COMMUNITY FUTURES
LEADERSHIP
INSTITUTE

it begins with you.

Introductory Module
Board Orientation

Growing Leaders.
Growing Boards.
Growing Communities.

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Introduction

A. An Orientation to Your Role as a Community Futures Director

As a director on your local Community Futures board, you have assumed an important leadership role with an organization that can significantly impact future growth and development in the communities and small businesses within your region.

Being able to participate on the board to effectively lead the organization requires:

- Understanding this history of the Community Futures Program (hereafter referred to as CFP).
- The programs and services delivered by local CF organizations; and
- The contractual obligations directors take upon themselves when taking on this important leadership role - especially those concerning financial matters.
- Directors having confidence and knowledge of their roles and responsibilities as a director of a CF organization.

As an orientation to your role as a Community Futures Director, this module has been designed to begin the process of enhancing your knowledge, confidence, and effectiveness as a leader of a CF organization.

Note: Your board of directors' peers and your local CF General Manager/Executive Director should be sought out for specific particulars about the history and governance of 'Your' local CF organization.

This Orientation Module is part of the Community Futures Leadership Institute - Board Development Program developed by the Community Futures Pan West Network. It serves as an introduction to material that is dealt with in more detail in the fifteen (15) Community Futures Leadership Institute - Board Development training modules listed in Section G at the conclusion of this module.

1. Board Orientation Module Objectives

The purpose of this Orientation Module is to provide you with an orientation to your role as a Director on a Community Futures Board. After completing this module, you will understand:

- The history of the CFP in Western Canada.
- The structure and functions of the typical local CF organization (hereafter referred to as CF organization(s)), its provincial Community Futures Associations, the regional Community Futures Pan West Network Inc., and the Community Futures Network of Canada.
- The governance and operational framework that guides the operations of the CF organizations.
- The variety of programs and services provided by CFs and how they are funded.
- The contractual requirements of CF organizations.
- The board development resources that are available to you as a director and how they can be accessed.

2. Format

This module provides you with a general understanding of the CFP as it functions in Western Canada and of your roles and responsibilities as a director of a CF organization.

It has been structured for delivery as a facilitated session or for in-house delivery by the board or staff of your CF organization.

B. What is a Community Futures (CF) Organization?

1. Governance and Operational Framework

The purpose of the CFP is to help communities develop and implement local solutions to challenges and opportunities by providing services and access to capital to SMEs (Small and Medium-Sized Enterprises) and Social Enterprises to start or expand businesses and to foster strategic community economic development (CED).

In Western Canada, the CFP is delivered through 90 independent, locally autonomous non-profit CF organizations. Each is directed by a volunteer board who, together with qualified professional staff, become actively engaged in helping to achieve the CFP objectives in their rural communities and regions.

Typically, the CF organization's board of directors is comprised of an average of 5 to 12 members. They are staffed with a General Manager/Executive Director, one or more Business Analysts or Loans Officers, a Community Economic Development (CED)/Special Projects Coordinator, and an Administrative Assistant.

In many cases, CF organizations employ the services of other staff positions such as Youth Coordinators, Self-Employment Program Coordinators, and designated staff associated with various provincial government projects, etc.

CF leaders focus on complementing rather than duplicating the services of other organizations involved at the community level.

The operations of a local CF organization are often supported by the establishment of sub-committees of the board. The functions of these sub-committees are to champion specific priority initiatives identified through the board led strategic planning process.

Examples of some of the CF organization board sub-committees include:

- Loan Committee or the Investment Review Committee (IRC).
- Governance Committee
- Audit and Finance Committee
- Risk Identification and Management Committee
- Youth Entrepreneurship Committee
- Human Resource Development Committee
- Sector-specific committees focused on agriculture, tourism, forestry, etc.

2. Board and Staff Roles and Responsibilities

a) Board of Directors

Each member of the CF Board of Directors is individually and collectively responsible to the community and its key stakeholders for effective stewardship over the direction, performance, assets, and reputation of the organization.

In its governance role, the board of directors' delegates authority for the management and operations of the organization to its General Manager/Executive Director.

