

Schedule "B"

**A FINANCIAL GUIDE FOR AGENCIES AND AUDITORS**

of

Programs Funded by  
City of Edmonton Community Services Department

**Family & Community Support Services (F.C.S.S.)**

**January 2015**

## **GUIDE FOR AGENCIES AND AUDITORS OF COMMUNITY SERVICES - FAMILY AND COMMUNITY SUPPORT SERVICES PROGRAM**

### **INTRODUCTION**

This guide has been prepared to assist Agencies and their Auditors in meeting the financial requirements of programs in receipt of Family and Community Support Services (F.C.S.S.) funds.

The F.C.S.S. Program is cost shared by two levels of government: Provincial and Municipal. The City of Edmonton is responsible for the administration of F.C.S.S. funds, and must ensure that the Provincial F.C.S.S. Act and Regulation requirements are met (see Appendix I, Chapter 9 of F.C.S.S. Act and Regulation).

Agencies receiving funds from the City of Edmonton, Community Services, under the Family and Community Support Services Act are required to submit an annual audited financial statement of their organization to Community Services **(see “Accounting” 6.01 to 6.05 of the Agency Funding Agreement)**.

Where an agency operates an F.C.S.S. Program and one or more other programs, a separate statement of operations for the F.C.S.S. Program being funded must be provided with the audited financial statements of the agency. There should be a statement of operations to correspond with every F.C.S.S. program approved for funding.

**Agencies should ensure that their auditors have a copy of this guide, the agency funding agreement and the enclosed copy of the F.C.S.S. Act and Regulation prior to starting the audit.**

## USE OF ALLOCATED F.C.S.S. FUNDING

Agencies providing programs funded through F.C.S.S. are expected to operate within the terms of the budget submission approved by Community Services. A revised budget is sent to each Agency with the Funding Letter and outlines the approved expenditure in each category. Agencies should consult with F.C.S.S. liaison consultants before implementing major changes in allocations of FCSS funds by more than 10%, as this could impact future funding provisions. Any expenditure in excess of the budgeted amounts resulting in a deficit after including F.C.S.S. funds is the sole responsibility of the agency.

Agencies that are assessed with an F.C.S.S. program surplus will be allowed to retain the first Two Thousand Dollars (\$2,000) for the Agency as a whole, provided the municipal contribution exceeds the 20% minimum set out in the FCSS Act. Any surplus in excess of Two Thousand Dollars (\$2,000) shall be returned in full to the City of Edmonton, except where an application has been made to the City by the April deadline of the following year requesting a one-time only expenditure which will not result in an on-going FCSS funding requirement.

Agencies that receive special project funding are not permitted to retain the first Two Thousand Dollars (\$2,000), as all the special project funds must be used for the designated project. If there are any surplus funds at the completion of the project, this shall be returned in full to the City of Edmonton unless an application to retain the surplus for another F.C.S.S. eligible purpose has been submitted to the City of Edmonton.

Once the application to retain the surplus has been approved, the reporting for the surplus **must** be included as part of the next annual audited statement submitted to the City of Edmonton.

Funding agreements for the same program may exist between an agency, Community Services and other government departments or community agencies. Where such agreements exist, any surplus of funds for the year ended December 31<sup>st</sup> shall be disclosed in the statement of operations and financial position, proportionate to the amounts granted by the external funding parties.

## THE AUDITED STATEMENTS

Agencies receiving funds from Community Services (F.C.S.S.) are required to submit audited financial statements to Community Services on or before **March 1<sup>st</sup>**, (see “**Accounting**” **6.01 to 6.05 of the Agency Funding Agreement**). If audited financial statements are not ready on March 1<sup>st</sup>, a draft must be submitted by March 1<sup>st</sup>, with the final, signed financial statements to be submitted no later than March 31<sup>st</sup>. Agencies that do not have a December 31<sup>st</sup> year end must submit the most recent audited financial statements and an F.C.S.S. Program schedule for each F.C.S.S. Program from January 1<sup>st</sup> to December 31<sup>st</sup>, on the deadline of March 1<sup>st</sup>. The FCSS Program schedule must be signed off by two Board members.

The agencies’ audited financial statements should be prepared on an accrual basis. (Accrual basis - the method of recording transactions by which revenues and expenses are reflected in the accounts in the period in which they have been earned and incurred, whether or not such transactions have been finally settled by the receipt or payment of cash or its equivalent.)

In some cases, this will mean converting the non-profit agencies' cash basis accounting records at December 31<sup>st</sup> to an accrual basis. Where an agency is not able to prepare its financial statements at December 31<sup>st</sup> on an accrual basis, they should request their auditor to prepare the financial statements on an accrual basis from their cash basis records.

