

## MUSEUM NOTE

### GOVERNANCE: FINANCE STANDARD

#### A Board's fiduciary responsibility and financial management role

As a governing body of a community museum, this note will help the museum to comply with the Ontario government's **Finance Standard** outlined in the *Standards for Community Museums in Ontario*.

Standards enable community museums to:

- provide the appropriate care and management of collections
- meet visitors' expectations
- be accountable and transparent to the community, funders and donors

#### Objective of the Finance Standard

As a community museum, you must demonstrate fiscal responsibility.

#### Fiduciary responsibility

As the museum's governing body – whether a municipal council or non-profit board – you have a fiduciary responsibility to act in the best interest of the museum and keep it from legal and fiscal liability.

While fiduciary and financial management responsibility cannot be delegated, some of its financial management roles can.

#### Financial management responsibility

The governing body has **five** main areas of responsibility:

##### 1. Budget preparation and approval

As the museum's governing body, you can direct a senior staff member to prepare the annual museum budget.

However all members of the governing body must review, understand (in relationship to its goals, objectives and priorities for the museum) and approve the museum's annual budget

An approved budget authorizes the museum's Curator or Director to spend money in specific ways.

Any changes to that plan must be documented and approved.

## 2. Financial reporting

Since museums operate with public funds, the governing board is responsible for documenting how these funds were spent.

The governing board must:

- ensure the museum monitors and reports the use of **all** financial resources
- arrange for an annual audit or, if the museum's operating budget is below the audit threshold, arrange for a review engagement.

### TIP

Some organizations have found it useful to identify and account for all of the costs and revenues associated with a specific set of deliverables, instead of waiting for the year end audit.

## 3. Monitoring revenue and expenditures

As the **governing board**, you must ensure that there are adequate systems in place for budgeting and financial reporting.

The board must review the museum's revenue and expenses – usually presented as a Treasurer's report to the board - against the approved budget once a month, or at least quarterly.

### TIP

A review of your revenue and expenses on a monthly basis gives you the necessary time to revise your museum plans and activities in order to remain within your budget.

The museum's **director or manager** must ensure that ongoing revenue and expenditures are within the approved budget.

If significant changes occur, the director or manager must immediately bring them to the governing board's attention through established authority and reporting mechanisms as identified in your museum's policy (or by-law).

## 4. Fundraising and sponsorship

As the **governing board**, you are responsible for:

- ensuring that policies are in place for fundraising and sponsorship. Policies ensure that the museum's objectives and ethical standards are not compromised by commercial activities or sponsors' support.

- reviewing and approving, in accordance with its policies, **all** proposed fundraising activities; including those delegated to staff, a fundraising committee or undertaken by a Museum Friends organization.

Board members should contribute to the museum's fundraising activities to help staff and volunteers solicit funds from public and private sources.

## 5. Asset management

As the **governing board**, you must be familiar with and observe the "Terms and Conditions" on major bequests, endowments and any government grant funding accepted by the museum.

The board must have systems in place to ensure the safety of the museum's collections (considered the 'public trust') and for maintaining the financial sustainability of its fixed assets (land, buildings, equipment).

Collections should **not**:

- be identified as capital assets on museum financial statements
- be capitalized or treated as financial assets in any other circumstance
  - Collections should not be identified as a source of income for the museum. It is unethical to sell objects from the collection in order to financially support the museum's operations, facility management, or any reason other than acquisitions or collections care in accordance with the standard and ethical practice regarding deaccessioning. Selling objects from the collection **may** result in making the museum ineligible for future funding.
  - Since collections cannot be used to generate income, they should not be listed as assets on the museum's financial statements.

There are two exceptions to identifying museum collections as assets, in the sense of objects to which financial value can be attached:

- provision of a tax receipt to a donor: the appraised amount of the object, for the purpose of a tax receipt, should be provided by a third-party appraiser, engaged by the *donor* and not the museum.
- insurance purposes: if the museum chooses to insure the collection, the value of the collection should be appraised by an independent appraiser, and provided to the insurance company.

(Alberta Museums Association, Standard Practices Handbook for Museums, 3<sup>rd</sup> edition, p.90 and Canadian Museums Association Ethics Guidelines, p.9)

## Recommended Resources

Alberta Museums Association. Standard Practices Handbook for Museums, 3<sup>rd</sup> edition. 2014. *Addresses governing body's fiduciary responsibilities, pp.63-4, and financial management role pp. 65-66 and 85-94.*

Canadian Art Museum Directors Organization. Guidelines: Roles and Responsibilities of Museum Boards of Trustees. Canadian Museums Association 2005.  
<http://www.museums.ca/uploaded/web/docs/trusteesguidelines.pdf>

**CMOG Standards Resources:** <http://www.museumsontario.com/en/35/597/148> for: Sonja Tanner-Kaplash and Karen Alebon, Imagine Canada. Archived OMA webinar and notes on Museum and Fundraising Ethics. April 2013.

## Finance

Finance policy example shared by: Hamilton Civic Museums.  
Imagine Canada, Ethical Fundraising and Financial Accountability Code.

Yez, Leona. Building a Fund Development Model in Your Nonprofit Organization. RCVO@Volunteer Alberta. Edmonton: Grant MacEwan College, 2006. <http://volunteeralberta.ab.ca/varc/wp-content/uploads/2012/10/rcvo-funddevmodel2.pdf>

Young, Heather C. Finance for the Arts in Canada. November 2004. <http://youngassociates.ca/resources/> *The book itself is an excellent reference for community museums, but in support of this tipsheet specifically see pp. 35 and 196-200. The web address links to online tip sheets and other resources as well as ordering the book.*