

## 1. Purpose

Northern Lights Library System (NLLS) is committed to sound financial stewardship, transparency, and accountability in managing funds. This policy establishes:

- Internal financial reporting requirements.
  - Guidelines for surplus and reserve fund allocations.
  - Fraud prevention and reporting measures.
  - A financial contingency plan for emergencies.
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## 2. Accounting Standards & Oversight

1. NLLS follows Generally Accepted Accounting Principles (GAAP) and the Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPPO).
  2. The Executive Committee, led by the Treasurer, serves as the primary financial oversight body and reviews financial reports, investments, and audits.
  3. All borrowing, lines of credit, and overdraft protection must be approved by the Board in compliance with the Libraries Act.
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## 3. Financial Reporting Requirements

### 3.1 Internal Financial Reporting

- The Executive Director and Treasurer shall prepare and present:
  - Financial reports to the Executive Committee, including:
    - Revenue and expenditure updates.
    - Budget variance analysis.
    - Cash flow status.
  - Quarterly financial reports to the Board, summarizing:
    - Budget performance vs. actual spending.
    - Significant financial risks or variances.
    - Investment performance and reserve fund allocations.

### 3.2 External Audits

- Annual independent audits will be conducted in accordance with the Libraries Act.

- Audited financial statements will be included in the Annual Report and made available to stakeholders.
  - The Executive Committee will review and implement auditor recommendations as required.
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#### 4. Reserve Fund & Surplus Management

1. All reserve fund management must align with the Finance Fund Accounts Policy (Sec 3, 1H).
  2. Surplus funds shall be:
    - Allocated to existing reserves as needed.
    - Reviewed annually during budget planning to determine appropriate use.
  3. The Executive Director shall conduct an annual reserve fund review to assess:
    - Adequacy of operating and capital reserves.
    - Potential reallocation based on financial needs.
  4. Money moved from reserve funds requires a motion of the Executive Committee and disclosure to the Board.
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#### 5. Fraud Prevention & Reporting

1. Fraudulent financial activity is strictly prohibited, including:
    - Misrepresentation of financial data.
    - Unauthorized personal use of NLLS funds.
    - Falsification of time sheets, records, or receipts.
  2. All suspected financial misconduct must be reported immediately to:
    - The Executive Director or, if the concern involves the Executive Director, the Board Chair or Treasurer.
  3. Reports of fraud will be handled confidentially under the Whistleblower Policy (Sec 1, 3R).
  4. Verified cases of fraud may result in:
    - Immediate disciplinary action, up to and including termination.
    - Referral to law enforcement for legal action.
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#### 6. Financial Contingency Plan

In the event of a financial shortfall or unexpected expense, the Executive Committee will:

1. Assess the financial risk and determine whether a budgetary shortfall is temporary or long-term.
2. Implement cost-containment measures, such as:
  - Reducing discretionary spending.
  - Freezing non-essential hiring or capital expenditures.
3. Determine funding sources for covering shortfalls, including:
  - Reallocation of reserve funds, in compliance with policy.
  - Board-approved borrowing, if necessary.

4. Provide a contingency report to the Board outlining steps taken to mitigate financial risk.
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## 7. Investment Management

1. NLLS balances maximizing returns while minimizing risk, limiting investments to:
    - Government-issued or guaranteed securities.
    - Secure financial instruments from Schedule 1 banks, treasury branches, or credit unions.
    - Issuers rated “A” or higher by the Dominion Bond Rating Service.
  2. Investment performance shall be reviewed annually as part of the budget process.
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## 8. Review & Compliance

- This policy will be reviewed annually to ensure financial controls remain effective.
- Employees and Board members must comply with all financial regulations and internal controls.

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**NLLS Executive Board Chair**

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**Date of Approval**