Management hires and directs the compliment of staff hired by him/her to achieve the board defined performance expectations. Management is also responsible defining and assessing staff performance.

As a director, you and your fellow board members have four (4) key functions:

1. Appoint, motivate, and evaluate the General Manager/Executive Director. When necessary, this function may also require the board to remove management.
2. Set direction (mission, vision, values, key objectives, and performance measurements). Establishing and regularly updating policy to guide the organization towards fulfillment of mission is an important governance function.
3. Monitor for results.
4. Board and director self-monitoring, development, and succession planning.

Bottom line - the board is charged with governing, not operating the organization.

b) The General Manager/Executive Director

Reporting directly to the Board of Directors, the General Manager/Executive Director is responsible for the effective and efficient management of the CF organization in accordance with the policies and the strategic direction established by the board.

As such, the General Manager/Executive Director:

- Has full board authority over the organization's operating activities and resources.
- Is responsible and accountable for the completion of tasks required to achieve the board defined and approved strategic goals.
- Is responsible for ensuring that timely and concise information is provided to the board so that it can fulfill its leadership responsibilities; and
- Has a role in helping the board of directors develop its design for governance leadership.

The General Manager/Executive Director is accountable to the entire board of directors. In turn, General Manager/Executive Director communicates with Staff who report directly to the General Manager/Executive Director.

3. Community Accountability

For CF organizations, the notion of community accountability means being both responsive and responsible to the community.

The principles of community accountability include:

- Maintaining a highly visible profile by regularly and clearly communicating your organization's plans, activities, and results.
- Ensuring your organization's vision, strategic and operational plans are driven by the community's needs and realities.
- Designing and delivering programs and services that meet community needs, and assist the community manage change.
- Ensuring that the board of directors is effective, equitable and representative of the interests and the needs of the community.
- Developing and working with partnerships to strengthen the community development activities and to help streamline access to the organization's services.
- Monitoring and assessing the impact of activities and reporting results to community stakeholders.

Proper accountability for the use of public funds is important for all non-profit organizations, including CF.

Directors therefore need to be aware of the issues relevant to the activities of their CF organization. Being aware allows the director to actively participate in board discussions on a basis consistent with their role as member of the board of directors.

Members of the board of directors have responsibilities in each of the following accountability areas:

- Accountability to itself for the board's performance and its healthy development.
- To the community and key stakeholders.
- Human resources (management, staff, and volunteers).
- Clients and users of the organization's programs and services.
- The organization's financial resources.
- Strategic direction setting and planning.
- Collaborative relations.
- Provincial and federal legislation.

In summary - members of the board of directors are individually and collectively accountable to the community, the organization, and the law.

Therefore, individually, and collectively, the board is responsible for establishing and maintaining corporate standards that are compatible with the values and expectations of the people who live in the communities you serve and the stakeholders the organization partners with.

- The activities during the year that helped to implement its strategic plan, and
- A summary of other relevant issues that would assist the community in assessing the CF organization's operations and performance.

4. Legal Responsibilities and Risk Avoidance

a) Fiduciary duties

As a steward of public funds, you and the other fellow directors are each legally responsible for fulfilling your fiduciary duties which include the duty to act honestly, carefully, in good faith and in the best interests of the organization.

Duties:

i) **Duty of Care** means giving the same level of care and concern for your board responsibilities as any prudent and ordinary person in the same position would.

Directors with special skills or expertise – such as lawyers and accountants – may have the additional obligation to exercise a standard of care that corresponds to their professional abilities. A chartered accountant, for example, should apply his or her knowledge when reviewing the organization's financial statements.

If you don't have a financial background and don't understand the statements, it's not good enough to rely on your lack of knowledge as protection against any claim – you have a fiduciary duty to ask questions and get proper explanations.

Carrying out your duty of care requires:

- Know about the policies and business transacted by the organization.
- Active participation in board meetings and on committees. Active participation includes asking questions and as circumstances warrant, ensuring your dissent is recorded in the meeting minutes where you disagree with any substantial decision.
- Provide well-considered oversight and monitoring of the organization's activities.

