, fundraising and other sources of income.

review engagement – an examination of books and records where the scope of the review is not as comprehensive as an audit and not audit opinion is expressed.

7.10 Where to Find More Information on Financial Documents

Canada Revenue Agency, Charities Directorate

www.cra-arc.gc.ca/tx/chrts/menu-eng.html

Charities Client Assistance: 1-800-267-2384

Charity Central

www.charitycentral.ca

Four Tip-sheets in Books and Records www.charitycentral.ca/site/?q=node/435

The Audit Process: A Two Way Street (In Press). Betty Thompson. Lo Porter Hetu.

Basic Guide to Non-Profit Financial Management. Carter McNamara. Authenticity Consulting.

www.managementhelp.org/finance/np_fnce/np_fnce.htm

Board Development Program, Information Bulletin:

Understanding Financial Statements (2009). Alberta Culture and Community Spirit.

Online: http://culture.alberta.ca/bdp/bulletins/UnderstandingFinancialStatements-print_09.pdf

Board Development Program, Information Bulletin:

Budgeting for Not-for-profit Organizations (2009). Alberta Culture and Community Spirit.

<http://culture.alberta.ca/bdp/bulletins/BudgetingforN-f-POrgs09-print.pdf>

Board Development Program Workbook:

Financial Responsibilities of Not-for-Profit Boards (rev. ed. 2008). Alberta Culture and Community Spirit & The Muttart Foundation.

http://culture.alberta.ca/bdp/workbooks/Financial_Responsibilities09.pdf

Community League Resource Guide (April 2009). Edmonton Federation of Community Leagues.

www.efcl.org/Resources/2009ResourceGuide/tabid/185/Default.aspx

Imagine Canada, Charity Tax Tools

<http://charitytax.imaginecanada.ca>

Fundamentals of Effective Board Involvement. Mentoring Canada (Big Brothers Big Sisters of Canada).

www.mentoringcanada.ca/training/Boards/modules/3_fiscal_duties.html

A Guide to Bookkeeping for Non-Profit Organizations: Factsheet (February 1991). Laurinda Lang. Ontario Ministry of Agriculture, Foods and Rural Affairs.

www.omafr.gov.on.ca/english/rural/facts/88-010.htm

Understanding Your Organization's Financial Statements: Factsheet (November 1997). Katharine Schmidt. Ontario Ministry of Agriculture, Foods and Rural Affairs.

www.omafr.gov.on.ca/english/rural/facts/96-037.htm

Importance of Docs	Basics	Keeping Records	Statements	The Budget	FAQs	Check-list	Sample Reports	Glossary	More Info	Your Docs
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7.11 A Place to File Your Financial Documents

- Financial statements
- General ledger and other ledgers **TIP:** Even if using a software package, it is advisable to regularly print a copy or the files
- Bank statements **TIP:** Do not use “e-statements”. You need a copy of your cheques.
- Expense accounts **TIP:** Organize by account/category and by date.
- Investment agreements
- Accountant’s working papers
- Payroll records **TIP:** Even if using a software package, it is advisable to regularly print a copy or the files
- Source documents (such as invoices, vouchers, purchase orders, contracts, receipts and bank deposit slips) **TIP:** Organize these by month and by account number.
- Inventories

Books & Records: Length of Retention

Type of record	Description	Retention period
General Ledger	The general ledger or other book of final entry containing the summaries of the year-to-year transactions	<ul style="list-style-type: none"> • six years from the end of the last taxation year to which the record relates, while the charity is registered • two years after the date on which the registration of the charity is revoked
	Any special contracts or agreements necessary to an understanding of the entries in the general ledger or other book of final entry	<ul style="list-style-type: none"> • six years from the end of the last taxation year to which the record relates, while the charity is registered • two years after the date on which the registration of the charity is revoked
Other Books and Records of Account	Books and records, together with the accounts and vouchers, containing the summaries of the year-to-year transactions of the charity	<ul style="list-style-type: none"> • six years from the end of the last taxation year to which the record relates • two years after the date on which the registration of the charity is revoked
“Other”	<ul style="list-style-type: none"> • Financial statements • Invoices/ vouchers 	<ul style="list-style-type: none"> • six years from the end of the last taxation year to which the record relates • two years after the date on which the registration of the charity is revoked

(From Charity Central: www.charitycentral.ca/site/docs/FastFacts_BandR_Length_final.pdf)