

Financial Reporting for Family Health Teams

Financial Reporting and related topics for ED,s. CFO,s. Finance Managers and Board Executives

Webex - AFHTO members

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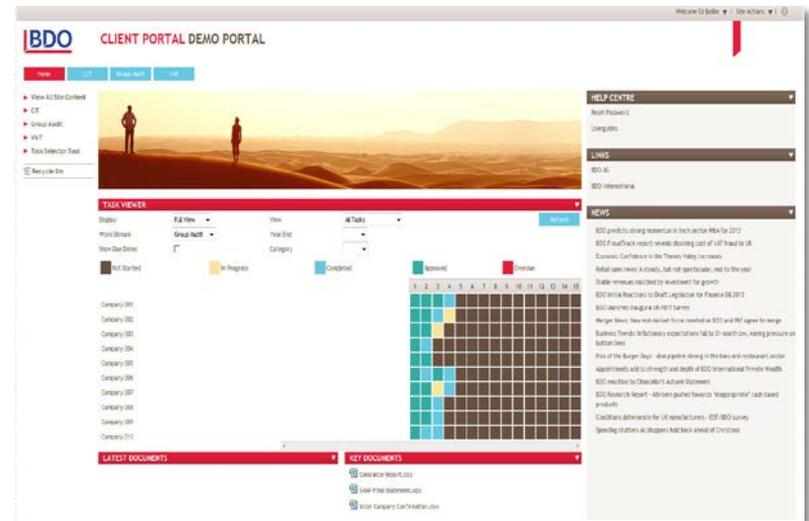


About BDO Canada

People who know, know BDO

BDO Canada empowers healthcare leaders by supporting them to deliver sustainable change in an increasingly complex and challenging environment.

In Ontario BDO provides assurance and other services to 38 Family Health Teams and numerous other organizations in the health care sector. The North Bay office has provided services to 4 FHTs since their inception. Much of the work is facilitated through the use of our client web portal which provides an efficient and secure platform for exchange of documents and other information.



About BDO Canada

People who know, know BDO



Advisory Services

- BDO Solutions
- Business transition and succession planning
- Financial Advisory
- Financial Recovery
- Scientific Research & Experimental Development (SR&ED)
- Planning and Performance Services
- Risk Advisory
- Transformation and Change Services
- Transaction Advisory Services

Presenters

Elizabeth Chirico CPA, CA

Elizabeth is a Senior Manager of Assurance and Accounting in the BDO Canada North Bay office and has over 5 years of experience providing assurance and tax services to Family Health Teams.

Elizabeth also has over 13 years experience in public accounting and over 10 years experience in Finance in private industry.



Financial Reporting Issues for Family Health Teams

Today we will review Financial Reporting and related topics relevant to Family Health Teams.

- Financial Reporting, budgeting and oversight
- Accounting for and tracking in-year budget reallocations
- “One-time” expenses
- Financial Reporting and the ASRER
- HST Rebate
 - Reporting and accounting
 - Rebate recovery rates
- ONCA
- Not-for-Profit Board Governance



Financial Reporting, budgeting and oversight

- Responsibilities of FHT Directors
- Legislative requirements
- FHT funding agreement - financial reporting requirements
- Budgeting
- Controls



Financial reporting, budgeting and oversight

Responsibilities of FHT Directors

Responsibilities of FHT Directors around financial reporting include the following:

- Overseeing financial affairs of the organization
- Selecting, supervising and evaluating ED
- Monitoring organizational performance
- Duty of care



Financial reporting, budgeting and oversight

Legislative Requirements

Legislative financial reporting requirements

- Corporations Act of Ontario
- Annual Audited Financial Statements
 - For the corporation
 - Prepared in accordance with Generally accepted accounting principles (GAAP) - Accounting standards for Not-for-Profit organizations
- Corporate tax filing requirements
 - Corporate tax return - exempt from tax
 - Not-for-profit filing - form T1044
- Corporations Information Act - Annual Return
 - Filed with CRA
 - Recorded on Ministry of Government Services public record

Financial reporting, budgeting and oversight

FHT funding agreement - financial

Certain financial reporting requirements under the funding agreement with the Ministry of Health and Long-term Care

- Annual Operating Plan - budget
- Quarterly expenditure reports
- Annual Audited Statement of Revenue and Expenditures (ASRER)
- Consistent application of accounting and financial reporting standards
- Reporting should tie back to internal accounting records
- Ministry may require any other report as reasonably required
 - ie. Audited Financial Statements

Financial reporting, budgeting and oversight

Budgeting

- Develop and monitor
- consistent with strategic or operating plan
- Ministry requirements
- Board input and approval
- Accountability Reform Initiative
- Break-even, use-it-or-lose-it funding



Financial reporting, budgeting and oversight Controls

Examples of good financial controls that enhance reliability of financial information and safeguard assets:



- Dual cheque signing
- Maintaining bank signatories and credit card holders
- Expenditure approval process
- Segregation of duties
- Expense report approvals
- Financial monitoring - follow-up on variances or discrepancies
- Limit users access to accounting software



Budgeting

Managing your budget

How do I account for and track in-year budget “reallocations” :?