- Taking responsibility for the strategic planning process.
- Participating in board development activities.

ii) **Duty of Loyalty** to the organization. Carrying out the duties of loyalty means that each of the members of the board place the interest of the organization ahead of their own or those of the organization that may have sponsored their appointment to the board.

This can be accomplished by:

- Establishing and following appropriate policies, including those related to Code of Conduct, Confidentiality and Conflict of Interest.

iii) **Duty of Obedience** means that individually and collectively the board works to ensure the organization abides by all applicable laws and regulations whether those be defined in common law, provincial and federal statutes and/or as outlined within any grant or contribution funding agreement(s) entered by the board of directors on behalf of the organization.

Among many other legal responsibilities, there are three (3) statutory duties that directors must meet as well. For example, provisions of the Canada Corporation's Act stipulate that a director can be held responsible for up to six (6) months' wages of an employee under certain circumstances. It is therefore in the best interest of you and the corporation for you to be aware of all such responsibilities.

b) The Duties of Board Members

Briefly stated, the board of directors of which you are an active part, is ultimately responsible for the performance of the CF organization in all areas of its work.

Case law makes clear that directors cannot abdicate their responsibility to direct and protect to organization they serve. The lack of understanding of a matter or a legal statute is not, from a legal perspective, a defense.

The board of directors, individually and collectively must, first:

i) Ensure the organization is operating within its' legal framework.

ii) Protect the organizations assets and reputation; and to

iii) Validate all major contracts and formally recording approval of same in board meeting minutes.

In addition, it is your duty as a director to:

Attend Meetings

To protect your interests, directors should attend most board meetings.

Absence from a board meeting does not release a director from responsibility for decisions made. A pattern of absence may increase an individual's liability because she/he cannot demonstrate a serious dedication to the obligations of their director position.

Perform in the Role

There is no absolute protection against someone suing the board of directors. Conscientious performance is the standard. The best defense is a good offense. Strive hard to do everything right and be able to show that you did your best. In that way you are more likely to be protected from any legal or financial liability.

Read Minutes and Reports

Common law makes clear that it is not necessarily that you must make the correct decision, but that you must make the decision correctly. In other words, the process that went into a decision or action is what is important.

Accordingly, board meeting minutes must capture the process and level of consideration undertaken by the board related to a potential action or decision before that action or decision is made.

That important process starts before the board or committee meeting. It requires you in your director capacity to read and fully understand meeting minutes as well any related reports prior to participation in the board discussion and decision making.

Ask Questions

While you have the right to rely on information supplied to you, and on the accuracy and integrity of others (particularly in areas of special competence) you must use your own reasonable judgment in this area, too.

c) Liability Insurance for Directors

Directors and Officers (D&O) liability insurance is available to protect the CF organization's directors and officers from personal liability that may result from allegations and lawsuits of wrongful acts or mismanagement carried out while in a director's or the board of director's capacity.

It is a good practice for your organization to hold and to maintain adequate D&O insurance coverage. However, it is important for you to recognize that D&O insurance policies regarding directors' liability normally exclude instances of:

a. Libel and slander
b. Personal gain found to be illegal
c. Improper reimbursement

d. Breaches of legislation affecting organizations which provide an advantage to an individual
e. Failure to maintain insurance on assets of the organization
f. Dishonesty of directors.

Exercise: Taking Care of Business

a) If your Community Futures board of directors did not meet for six (6) months, what difference would it make?

b) What types of measures could be put in place to enhance your CF organization's ability to evaluate its operations?

c) Describe what your CF organization can do in board recruitment, training, and evaluation to ensure your board has the strength and knowledge it needs to fulfill its mission.

C. Background of the Community Futures Program

1. Why the Community Futures Program (CFP) Was Created

The CFP is an initiative that was introduced in 1986 through the ten department of Employment and Immigration Canada as part of its Canadian Jobs Strategy (CJS).

The CFP was designed to bring together long-term strategic planning with community-directed economic development programming to mitigate the effects of economic downturns (e.g., high rural unemployment, major employer closings, downsizing and restructuring) or chronic economic disadvantages (e.g., those experienced by remote and isolated northern communities) in non-metropolitan communities.