## FINANCIAL REQUIREMENTS

### 1. **Auditor's Report**

Auditor’s signed statement verifying that the reports have been prepared in accordance with the F.C.S.S. Act and Regulation and Canadian generally accepted accounting principles. The report will express an opinion on the financial statements of the Agency.

### 2. **Statement of Operations**

In addition to a statement of operations for the total Agency, a separate schedule for each **program** the Agency received F.C.S.S. funding for must be prepared. Please note that the name of the schedule should be the name of the **program** and NOT titled F.C.S.S. The Schedule for F.C.S.S Program must be inclusive of all sources of revenue and expenses for the complete Program operations and not consist solely of the usage of the F.C.S.S municipal funding. Refer to a sample on Schedule 1 of Appendix III.

***Appendix II contains a suggested list of revenue and expenditures required by the Province to determine whether expenditures are cost shareable.***

**3. Statement of Financial Position**

The statement of financial position reflects the financial position of the Agency and must separately identify those amounts that are associated with the F.C.S.S. Program and funded by Community Services – for example: F.C.S.S. deferred revenue. In addition, reserve balances must be identified as unrestricted, restricted or capital.

**4. Notes to the Financial Statements**

The following additional information is required:

- i) Explanation of the basis for allocation of general management and administrative expenses, or central office expense to the Programs operated by the Agency (Only required for those agencies that operate other programs in addition to F.C.S.S. Programs).
- ii) Explanation regarding the nature and authority of the appropriation of revenue from the F.C.S.S. Program.
- iii) There must be a note providing a breakdown of deferred revenue, and it **must** list the name of the revenue source that has been deferred.
- iv) Other information the auditor feels is relevant for the agency.

**5. Management Letter prepared by Auditors**

The Management Letter is a by-product of the financial statement audit. It should include observations, recommendations and management responses for all issues identified. Typical issues involve areas such as internal control weaknesses, operational challenges, process inefficiencies, opportunities for improvement etc. Recommendations issued in previous years should include status updates in the current year letter. This letter must be submitted on March 1<sup>st</sup>, along with the audited financial statements.

**FINANCIAL REPORTING INFORMATION****A. Specific Expenditures Not Eligible Under the FCSS Act:**

- ◆ Purchase of Land or Buildings
- ◆ Construction or Renovation of Buildings
- ◆ Purchase of Motor Vehicles
- ◆ Property Taxes or levies
- ◆ Honoraria (Paid to FCSS Board Members or Volunteers)
- ◆ Costs that do not relate to direct service delivery under the program.

**B. Common Areas Which Require Agency Clarification:**

The following points in particular often generate questions from the Province:

- ◆ “Miscellaneous” and “Other” – costs and revenue classified under this category will require a brief explanation for amounts greater than \$200.00.
- ◆ “Honorarium” – unless otherwise specified, the province will assume that this is a per diem fee paid to board members or volunteers for attending meetings, which is not a shareable expense. Explain in a note to the financial statement as to the nature and amount of each item.  
(Example: instructor or guest speaker fee – eligible expense.)
- ◆ “Renovations” – viewed as the responsibility of the landlord therefore not shareable with the province. Where a lease agreement is in place stipulating that the building is the responsibility of the agency – discretion will be used in assessing the nature of the cost involved.
- ◆ “Administrative Overhead” – classification and interpretation of costs included in this category varies between agencies. This is an allowable expense so far as it is applied “equitably” - across all programs offered by the agency.
- ◆ “Fundraising” – the province will assume that the contributions and costs associated with this area are to be deducted from the project revenue and expense.

## Checklist

**Before submitting FCSS documents please use this checklist to ensure that all required items are being submitted:**

**If Agency has a December 31<sup>st</sup> year end:**

- ☐ 1 "Draft" audited financial statement for Agency's year end. Must contain a separate schedule of the F.C.S.S. Program and include all the revenues and expenses of the Program. (Deadline of March 1)
- ☐ 2 Audited financial statement for Agency's year end (Deadline of March 31) (Auditors' report MUST be signed by auditor, and the Statement of Financial Position signed by two Board Members)
- ☐ 3 Management Letter prepared by the auditor detailing the observations and recommendations. (Deadline of March 31)

**If Agency has another year end:**

- ☐ 1 Audited financial statement for Agency's preceding year end. (Deadline of March 1)
- ☐ 2 Management Letter for preceding year end, prepared by the auditor detailing the observations and recommendations. (Deadline of March 1)
- ☐ 3 F.C.S.S. Program Schedule must include all the revenues and expenses of the Program, signed by two members of the Board. (Deadline of March 1)
- ☐ 4 Audited Financial Statements for the Agency's current year end. (Deadline of 90 days after Agency's year end)

**Please note: If your Agency is assessed with a surplus you will be sent a letter from Community Services in early April, and your response will be required by mid-April.**

