2017 ASSOCIATION TREASURER’S REPORT

TO: Members of the Association

FROM: Peter Sorensen, BComm.
Treasurer and Director

PREAMBLE:
2016 was a year of change for financial management within the Association. As reported in the 2016 AGM Report of the Association Treasurer, a change in Treasurers occurred, the Financial Affairs Working Group was convened, and updated policies and procedures were developed and implemented for the 2017 Fiscal Year. A summary of the 2016 Priorities and their Results [in square brackets] follow.

2016 PRIORITIES & RESULTS:
Priorities for the Treasurer were immediately considered and approved by the Board of Directors, specifically (in June 2016):

- Priority #1: Update on Public Accountant’s reports – status and issuance for the 2016 AGM process [Issued and Reported];
- Priority #2: Implementation Package for MLD Trust Fund (including a short information piece to all Presidents) [Issued and MLD Trustees assumed their responsibilities in October 2016];
- Priority #3: Transition out of Communications by July 15th [Completed];
- Priority #4: Preparation of 2016 AGM Treasurer’s Materials [Completed];
- Priority #5: Launch Financial Affairs Working Group in August, for update report at 2016 NEC/AGM and final report by November 15, 2016 [Completed, Recommendations Approved and Implemented for 2017].

As of April 30, 2017, our Audited 2015 Financial Statements are still with the Public Accountant but expected to be accepted and issued prior to the 2017 AGM. The Audited 2016 Financial Statements are also being finalized, i.e. the Association remains non-compliant until these Statements are finalized, accepted, and filed.

Approximately, $215,000.00 was transferred to the care and control of the MLD Board of Trustees. The ongoing work of the MLD TF will be part of the Association’s Consolidated Financial Statements, commencing with the new fiscal year, 2017.

In respect of the Financial Affairs Working Group, the Working Group was established and reported on the following Issues/Policy Matters, related specifically to the management of our financial affairs:

1. Asset Autonomy;
2. Expenditure Containment;
3. Revenue Generation;
4. Authorities to Administer Financial Affairs;
5. Accountability;
6. Programs & Services Review;
7. Use of RCMP BTF & MLD TF; and
8. Auditability

The Recommendations for revised Policies were approved, by the Board of Directors and are being implemented; a copy of the Recommendations is included in Schedule A to this Report.

FINANCIAL POSITION:
The formal annual reporting by the Treasurer to the membership is based on Audited Financial Statements provided by a member-appointed Public Accountant. In the absence of completed 2015 and 2016 Audited Financial Statements, I am attaching the summary analysis prepared from the financial information submitted by the 30 Divisions and the Association Office for 2016. This summary is indicative only, as “standards-based” yearend adjustments, will be made by the Public Accountant.

As the reader should note, our financial position has a number of “offsetting” positions, e.g.:
1. Some have excess retained earnings and some have little – the one putting us at risk as a “not-for-profit” organization and the other exposing other divisions to a risk of “covering operating deficits and liabilities;” and
2. As “One Association” we have an acceptable operating surplus in 2016 and we have a satisfactory level of retained earnings.

BUDGETING IN THE ASSOCIATION:
The Board of Directors approved an amendment to the Bylaw replacing the “annual budget approval” by members to reporting responsibilities of the Treasurer to properly record and report all financial transactions approved by the Board of Directors. Favourable 2016 AGM voting results to Resolution #2 affirmed this change and together with the Working Group’s approved recommendations for best practices across the Association, members will receive annual budget information. The concept of budgeting will now evolve into “planning and budgeting” by each revenue and cost center for the benefit of the whole Association.

2017 Association Office Budget Highlights:
• Overall Revenues and Expenses remain consistent with prior years, e.g. $380,000 and $370,000, respectively, leaving a small projected surplus of $10,000;
• Effective April 1st, each year, the RCMP BTF allocation of $50,000 will be reconciled and available for use throughout the next 12 months, i.e. this amount is included in the Revenues and the Expenses of the Office;
• Dues revenues are projected to be $190,000 which are inclusive of prior surcharges for Insurance and Audit Costs;
• Sponsorship Revenues also remain constant at $112,000 net;
• Office Staff and Expenses remain constant at approximately $150,000;
• AGM Hosting Costs will be lower, as the Modified AGM format is implemented – 2017 AGM costs are estimated at $25,000; and
• Program Costs (BoD, Communications, Finance, Membership & Member Services) are estimated at $140,000.

APPOINTMENT OF THE PUBLIC ACCOUNTANT:
Resolution #1, for the 2017 AGM, seeks to appoint Welch LLP for the auditing of the fiscal year 2017.

APPROVAL OF FINANCIAL BY-LAWS, RESOLUTION #3:
Resolution #3, for the 2017 AGM, seeks to approve the enabling By-laws for the Recommended policies for Financial Management in the Association, as developed by the Financial Working Group.