The CFP has evolved through several government and government ministry changes. In 1995, responsibility for the program in Western Canada transferred to Western Economic Diversification Canada (WD), one (1) of Canada's four (4) Regional Development Agencies (hereafter referred to as RDA(s)). Each RDA, including WD, provided financial and advisory support for the creation and ongoing operation of the local CF organizations.

The RDAs in the other regions of Canada include:

- Atlantic Canada Opportunities Agency (ACOA) – Atlantic Canada
- Canada Economic Development for Quebec Regions (CED) – Quebec
- Federal Economic Development Agency for Northern Ontario (FedNor)
- Federal Economic Development Agency for Southern Ontario (FedDev Ontario)
- Canadian Northern Economic Development Agency (CanNor) – Canada's 3 territories

In 2022, WD's RDA role was transferred to the following two (2) newly formed RDAs:

- Pacific Economic Development Canada (PacifiCan) - British Columbia.
- Prairies Economic Development Canada (PrairiesCan) – Alberta, Saskatchewan, and Manitoba

PrairiesCan and PacifiCan provide core operational funding for each CF organization in Western Canada. Funding provided is to further the ultimate objectives of assisting communities to successfully pursue:

- Economic stability, growth, and job creation
- Diversified and competitive local rural communities; and
- Economically sustainable communities.

In the work to maximize support to local communities, CF organizations often offer incremental levels of programs and supports. Most often, these incremental levels of activity is supported through other sources of funding including from provincial and/or federal government funding, and fee-based contracts with other entities.

2. Purpose of the Community Futures Program (CFP)

The purpose of the CFP is to help communities develop and implement local solutions to challenges and opportunities by providing services and access to capital to SMEs (Small and Medium-Sized Enterprises) and Social Enterprises to start or expand businesses and fostering strategic community economic development (CED).

3. Organizational Structure

Refer to Organizational Chart – Appendix 1 (Page 17)

a) Local CF organizations

Currently, there are 90 local CF organizations operating in Western Canada. Each are community-based, non-profit organizations that are staffed by professionals and governed by local volunteer board of directors familiar with their community and region's needs, concerns, and future development priorities.

b) Provincial Community Futures Associations

Provincial CF Associations have been established in each of the four (4) western provinces. The operations of each provincial CF association are overseen by boards of directors.

These provincial CF Association boards are comprised of local CF board members and/or staff elected or appointed to the provincial association board by

the CF organizations in their individual provinces.

Financial support for these Associations is provided by PrairiesCan in the three (3) prairie provinces and by PacifiCan in BC. In some cases, provincial CF Association funding is augmented through membership fees.

While each of the four (4) provincial CF Associations share many common objectives, the way they work towards the accomplishment of those objectives varies from one province to another.

Sensitive to the uniqueness, diversity and varied interests of their CF organization members, the key functions of the provincial CF Associations are:

- To promote and encourage communication and cooperation amongst local CF organizations, including the sharing of best practices.
- To provide a framework and forum for the discussion of issues and concerns effecting their local CF organization members.
- To obtain, on behalf of the members, the support, recognition and understanding of the public and all levels of government regarding the value of CFP achievements.
- To facilitate communication and coordinate effort with other CED organizations and related agencies.

c) Community Futures Pan West Network

Community Futures Pan West Network Inc. operates as a joint initiative of the four (4) provincial CF Associations in Western Canada.

Established in 1996 and incorporated as a not-for-profit in 2018, the Community Futures Pan West Network Inc. is a proactive network that facilitates collaborative activities designed to support and strengthen the network of 90 CF organizations operating in the provinces British Columbia, Alberta, Saskatchewan, and Manitoba.

Community Futures Pan West Network is governed by a four (4) member board of directors comprised of one (1) volunteer board member appointed by each of the four (4) provincial CF Association members. The Executive Director of the CF Pan West Network, plus the Executive Director from each of the member provincial CF Associations, serve in an advisory, non-voting members of its board of directors.

Community Futures Pan West Network receives core funding from PrairiesCan and PacifiCan (previously WD), as well as additional project funding for specific initiatives.