## **Appendices**

Appendix I	F.C.S.S. Act and Regulation
Appendix II	Suggested Revenue and Expenditure Detail
Appendix III	Sample Financial Statements



## **Appendix I**

### **Family and Community Support Services Act and Regulation**

#### **Chapter 9: Conditional Agreement Regulation**

##### **Financial Matters:**

- 3 Municipal Costs**
- 4 Prohibited Costs**
- 5 Use of Money**

**Financial Matters****Municipal Costs 3** Municipal costs of a program may only include

- (a) general administration and management of the municipal program,
- (b) operation of an advisory board or committee for the municipal program,
- (c) planning and research regarding the overall program,
- (d) general consulting by the municipality to services within the program,
- (e) general consulting by the municipality to the community with regard to the program,
- (f) monitoring and evaluation of program services in the municipality,
- (g) evaluating program service delivery effectiveness,
- (h) advertising and promoting the program services in the community,
- (i) managing a specific service delivery mechanism,
- (j) operating a board or committee for the delivery of the service,
- (k) providing training for staff and volunteers for this service,
- (l) reimbursing volunteers for incidental expenses necessarily incurred in providing volunteer services to the program but not including loss of wages, and
- (m) employment of staff to deliver family and community service.

**Prohibited Costs 4** Expenditures of the program shall not include

- (a) the purchase of land or buildings,
- (b) the construction or renovation of a building,
- (c) the purchase of motor vehicles,

**FCSS Handbook****Chapter 9: Conditional Agreement Regulation**

- (d) any costs required to sustain an organization that do not relate to direct service delivery under the program,
- (e) municipal property taxes and levies, or
- (f) daily allowances for members of any board or committee referred to in section 3(b) or (j).

**Use of Money**

**5** A municipality that receives funds from the Minister for a program shall

- (a) give priority to funding services under the program that are delivered by volunteer non-profit organizations,
- (b) expend no less than 20% of the total budget in the program as a matching share of the total municipal funding and funding by the Minister as provided in the program agreement,

*(b.1) allocate from the operating budget of the municipality the 20% matching share referred to in clause (b),*

*(NOTE: Clause (b.1) comes into force on January 1, 1998)*

- (c) not apply funds collected through fees charged to clients for services provided under the program as a part of its matching share,
- (d) repealed AR 102/97 s3,
- (e) not use payments made by the Minister under this Act to secure reimbursement for municipal costs not a part of the program, and
- (f) not use payments made by the Minister under this Act for any operating costs for the program not equally charged to its other municipal projects, work or service.

AR 218/94 s5;102/97

## **Appendix II**

### Suggested Revenue and Expenditure Detail

**SUGGESTED "REVENUE" DETAIL****Revenue**

FCSS Grant /FCSS One Time/FCSS Special Project  
 City of Edmonton- Community Investment Operating Grant/Seniors Grant  
 Fees for Services/Membership Fees  
 Donations/Fundraising  
 Grants from other Agencies and/or Government

**SUGGESTED "EXPENDITURE" DETAIL****Personnel Costs**

Salaries/Wages/Benefits

**Travel, Training, Conferences & Recognition**

Travel/Fees/Subsistence/Accommodation – Staff/Board/Volunteers  
 Staff Car Allowance/Staff Parking  
 Recognition/Appreciation – Staff/Board/Volunteers

**Professional Services**

Accounting/Bookkeeping/Audit/Legal  
 Consultant/Contract Payments  
 Instructor Fees  
 Membership Dues

**Computer Expense**

Equipment and Software Purchases  
 Computer Lease/Rental  
 Maintenance and Software Licensing Costs

**Rentals**

Office/Space/Facility/Equipment/Other

**Repairs and Maintenance**

Furniture/Equipment  
 Office/Facility Maintenance  
 Service Contracts (Custodial/Security)

**Utilities and Office**

Power/Water/Sewage/Natural Gas  
 Telephone/Fax  
 Photocopying/Stationary/Postage  
 Advertising/Promotion/Publications/Resource Material  
 Administrative costs

**Materials & Supplies**

Program Supplies

**Other**

Fundraising Expense (ineligible)  
 External Food Service Costs (ineligible)  
 Other (attach details)

