

Understanding Your

Roles and Responsibilities

*"Volunteers are the glue that holds
the community together"*



Labeling the organization?

- Not-for-profit = non profit = voluntary sector = third sector = social capital = community sector = social economy = independent sector
- Operates for the benefit of the community



3 kinds of organizations

- Unincorporated
- Incorporated
- Charitable



Unincorporated Groups

- Not legal entity
- Directors personally and jointly liable for the activities of the organization
- Third party cannot sue the organization but can sue the individual directors
- May have challenges receiving funding.



Incorporated Organizations

- Federal or provincial
- When incorporated it will
 - make it a legal entity
 - limits liability of board member
 - enable contracts and agreements
 - be able to own property, borrow money
 - Allows it to sue and be sued
- Letters Patent or Articles of Incorporation
- Bylaws/constitution sets rules
- Functions regardless of changes in membership
- Report annually to incorporating body



Charitable Organizations

- Usually incorporated
- Registered by Canada Revenue Agency
- Charitable status means
 - can give income tax receipts for donations
 - exempt from some taxes
 - increases eligibility for Foundation money
- Required to submit annual reports related to their charitable work.



Who is in Charge??

Board of Directors

- Governs on behalf of the members and shareholders
- Provides leadership and direction to the organization

Director

- A person who is a member of the board- volunteer
- Relationship of trust with other directors, members, staff, funders, government bodies & public



Legal Duties of Directors

- Three main duties
 - Diligence
 - Loyalty
 - Obedience



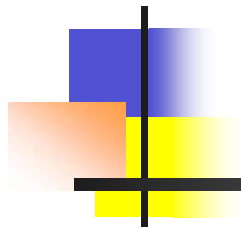
Duty of Diligence

- Act in the best interests of the organization and its members
 - level of care that a reasonable person would
- Standard of care
 - minimum standard of care is required
 - standard of care is higher for a professional than a volunteer.



Duty of Loyalty

- Best interests of the organization first
- Maintain confidentiality
- Board acts as one entity
- Avoid conflict of interest
 - not just money - social or political gain



“It is not necessarily enough to do
the right thing...

It must be perceived by everyone that the
right thing was done!!”



Duty of Obedience

- Ensure that activities and actions are in the scope of the objectives and policies of the organization



Managerial duty

- Responsibility for management
- Be acquainted with all aspects of organization
- Understand and operate within laws

Fiduciary Duty

- Directors - act honestly, in good faith & in the best interests of the organization



Understanding Your Financial Responsibilities

- Trustee
- Ensure adequate financial controls
- Interest of the organization
- Good financial health
- Delegating to treasurer/staff



Why is it important to understand?

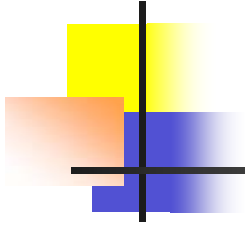
- Responsible for organization to use a business-like manner
- Business Corporation Act req't
- Supporters expectations- i.e. funding



Financial Management Policies

Why?

- Protect assets of the organization
- Protect board members
- Define conduct
- Determines techniques/style used
- Written policies



Help minimize your risk by
having financial policies



Examples of Financial Policies

- Signing authority
- Regular reporting
- Cash transactions



Examples continued

- Retention of records
- Spending limits
- Capital expenditures
- Regular reviews



Examples continued

- Cheques- paper trail
- Segregation of duties
- Credit / Debit cards
- Committee/division accounts



Financial Statements

Used for-

- for informed decision making by the Board
- to understand the financial position of your organization.

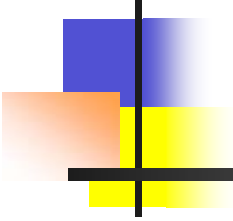


Budgeting

- Where to start?
 - Your mission, goals, and objectives result in an annual operational plan.
 - budget should be based on that

Sample Budget (Comparative)
 ABC Organization - 2006 Proposed Budget
 October 2005 - DRAFT

	<i>Proposed</i> 2005	<i>Actual</i> 2005	<i>Proposed</i> 2006	
INCOME				
XYZ Grant	\$1,500.00	\$1,500.00	\$2,500.00	
Fundraising Events	1,000.00	1,200.00	2,400.00	
Donations	1,500.00	1,675.00	2,500.00	
Advertising	1,880.00	1,980.00	3,750.00	
Member Fees	500.00	600.00	750.00	
Bank Interest	105.00	110.00	115.00	
Miscellaneous	50.00	45.00	50.00	
	\$ 6,535.00	\$7,110.00	\$12,205.00	
EXPENSES				
Salaries	\$1,000.00	\$1,230.00	\$1,500.00	
Travel Allowance	250.00	265.00	475.00	
Conference Reg. Fees	150.00	150.00	-	
Office Supplies	100.00	95.00	125.00	
Postage	125.00	145.00	250.00	
Printing expenses	1,340.00	2,045.00	2,500.00	
Telephone	750.00	985.00	1,200.00	
Heating (hydro,gas)	900.00	1,275.00	2,650.00	
Rent		960.00		1,200.00
Fundraising event costs	650.00	625.00	985.00	
Fee for service (honorarium)	150.00	150.00	300.00	
Miscellaneous	-	12.50	-	
	\$6,375.00	\$7,937.50	10,885.00	
SUMMARY				
Excess of income over expenses	\$160.00	(\$827.50)	\$1,320.00	
Surplus at beginning of year	-	\$1,049.00	\$ 221.50	
	\$160.00	\$ 221.50	\$1,541.50	



“A Director who acts honestly and has met the standards of conduct required by fiduciary duty and standard of care is likely not responsible for errors in judgment that occur in performing a director’s obligations to the organization.”



Liability

You are liable for whatever happens during your time on a board

- Criminal Liability
- Civil Liability
- Statutory Laws
- Employee and Workplace Liability
- Tax Liability



Measures to Avoid Liability

Protect Yourself As a Director

- Attend board meetings
 - review minutes and correspondence
 - participate in discussions
 - Supervise when duties have been delegated
- Ensure the organization manages affairs in a conscientious, responsible manner
- Governance and risk management plans
- Director orientation and training



Incorporation

- “corporate veil”

Indemnification

- Clause provides director with protection from personal loss resulting from the proper execution of his duties and responsibilities
- Omnibus clause – at annual meetings



Director's & Officers Liability Insurance

- Transfers liability to insurance company
- Covers costs that organization is obligated to pay as a result of damages to another
- Covers only those losses arising from director's wrongful acts.



Independent Advice

- Ask for independent advice from qualified individuals
- Example is the investment of funds.

Risk Management Committee

- identify risks, make recommendations, implement plans, monitor



Disclosure

- disclose any conflict of interest

Membership Ratification

- relevant information provided to members for their approval
- board has endorsement –shows good faith and rational decisions