Annually, Community Futures Pan West Network appoints two (2) representatives to serve on the Community Futures Network of Canada's board of directors. One (1) representative is an Executive Director from one of its four provincial CF Association members. The second is a volunteer Community Futures Pan West Network board of directors' member.

Both are representative of and report to the Community Futures Pan West Network board of directors.

d) Community Futures Leadership Institute

A key Community Futures Pan West Network initiative is the Community Futures Leadership Institute (CFLI). CFLI provides dedicated resources to the delivery of Board Development and Staff Certification programs available to the 90 western Canada CF organizations. CFLI is administered and operated by the Community Futures Pan West Network.

e) Community Futures Network of Canada

Established in 2000 and incorporated as a not-for-profit in September 2011, the Community Futures Network of Canada (CFNC) is an inclusive, interconnected network of Canada's 267 CF organizations.

Guided by a board of directors made up of CF representatives from across the country, the mission of the CFNC is to work in a coordinated and collaborative fashion with the provincial and regional CF Associations to:

- Help CF organizations achieve their highest potential.
- Facilitate the sharing of information and best practices amongst CF organizations.
- Raise awareness of the CFP and its achievements amongst community and governments leaders and decision makers.
- Pursue opportunities to establish strategic alliances with government agencies and other key national organizations involved in rural and SME business development.

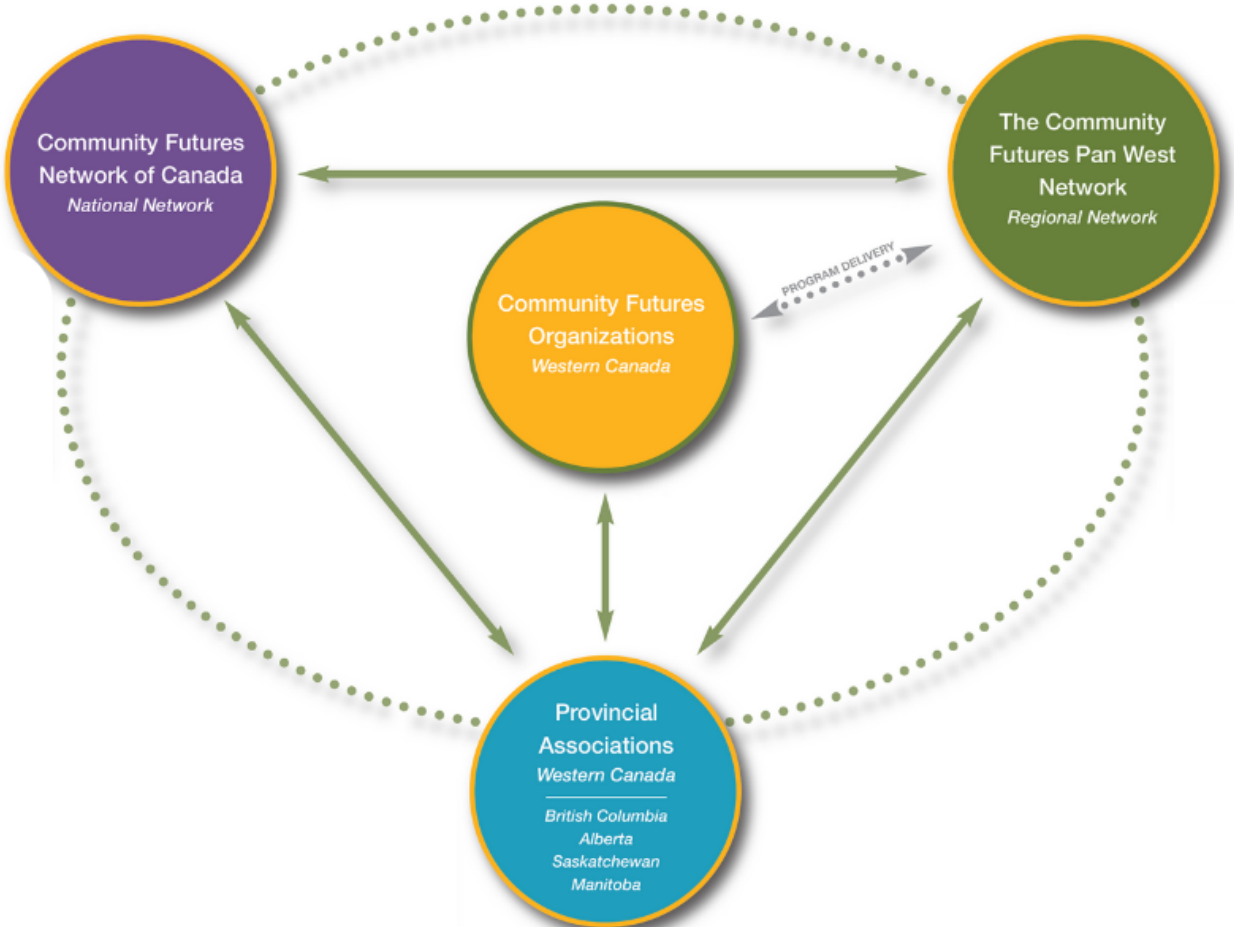
CFNC membership consists of the twelve (12) provincial and territorial CF Associations in Canada. It is governed by a board of up to nine (9) members comprised of two (2) representatives from each of the following four (4) regional networks except for the association representing the territories, which has one (1) representative:

