



National Association
of Federal Retirees

Association nationale
des retraités fédéraux

HURONIA

Treasurer's Report For the Fiscal Year Ending December 31, 2018

Introduction

This report includes the following documents:

1. The 2019 AGM Treasurer's report for FY 2018
2. Fiscal 2017 Revised Annual Financial Statements
3. Fiscal 2018 Reviewed Annual Financial Statements
4. Fiscal 2018 Budget Variance Analysis
5. Fiscal 2019 Draft Budget
6. Fiscal 2020 Budget Forecast

A list of detailed transactions is available to those wishing to delve a bit deeper into our financial activities. All these documents will become available on the Branch web site over the next few weeks.

Motions Arising from the Financial Reports

1. That the Revised 2017 Financial Statements be accepted
2. That the 2018 Financial Statements be accepted
3. That the reserve allocations and spending limits be approved
4. That the Board be authorized to open a Savings account where allocated reserve funds are to be held
5. That the 2019 Draft budget be approved
6. That Peter Evans be approved as the Branch's Financial Reviewer for Fiscal 2019

Financial System and Web Site Changes

2018 was the first fiscal year where the Branch used the NHQ-provided "CRM" system to maintain its financial records. All 2018 fiscal year transactions were entered in CRM. Most were entered at the Branch, but NHQ also makes changes to the CRM data, as dues are moved to the Branch ledgers. Limited training led to some errors on my part, related to transferring amounts and recording dues received. NHQ made corrective entries to address those errors. I expect the process to function well in FY2019.

As a Branch within a Not-For-Profit Corporation, we are not required to prepare a complete set of financial statements. NHQ has provided two reports the Branches are mandated to use to meet their financial reporting requirements:

1. Balances Report
2. Earnings and Loss Report

In addition to these two reports, the Branch can also run reports on various detailed aspects of our financial position, such as travel expenses, cheques, etc. NHQ does have access to all the data entered in CRM and provides support and oversight.

Paired with the required data entry and reports, there still exists a requirement to maintain the appropriate hard copy supporting documentation. These records are currently held in the Branch office, but NHQ has offered to store the Branch's archival records.

The Branch is responsible to maintain accurate and complete records, have in place appropriate controls, and submit required documentation to NHQ. The various aspects of our financial position, processes and financial controls must be examined and approved by our annually-appointed financial reviewer.

NHQ has implemented a new web site management software, and as time permits, financial documents and reports will be posted to our Branch website. The published documents will include monthly reports, financial statements, cost analysis reports, budgets, budget variance reports and budget forecasts.

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Presentation of Revised 2017 FY Financials

After reviewing our submissions for 2017 Financial Reporting, NHQ directed that we restate our financials, using the mandated format, and correct any obvious errors in fact. We were directed to present the revised statements to the membership, for their approval.

There is no current concern that there are substantive errors in our original statements, just presentation, allocation or description errors.

NHQ entered into CRM the information we provided in our original 2016 and 2017 financial reports. The reports are presented in the correct format, displaying both the current and previous financial information. The Fiscal 2016 data is presented for comparison purposes and all data is drawn from CRM using the report provided by NHQ.

Petty Cash was removed as an expense and is reported as an Asset on the Balances Report.

Presentation of Reviewed Fiscal 2018 Financial Statements and Supporting Documentation

The deficit shown is in line with the corrected budget numbers from the 2018 AGM. In that budget, a transfer from reserve of \$2,000 was incorrectly shown as revenue. Petty Cash was also shown as an expense, when it is properly shown as an asset. All budgeted items are now shown categorized using the Chart of Accounts built into the CRM system.

Change in Reserves

NHQ has identified the Branch reserves, and our unreserved equity, as not being appropriately allocated. Our current liquid assets exceed the acceptable level, established as up to one year's operating expenses, or approximately \$14,000. I was informed that it is appropriate for the Branch to hold this amount in our chequing account.

In order to meet this threshold, we need to allocate the excess to member-approved reserve funds. Each reserve so established will also have an approved amount that the Board can withdraw over the course of the current fiscal year. Any requirement to withdraw funds in excess of the approved amount would require a vote at a special meeting of members.

We currently have no reserve identified for Advocacy or Volunteer Training and Development. These would normally see episodic use, coinciding with Board election cycles, the ebb and flow of Federal and Provincial elections, or the opportunity for volunteers to attend relevant training.

NHQ also suggests that identified reserves should be held in a separate bank account. Such an account would permit only transfers to or from the operating (chequing) account. A decision to establish such an account must be approved by a vote of the membership.