CONCLUDING REMARKS:
My last year’s closing remarks remain valid and I repeat them: “For better or worse, we are “One Association” and we need to work together for the benefit of all members and future members. This does not mean bureaucracy but it does mean responsiveness to our obligations as a Not for Profit Corporation.” 2016 was a better year for working together and with updated policies, our annual financial consolidation and reporting will only continue to become easier and productive.

The 2015 and 2016 Audited Financial Statements will be distributed to every member when received and approved.

Thank you to my colleague Directors for direction and support, and to all Treasurers and Division executives who have helped over the past months with moving our Association forward.

Respectfully submitted:

Peter Sorensen
June 2, 2017
Attachment: Summary Analysis of Fiscal Year 2016

NOTE TO READER:

This preliminary analysis focuses on the base information from thirty-one revenue and cost centers’ operations (30 Divisions and the Association Office), in respect of being solvent and where the Association may be exposed to excess surplus (annual operating surplus and cumulative retained earnings) as a Not For Profit corporation.

For the purposes of this analysis, the assumption is that an acceptable level of surplus is the value of one year’s operation, e.g. the 1:1:1 Ratio (Revenues : Expenditures : Retained Earnings).

The analysis also identifies the cluster of revenue and cost centers in three (3) groupings:

1. Acceptable (manageable risk), e.g. the 1:1:1 group
2. Excess Surplus Risk, e.g. 1:1:1>1.9 group
3. Shortfall Risk, e.g. 1:1:<0.5 group

There are no conclusions or recommendations from this analysis – it is intended as a “consistent starting point for members/ divisions to understand the Association’s financial operations.”

As the Association awaits the Audited Consolidated Financial Statements from the Public Accountant for fiscal years 2015 and 2016, this information and analysis is provided to the membership, in the interest of full disclosure.
Fiscal Year: 2016

General:

- Seventeen (17) Divisions had an operating loss for 2016 (2 more than 2015);
- Thirteen (13) Divisions and the Association Office had an operating surplus in 2016; and
- Improvement occurred in exposure to excessive retained earnings particularly in two of the three groups of Reporting Centers.

Operating Performance:

1. **12** (Group 1) Revenue & Cost Centers were in Group 1 (1:1:1) that accounted for:
   a. surpluses of $36,100.00 (or 95% of 2016 surpluses);
   b. revenues of $636,618.00 (or 56% of 2016 revenues);
   c. expenditures of $600,517.00 (or 55% of 2016 expenditures); and
   d. retained earnings of $470,060.00 (or 40% of retained earnings);

2. **15** (Group 2) Revenue & Cost Centers were in Group 2 (1:1:>1 that accounted for:
   a. surpluses of $8,486.00 (or 22% of 2016 surpluses);
   b. revenues of $435,715.00 (or 38% of 2016 revenues);
   c. expenditures of $427,231.00 (or 39% of 2016 expenditures); and
   d. retained earnings of $657,014.00 (or 57% of retained earnings);

3. **4** (Group 3) Revenue & Cost Centers were in Group 3 (1:>1:<0.5) that accounted for:
   a. losses of -$6,616.00 (or -17% of 2016 surpluses);
   b. revenues of $62,237.00 (or 5% of 2016 revenues);
   c. expenditures of $68,854.00 (or 6% of 2016 expenditures); and
   d. retained earnings of $34,376.00 (or 3% of retained earnings).

Overall in 2016, the Association was operating at an “acceptable” risk level with improvement in each of the three (3) areas under watch:

1. Group 2 has increased in divisions from 10 to 15 with excess surpluses which should continue to be adjusted over the next 2-3 years, e.g. this group decreased from 2.7 to 1.5 times the annual expenditures for that group (a $230,000 risk) but generally acceptable as a total group;
2. Group 3 has decreased in divisions from 9 to 4 with a retained earnings shortfall risk and reduced the collective risk down by $200,000, e.g. 0.5 times the annual expenditures for that group (a $34,000 risk);
3. Seventeen (17) Revenue & Cost Centers (all divisions) operated in a loss position for 2016, for a total of -$20,819.00, a substantial reduction in size of losses.