- Manage funding by line or within categories
- Budget reallocation submissions (Ministry form)
- Ministry may approve overspending in categories or lines - not technically budget reallocations
- Keep records of your approvals
- Track your approvals on a worksheet (DEMO worksheet) and summarize in ASRER format
- Keep board apprised
- Apples are apples - account for expenditures in their true nature

Budgeting

One-time expenses

- Typically not of a recurring nature
- Original budget item or reallocation approval
- Generally capital in nature
- Financial reporting requires proper classification and matching





Financial Reporting ASRER

Similarities and differences:

- Both are required to be prepared in accordance with GAAP
- Consistent application of accounting treatment and classifications
- ASRER reports expenditures under funding arrangement with the Ministry
- Audited financials reflect all operations of the organization
- Expenditures are accounted for net of rebates or recoveries
- Approved budget is reflected on ASRER
- Approved line overspending not subject to clawback



HST Rebate

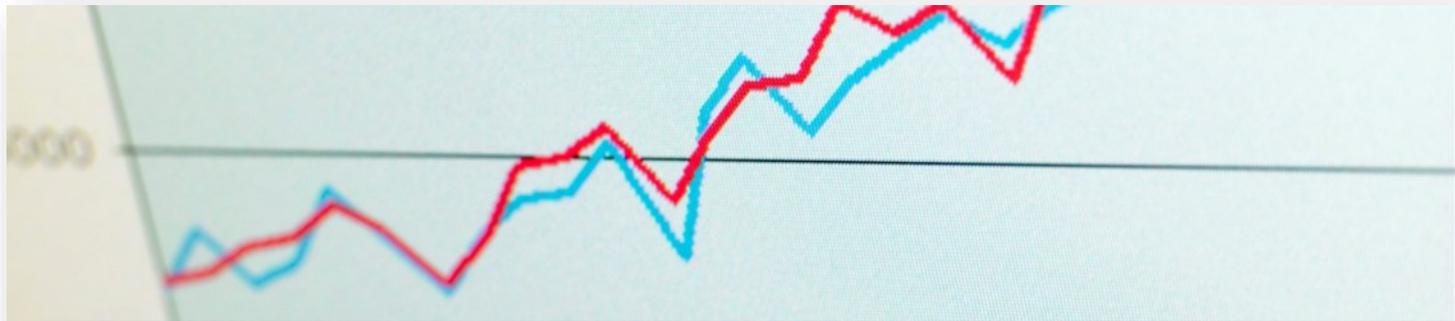
Accounting for the HST Rebate

- Accrual accounting principle applies
- Budget is net of HST Rebate
- Rebate is accounted for in the year it relates to
- Expenses are recorded net of the applicable HST rebate
- Rebate is typically applied for and received after the fiscal year it relates to
- Application should be supported by and agree with the accounting records
- Variations in assessments should be addressed in subsequent years
- When rebate is received it is applied to the receivable - not a windfall or excess funding

HST Rebate

Rebate rates

- Typically Public Service Body rate - 82% of provincial portion and 50% of the federal portion
- BDO has success with some FHTs to qualify for the Hospital Authority rate - 87% of provincial portion and 83% of the federal portion
- At full expenditure levels increased recoveries can provide incremental spending power - around 2%



Not-For-Profit Corporations Act (ONCA) Considerations

The ONCA is not yet in force however the following are some considerations to prepare for any changes:

- Review by-laws to determine what changes are required
- Default by-laws will apply if no by-laws adopted within 60 days
- Public Benefit Corporations (PBCs)
- FHTs are considered PBCs - receive more than \$10,000 annually in government funding
- Not more than 1/3rd of the directors may be employees
- Revenues greater than \$100,000 and less than \$500,000 may elect to have a review engagement rather than audit - extraordinary resolution is required
- 3 year period to comply

Not-For-Profit Corporations Act (ONCA)

Steps to take

- Review the letters patent and by-laws
- Prepare articles of amendment
- Create new by-laws
- Get members to vote
- File articles
- <https://www.ontario.ca/page/rules-not-profit-and-charitable-corporations>



Your Board of Directors

Board of Director Meetings

Best Practices

- Frequency of meetings
- Importance of taking minutes
- Time and place for “in-camera” meetings
- Board compensation
- Importance of doing board evaluations
- Approval of annual budget and analysis
- Role and election of Board or Committee chairperson
- Auditor evaluations - see CPA Canada - “Annual Assessment of the External Auditor, Tool for Audit Committees”



Your Board of Directors

The Role of the Audit Committee

Role of an Audit Committee

- Oversee financial reporting and disclosure process
- Oversee performance and independence of external auditors
- Monitoring of accounting policies and principles
- Monitor internal control processes
- Oversight of regulatory compliance, ethics and whistleblower policies
- Discuss risk management policies and practices with Board members
- Avenue of communication with Management and auditors



"WE DON'T WANT YOU TO VIEW THIS AUDIT COMMITTEE AS BEING IN ANY WAY CONFRONTATIONAL"

Questions and closing remarks

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