As at April 30, 2019, the Branch had cash or equivalents of \$22,000, and investments of \$5,000. NHQ recommends we have cash on hand equivalent to one year's operating expenses, about \$14,000. The forecast 2019 operating deficit is approximately \$4,000. This financial situation requires we draw down our current reserves of \$12,000 to partially fund the deficit, leaving \$9,000 to be allocated to the new reserve categories.

The table below shows current reserves and the amounts allocated to each, together with recommendations for renaming, reallocating, and establishing withdrawal limits going forward. This assumes our annual costs remain relatively stable, and we use the 3-year historical average expense level of \$14,000 to identify costs for Fiscal 2020. No allowance in the reserve recommendations has been made to reflect potential cost saving measures. Such measures may include relinquishing the office, holding meeting via electronic means to reduce travel expenses, and eliminating local mail and phone service.



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Recommended reserve allocations and balances:

Current Name	Current Level	New Name	New Level	Reserve Limit (Not to Exceed)	Annual Board Withdrawal Limit
Defense of Benefits	\$5,000	Advocacy	\$3,000	\$5,000	\$3,000
Equipment	\$1,500	Equipment	\$3,000	\$3,000	\$1,500
Other	\$5,500	Volunteer Training & Development	\$2,000	\$3,000	\$1,500
N/A	N/A	Events & Activities	\$1,000	\$1,000	\$500

2019 Draft Budget Proposal

The 2019 budget proposes a deficit of just under \$4,000, as shown on page 1 of the 2019 Draft Budget documents. Details of anticipated expense and revenue categories are presented on pages 2 and 3. In order to contain the deficit, few funds have been allocated to branch core functions. The Board agreed to ask for member input on continuing the previous practice of providing members with printed annual pocket calendars. As identified in the above reserve discussion, the current budget requires we draw down reserves by approximately \$3,000.

2020 Forecast Budget

The 2020 forecast budget was prepared using a number of assumptions. Those assumptions include:

1. As of August 2020, we relinquish our office, post box, local phone, and Internet service
2. We rent a small storage space
3. We use cost-effective, publicly available, private meeting space as required
4. We increase the use of electronic meetings
5. We utilize National HQ to manage our primary mail and phone
6. We store archival material at National HQ
7. We increase spending in the core functions of Advocacy, Member Support, Membership Recruitment and Engagement, and Volunteer Support and Development.

Changes to these assumptions will affect the overall financial position of the branch and will be reflected in the 2020 Draft Budget, which is expected to be available on the branch website by fall of 2019.

Appointment of Financial Reviewer

At each AGM, the membership is required to appoint an individual to perform a review of the Branch’s financial activities, procedures, recordkeeping, and financial position. The person selected must be independent of the Branch executive, and be knowledgeable, regarding financial management and auditing.

I am pleased to say that one of our members, Peter Evans, has accepted a request to perform those duties for the 2019 fiscal year. Peter is a CPA by trade, and has a wealth of knowledge and experience. Peter will review our financial activities to ensure the Branch is in good financial health, has proper controls in place, maintains appropriate records, and overall is managing your money responsibly. He has also generously offered to provide advice to help the Treasurer perform their duties effectively.



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Summary

The Branch's current financial situation is sound, despite the 2018 budget entertaining a deficit of approximately \$1,300, and the 2019 budget projecting a deficit of almost \$4,000.

General administrative costs consume more than 80 cents of every dollar we receive in dues. Once all non-discretionary costs are factored in, there is little available for activities related to advocacy, member support, recruitment and engagement, or volunteer support and development.

The board is currently studying ways to reduce expenditures so that more funds can be used on core functions. Options include increased use of electronic meetings to reduce travel expenses and the reduction or elimination of other administrative cost.

In the event that no changes are made to our current expenditure profile, the branch will likely be unable to meet its financial responsibilities by FY 2025. Discussion around relinquishing our current office, in August 2020, were incorporated into the 2020 budget forecast, resulting in an excess of revenue over expenses, while still increasing spending on core functions.

Cost increases contributing to the 2018 and 2019 deficit include an increased phone, internet and travel expenses.

Our previous Roger's telephone and Internet contract expired in August 2018. While we continue to contract for the lowest possible cost, the new plan, still with Rogers, is roughly double the cost of the old.

Board travel was higher with members from Gravenhurst, Wasaga Beach, Orillia and Alliston. Travel for the Treasurer was significant for the months following election, as various investment and banking activities were required during the changeover.

Members are entitled to see the financial records of the branch, and to question the Treasurer on process or issues of fact. My Branch email and phone number are posted on our web site.

I welcome your questions and suggestions.

Respectfully submitted by,

Barry Elson
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