- The Atlantic Canada network, comprised of the provincial Community CF

Associations in Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland and Labrador.

- The Community Futures (SADCs) Network in Quebec.
- The Community Futures Development Corporation (CFDCs) Network in Ontario
- Community Futures Pan West Network in Western Canada.
- The association of CF organizations operating in the Territories

Appendix 1 - Organizational Chart



D. Community Futures Programs and Services

The guiding principle of the CFP in western Canada is to support Community Economic Development (CED) and its process within a region. This support may include both financial and non-financial resources.

To help communities develop and implement local solutions to local challenges and opportunities, CF organizations offer a wide variety of program and services that support CED and small business growth. CF organizations provide:

- **Small business support services including:**

  - Business technical and advisory services, including support with business planning.

  - Business information services; and

  - Business training and skills development.

- **Strategic community planning support and leadership.**

  As a catalyst in promoting and assisting in strategic planning processes, the role of the CFP is to facilitate greater collaboration and more effective decision-making regarding the future development of the region and its communities, and of the CF organization itself.

- **Implementation of community-based projects and special initiatives.**

  In the role of change agent, the CFP provides support and/or leadership to the communities and region serves by CFs to ensure successful implementation of key projects and activities necessary to implement the strategic plans that have been developed.

- **Investment fund services.**

  Investment fund or lending services includes providing SME's and Social Enterprises with access to repayable, interest-bearing loans to assist or expand existing SMEs or to help entrepreneurs and community organizations create new businesses and Social Enterprises in western Canada.

Exercise: Dealing with Local Challenges

a) What would you describe as the most significant challenges that are impacting the future growth and development of your community?

b) What would you suggest could be done by your CF organization to effectively deal with those challenges?

c) What other stakeholders would need to be involved?

1. Core Programs and Services

To achieve the objectives of the CFP as established by the federal government, CF organizations in BC receive core funding from PacifiCan. CF organizations in Alberta, Saskatchewan and Manitoba received core funding from PrairiesCan.

Core funding provided by these RDAs is for the provision of the following services:

a) Fostering strategic community planning.

b) Providing a range of business services including:

- Business technical and advisory services, including business planning.
- Business information services.
- Business training and skills development.

c) Implementation of community-based projects and special initiatives.

d) Providing access to capital to assist existing businesses or to help entrepreneurs to create new businesses. Specific business loan programs include:

- General loans up to the normal maximum of $150,000.00.

  Note 1 - Multiple loans may be granted to a business applicant provided that the total maximum Loan principal shall not (normally) exceed $150,000.00 per Borrower at any one time.

  Note 2 – Two (2) or more local CF organizations may collaborate to provide financial assistance to SMEs and Social Enterprises in cases where there is a demonstrated benefit to the communities.

  In exceptional circumstances, CF organizations may provide financial assistance in excess of $150,000.00 if certain conditions are met by the CF organization – See Schedule G of Contribution Agreement.

