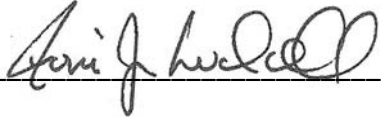


2.4 Financial Planning/Budgeting

I hereby present my monitoring report on Executive Limitations Policy 2.4, “Financial Planning/Budgeting” according to the schedule set out. I certify that the information contained in this report is true, and represents compliance with a reasonable interpretation of all aspects of the policy unless specifically stated otherwise.

Signed: , CEO

CEO Interpretation Date: 9/11/2020

Policy		Compliance will be demonstrated when...	Evidence of Compliance
<p>Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate materially from the board’s Ends priorities, risk fiscal jeopardy, or fail to be derived from a multi-year plan.</p>	<p>“Fiscal year” = October 1-September 30. The CEO’s interpretation of this monitoring report is that we are monitoring the policy for the budget being presented for the upcoming year, in this case the 2021 plan and budget.</p> <p>“A material deviation of financial planning from board priorities” = the resources are applied in such a way that movement is not being made toward the Ends according to the priority specified by the board.</p> <p>“Fiscal jeopardy” = any activity that would damage the financial health of the organization and would result in any fiscal year ending with insufficient liquid or near liquid assets to sustain normal operations, before depreciation.</p> <p>“Multi-year plan” = a plan that encompasses more than one calendar year.</p>	<p>Annual operating plan and budget demonstrates allocation of resources toward means that support Council Ends.</p>	<p>The allocation of resources to achieve the Ends is provided in the 2021 budget presentation to the board, specifically in the cost center budget.</p> <p>Tactical plan integrates service unit plans.</p>

Policy		Compliance will be demonstrated when...	Evidence of Compliance
1. Develop a budget without conducting a formal process for planning for the future of the organization.	Formal process = written procedures for planning and preparing the budget.	A formal planning process is used by staff in the development of the annual budget and includes use of internal and external data.	A review of the process used in planning and budgeting shows documentation that a formal, written process was used.
2. Develop a budget without employing credible projections of revenues and expenses, separation of capital and operational items, cash flow, and disclosing planning assumptions.	<p>Credible projections of revenue = projections that can be substantiated, based on known sources of income and on conservative estimates of revenue from sources of income for which we do not have prior experience.</p> <p>Credible projections of expenses = projections that are defensible based on prior years' experience and projected priorities, allowances for inflation, changes in activity levels, and other known or anticipated sources of cost increases.</p> <p>These definitions are consistent with the dictionary definition of "credible" as worthy of confidence or reliable.</p> <p>"Separation of capital and operational items" = excluding the purchase cost of capital items from the operational budget.</p> <p>"Capital items" = any physical asset with a useful life of greater than one year and costing \$1,000 or more. This interpretation is consistent with the definition used by our auditors.</p>	<p>The 2020 budget separates operating and capital budgets.</p> <p>There is a documented cash flow plan.</p>	<p>Documentation of the budget substantiates conservative revenue estimates, based on prior years' experiences.</p> <p>Documentation of the budget substantiates estimates of expenses, using zero-based budgeting methods with a validation process which justifies variances against 2020 projected actual.</p> <p>A separate cash flow plan is in place and is used to manage cash and investments. A review of the documentation will verify usage of the cash flow plans.</p> <p>A direct inspection will verify that there are separate operating and capital budgets and documentation to substantiate their development.</p>

Policy		Compliance will be demonstrated when...	Evidence of Compliance
3. Plan the expenditure in any fiscal year of more funds than are conservatively projected to be received in that period.		Due to the pandemic, the 2021 budget projects an excess of operating expenditures over revenue at the end of the year.	The 2021 budget projects a deficit operating budget. Therefore, I am reporting noncompliance.
4. Plan so that organizational reserve could drop below six (6) months of the current unrestricted expense budget for the current fiscal year.	<p>Organizational reserve = funds that are specifically designated by the board as a long-term reserve and identified as such on the Balance Sheet with the purpose and conditions of use defined in the Notes to the Financial Statements. This is consistent with advice from our auditors.</p> <p>Unrestricted expense budget = expenses that are not specifically designated by the board for any purpose other than the general operating budget.</p>	The balance of long-term reserves at any point in time is equal to or greater than for the previous year, unless the difference can be shown to be consistent with a documented board decision to use reserves.	A review of the 2021 Sources and Uses report will show that the operating reserve is equal to or greater than six (6) months of expenses.
5. Plan an asset replacement fund that is less than \$4 million. This policy shall be evaluated any time that the fund is projected to fall below \$4 million or at least biennially to determine if the funding is adequate, but not excessive to meet its stated purpose in relationship to current Ends priorities.	<p>Current year depreciation expense = the decline in value compared to last year, according to the book value of the assets.</p> <p>Accumulated depreciation = sum of depreciation charges taken to date on a fixed asset.</p>	The fund contains an amount that is no less than \$4 million.	The 2021 budget projects that depreciation expense = \$1,020,230. The sources and uses report documents that the current balance of the asset replacement fund is \$5,393,320.

Policy		Compliance will be demonstrated when...	Evidence of Compliance
6. Plan in a manner that risks unacceptable financial conditions enumerated in the “Financial Condition and Activities” policy.	Unacceptable financial conditions = planning to expend more funds than are received in a year; planning to access long-term reserves for operations; and planning in a way that cash flow is insufficient to meet payroll and vendor payments on time.	<p>The plan does not anticipate an excess of expenditures over revenue at the end of the year and is monitored against revenue, expenses, and the plan.</p> <p>There is no planned borrowing.</p> <p>Planned sources of revenue exclude reserves.</p> <p>Monthly cash flow plans are in place that permits meeting payroll and vendor accounts payable on time.</p>	<p>A direct inspection and review of the budget documents will show that there is a deficit operating budget planned; however there is no planned borrowing.</p> <p>Documentation is provided on cash flow plans for all cost centers.</p>
7. Provide less for board prerogatives during the year than is set forth in the “Cost of Governance” policy.	Board prerogatives = all aspects of the board’s governance tasks, including the cost of board and board committee meetings, board development, board participation in national meetings, the costs of fiscal audit and legal counsel to the board, cost of ownership linkage activities, and other specific costs identified by the board.	The budget contains provisions for the board-identified means.	A review of budget documents will show budget projections for all board governance tasks, including audit and legal fees, travel to national meetings, and costs incurred for regular board and committee meetings.