## **Appendix III**

### Sample Financial Statements

**XYZ YOUTH CENTRE****STATEMENT OF FINANCIAL POSITION****AS AT DECEMBER 31, XXXX**

<b>ASSETS</b>	<b>( CURRENT YEAR )</b>	<b>( PREVIOUS YEAR )</b>
	<b>XXXX</b>	<b>XXXX</b>
Current Assets:		
Cash and term deposits	38,000	28,200
Accounts receivable	15,000	19,000
Prepaid expenses	3,200	4,200
	<u>          </u>	<u>          </u>
	<u>\$    56,200</u>	<u>\$    51,400</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	11,000	9,200
Deferred revenue (Note 3)	31,750	35,200
	<u>          </u>	<u>          </u>
	<u>42,750</u>	<u>44,400</u>
<b>NET ASSETS</b>		
Net Assets:		
Unrestricted	8,450	5,000
Restricted	5,000	2,000
Invested in Capital	0	0
	<u>          </u>	<u>          </u>
	<u>13,450</u>	<u>7,000</u>
	<u>          </u>	<u>          </u>
	<u>\$    56,200</u>	<u>\$    51,400</u>

**XYZ YOUTH CENTRE****STATEMENT OF OPERATIONS****FOR THE YEAR ENDED DECEMBER 31, XXXX**

	( CURRENT YEAR )	( PREVIOUS YEAR )
	<b>XXXX</b>	<b>XXXX</b>
<b>Revenue:</b>		
Foundation	18,000	18,000
Grants (Schedule 1)	193,000	277,000
Fees	29,000	25,000
Fundraising	22,000	15,000
GST recovered	800	900
	<u>262,800</u>	<u>335,900</u>
<b>Expenses:</b>		
Programs (Schedule 1)	195,000	280,000
Salaries	16,000	15,000
Employee benefits	4,000	3,000
Office materials and supplies	2,000	1,800
Rent	9,500	9,500
Maintenance and utilities	8,500	6,900
Administration	1,000	700
Training and volunteer expenses	2,000	1,700
Professional fees	1,500	1,500
Audit fee	2,400	2,400
Fundraising	12,000	8,000
Miscellaneous - Volunteer appreciation	1,000	1,000
GST	900	1,100
Bank charges and interest	550	500
	<u>256,350</u>	<u>333,100</u>
<b>Surplus (deficit) for the year</b>	6,450	2,800
<b>Surplus, beginning of year</b>	<u>7,000</u>	<u>4,200</u>
<b>Surplus, end of year</b>	<u>\$ 13,450</u>	<u>\$ 7,000</u>



**SCHEDULE 1****XYZ YOUTH CENTRE****SCHEDULE OF REVENUE AND EXPENDITURE****FOR THE YEAR ENDED DECEMBER 31, XXXX**

	<b>FCSS PROGRAM 1**</b>	<b>FCSS PROGRAM 2**</b>	<b>TOTAL</b>
<b>REVENUE</b>			
Government of Alberta	84,750		84,750
City of Edmonton - FCSS Grant		80,000	80,000
City of Edmonton – FCSS Special Project	9,000		9,000
City of Edmonton – Community Investment Operating Grant	19,250		19,250
	<u>113,000</u>	<u>80,000</u>	<u>193,000</u>
<b>EXPENDITURES</b>			
Salaries	80,000	58,000	138,000
Employee benefits	10,200	10,000	20,200
Program supplies	8,000	1,000	9,000
Printing and photocopy	3,200	2,000	5,200
Rent	1,500	1,100	2,600
Maintenance and utilities	2,150	1,800	3,950
Administration ***	700	700	2,400
Transportation - including insurance	2,000	2,100	3,100
Training - conferences and workshops	2,000	1,200	3,200
Audit fee	1,100	900	2,000
Equipment rental	1,300	900	2,200
Volunteer expenses	1,200	900	2,100
GST	850	200	1,050
	<u>114,200</u>	<u>80,800</u>	<u>195,000</u>
<b>OPERATING SURPLUS (DEFICIT) FOR THE YEAR</b>	<u>\$ (1,200)</u>	<u>\$ (800)</u>	<u>\$ (2,000)</u>

**\*\* Must include all sources of revenue and all expenditures related to the program.**

**\*\*\* Must state in the notes what percentage of the total administration fees were allocated to the FCSS Program.**

**XYZ YOUTH CENTRE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, XXXX**

**1. Nature of operations**

XYZ Youth Centre provides services and outreach programs for youth in the community. The Centre was incorporated under the Societies Act of Alberta on July 15, 1975.

**2. Summary of significant accounting policies****(a) Basis of Presentation**

The accompanying financial statements have been prepared using the accrual basis of accounting.

**(b) Donated Services**

Donations in kind of volunteer time, products, or services are not valued in the financial statements.

**3. Deferred Revenue**

	(CURRENT YEAR)	(PREVIOUS YEAR)
F.C.S.S	3,451	0
Casino	12,299	22,200
Government of Alberta- Operating Grant	16,000	13,000
	<u>31,750</u>	<u>35,200</u>

**4. Administration Expense**

Administration fees are charged to the FCSS program 1 at 20% of the total administration costs as that is the proportion of time spent administering the FCSS Program.