- Loans for entrepreneurs with disabilities or health conditions (up to $150,000).

2. Non-Core Programs and Services

Most of the CF organizations in western Canada deliver other incremental programs and services. In most cases, they are not funded from core funding. These are referred to as non-core services.

The following provides a brief overview of some of the types of non-core programs and services that many CF organizations offer:

- **Self-Employment Program**

  The Self-Employment or SE Program is intended to assist entrepreneurs with the information, skill development, resources and coaching support required to develop a business concept, prepare a business plan, and launch the business.

- **Regional Relief and Recovery Fund (RRRF) – Community Futures Stream**

  RRRF was launched in March 2020 to support SMEs and Social Enterprises that were negatively impacted by the COVID-19 pandemic. Businesses were able to access loans of up to $60,000.00 through RRRF.

  Applications for the RRRF loan program were accepted up until September 30, 2021.

  While CF organizations no longer accept and process RRRF loan applications, they continue to provide coaching and other supports to RRRF Borrower clients. The RRRF Program formally ends December 31, 2025.

- **Entrepreneurs with Disabilities Program (EDP)**

  CF organizations across western Canada deliver the Entrepreneurs with Disabilities Program (hereafter referred to as EDP).

  Western Canadians who have a disability can access EDP program services which provides business information, small business training and development, mentoring and one-on-one business counselling services. In addition, CF organizations offer access to repayable, interest-bearing loans to eligible EDP clients.

- **Youth Initiatives**

  Many CF organizations are involved in a variety of youth initiatives designed to help youth understand entrepreneurship and the role that business can play in their lives.

- **Community Economic Adjustment Initiatives**

  CF organizations are often involved in community economic adjustment initiatives that are created to help communities whose economies have been negatively impacted by downturns in industry sectors that often drive their local economies. These initiatives usually are supported with dedicated funding that is provided by the federal or provincial governments.

- **Rural Community Economic Development Projects**

  Municipal, federal, and provincial governments regularly team up with CF organizations to develop and deliver programs that support rural and remote communities in creating and implementing sustainable development strategies that will help strengthen their ability to build local solutions to local challenges.

E. Guiding Documents

1. Articles of Incorporation and Bylaws

The Articles of Incorporation and Bylaws for a part of your local CF organization's legal and foundational documents. These establish the rules for that direct the internal government of the CF organization.

Do you want to understand the roles and duties of the Directors and Officers of the organization? Refer to the organization's Bylaws and Articles of Incorporation.

Do you want to understand what it takes to achieve quorum for a board meeting? The answer is found there as well.

The Canada Corporations Act and/or similar provincial legislation dictate the minimum provisions of the Articles of Incorporation and Bylaws and prescribe how the corporation or non-profit society must handle certain matters of internal governance if the Articles of Incorporation and Bylaws are silent on the question.

The Articles of Incorporation and Bylaws are supplemented by other documents that obligate the corporation. These normally include:

- Policy and Procedures statements
- Contribution Agreements and other Contracts
- The Strategic and Operating Plan

Collectively, these documents establish the internal law of your CF organization.

a) Articles of Incorporation

The Articles of Incorporation, also known as the corporate charter, constitute the basic organizational document for your CF organization.

The Articles of Incorporation typically contain a statement of the organization's purpose and explain its legal powers and authority, including any limitations upon its powers.

A CF organization cannot undertake any activities that are not specifically permitted by its charter.

b) Bylaws

Bylaws are another important source of the internal law of your CF organization.

Bylaws are the list of rules or constitution under which your organization operates. The Bylaws are adopted by a general meeting of the organization. Bylaws provide the framework for the operation of the organization and serve as guidelines for policy.

Bylaws cannot contradict legislation. They function to clearly set out the fundamental principles and rules, not covered by legislation, by which the organization will be governed.

2. Policies and Procedures

Every business and non-profit organization, including your CF organization runs more efficiently when it has current policies and procedures in place. These are foundations of the organization. They define the organization and ensure that things run smoothly.

Policies define the "what". Approved and regularly reviewed and updated by the board of directors, policies guide and influence governance and operational decision making.