**SCHEDULE A: Working Group Recommendations**

It is the policies and guidelines of the Association that:

1. The Board of Directors shall manage the affairs of the Association in a prudent and cost-effective manner through sound financial management policies and practices which at a minimum, shall include the establishment of an annual budget on a breakeven or better basis, by each financial reporting center (Association Office, Divisions and MLD Board of Trustees). The following guidelines should prevail:
   a. The Association Treasurer will issue a standard Chart of Accounts for all financial transactions and Divisions and other financial reporting entities shall use this Chart of Accounts in their financial bookkeeping and reporting;
   b. Financial Planning will use a 5-year [rolling] average to manage the net assets (cumulative net assets) of a Division and the Association Office, e.g. The Association Office and Divisions shall maintain a financial plan that will ensure the annual net assets based on a 5-year average neither exceed by more than 110% its annual operations based on a 5-year average, nor fall below 50% of its annual operations based on a 5-year average Please see an example at the end of this Section;
   c. Financial Reporting will include, at a minimum, a semi-annual financial status update and consistent and timely submission of annual financial information for the Association’s Consolidated Financial Reporting and audit work of the Public Accountant;
      i. The semi-annual financial status report will cover the period January 1st to June 30th and submitted by August 15th of each year to the Association Treasurer;
      ii. The annual financial reporting and audit cycle will be February 1st to April 30th;
      iii. The Association Treasurer will provide guidance on the annual reporting requirements based on essential information and simplified processes; and
      iv. Feedback will be provided on the audit results to Divisions following the completion of the annual Consolidated Financial Statements for the Association;

2. The Board of Directors will establish the Association Dues effective January 1 of each year to fund the budget of the Association Office.
3. Active members should promptly pay their dues when requested and to be in good standing at all times. Each Division is wholly responsible for the collection of the annual Dues and Division Contributions;

4. The Board of Directors will determine whether there is to be any change in the Dues for the next year on or before September 15th of each year with notice of any change going to Divisions, immediately thereafter;

5. Dues that are collected prior to the year in which they apply shall be remitted to the Association Treasurer on or before January 31st of the applicable year;

6. Dues that are collected during the year in which they apply shall be remitted to the Association Treasurer on or before the last day of each month up to and including June 30th and quarterly thereafter, e.g. September 30th and December 31st;
   a. A Dues Invoice will be issued by the Association Treasurer on or before January 15th each year based on the count of Active Members in the Membership Registry for each Division (Association Database), as of December 31st, of year each. The Association Treasurer shall reconcile the Dues Invoice with each Division Treasurer in December of each year to account for the Dues collected and paid by each Division; and
   b. A new (first time) Active Member joining after October 1st shall only commence paying Dues as of January 1st of the next fiscal year;

7. The Association Treasurer shall issue a Dues Invoice to each Division, on or before January 15th of each year based on the count of Active Members recorded in the Association Database as of December 31st of each immediate past year;

8. A Division shall consistently update the Division’s members’ records on the Association Database either by the designated Division database coordinator or where a Division delegates the updating to individual members when changes are required to reflect the status and information changes of all members. Any changes, at a minimum, affecting the “standing” of Active Members, shall be completed on or before the Record Date (60 days prior to the AGM in each year) and December 28th of each year;

9. Where a Division remits the full amount of the Dues Invoice, the Division shall update its Active members’ records on the Association Database to reflect that such members are in good standing, i.e. prior to the Record Date. In such circumstances the Division assumes full responsibility for the collection of amounts owing by their members;

10. Prior to each Annual General Meeting, the Treasurer shall distribute the consolidated financial statement and report of the immediately concluded fiscal year to the members and government bodies, as required.
11. Every Division shall report to the Association Treasurer annually, in the manner and form as prescribed by the Treasurer, the financial position of the Division for the immediately concluded fiscal year and the budget forecast for the upcoming fiscal year.
   a. During the month of January each year, the Association Treasurer shall issue guidelines to all Divisions on the reporting of the past year’s financial information and a Division shall provide the required information in the form and time specified, including any revisions to the Chart of Accounts;
   b. Where a Division collects funds from any source for a past or future fiscal year, such funds shall be clearly recorded to identify the year in which they were collected and the year for which they apply, i.e. the preferred method of accounting is on an “accrual” basis;
   c. All Reporting Centers shall plan and organize their resources and information in a manner that assures that each center will be capable to submit the information identified by the Association Treasurer, including the capability to respond to any requests of the Public Accountant in the conduct of the audit and consolidation of the Association Financial Statements. When a change in Treasurers occurs, Divisions are encouraged to have an outgoing Treasurer (if at the end of a calendar year) be available with/to a new Treasurer up until the end of the “annual financial reporting and audit process,” e.g. until April 30th.

12. A Division seeking specific authority for a financial transaction from the Board of Directors should submit its request to the Association Treasurer who will coordinate the process of consideration by the Board of Directors. A request should be submitted, at a minimum of 30 days prior to the requirement, with all the supporting information;

13. The following Chart sets out the Delegated Authorities for the Association Office and Divisions. The Delegated Authorities may be modified by a MOU between a Division and the Board, pursuant to the By-law 90.3, where circumstances support such a modification. [Not included herein.]

NOTE: These policies will be reflected in the By-laws and Association Manual.