Procedures define the "how". They describe the step-by-step actions to be taken. Procedures change and improve frequently.

Your CF organization's policies and procedures documents serve as a safety measure to ensure it works efficiently. In the event something was to go wrong, you can expect others to look for your organization's policies and procedures - and to be critical of the board if they are not sufficient to address the situation.

It is important for you in your director role to be familiar with existing policy and to actively participate in processes related to their review and revision.

Although they will vary somewhat from one organization to another, typical Community Futures Policy areas include:

- Conflict of Interest
- Confidentiality
- Code of Ethics
- Board Self-Evaluation
- Board Succession Planning
- Investment (Loan) Fund
- Human Resources
    - HR Management
    - Harassment
- Cyber Security
- Travel
- Finance and Audit
- Risk Identification and Management.

3. Contribution Agreement

Each CF organization has signed a Contribution Agreement with either PacifiCan in BC or with PrairiesCan in Manitoba, Saskatchewan, and Alberta. The current 5-year signed Contribution Agreements expire March 31, 2026.

Under the terms of these Agreements, CF organizations receive a non-repayable funding contributions to offset their eligible general operating costs and to support their investment (loan) fund activities.

Eligible costs are those that are considered reasonable and necessary to carry out approved activities and may include the following:

- Rents, leases, leasehold improvements
- Personnel: salary and benefits

- Staff and Board training and development
- Marketing
- Maintenance
- Equipment purchases and leases
- Information management and information technology acquisitions
- Legal, administrative, accounting, licensing, permits
- Consulting fees
- Research fees
- Interest charges, insurance, taxes
- Supplies, transportation
- Costs associated with maintaining local investment (loan) funds
- Costs associated with the collection of problem loans or recovery of bad loans
- Administration costs related to investment funds
- Costs associated with the implementation of community-based projects and/or special initiatives that been identified as integral to strategic plans and/or to advance local, regional and/or national priorities, and
- Other costs that are reasonable, incremental, and directly attributable to activities necessary to support desired activities and achieve desired results, as specified by the contribution agreement.

Costs deemed to be ineligible under the terms of the Contribution Agreements are expenditures which are contrary to the public purpose of the organization and include:

- Entertainment expenses
- Club memberships
- Director's fees and honorariums
- Amortization and/or depreciation
- Expenses on travel, meals, and accommodations exceeding Treasury Board guidelines
- Fines and penalties
- Any portion of GST for which the organization is eligible for a GST credit
- Cost of purchase of land, buildings and motor vehicles including lease or rental payments to related parties (unless authorized in writing by the Minister).

Under Treasury Board Guidelines associated with the CFP, contributions to local CF organizations may not exceed $400,000 per year to support operating costs. This maximum may be increased by up to an additional $40,000 per year for CF organizations operating in northern and remote areas to address the additional costs of travel.

In addition to addressing the funding allocations, these Contribution Agreements detail the terms and conditions that are attached to the operational funding received and stipulate the CF organization's reporting and financial audit requirements. As a director, it is important for you to be fully aware of the terms and conditions of this core funding agreement.

F. Community Futures Requirements

Foundational to the governance and management of your CF organization are the Strategic and the Operating Plans.

Boards have the responsibility for developing and effectively communicating the Strategic Plan.

Based upon the board developed and approved Strategic Plan, management will create the annual Operating Plan. The Contribution Agreements require the board to review, approve and submit the Operating Plan annually to PrairiesCan in the case of the CF organizations in the three (3) prairie provinces or for the organizations in BC, to PacifiCan.

See e) – Table of Reporting Requirements (below)

a) The Strategic Plan

Non-profit boards of directors have various important governance roles including to direct, to protect and to inspect.

The Strategic Plan is key to all three. Through the strategic planning process, your board of directors defines and approves:

i) Direction – Mission, Vision, Values, Goals and Objectives

ii) Plans to achieve the direction defined. Important to the strategic planning process is the identification of weaknesses to be proactively addressed and threats to be proactively eliminated or minimized; and

iii) Key performance targets to measure both progress and success.

Strategic planning is more than event. It is an important board-led process best undertaken through the involvement of internal (management, staff, committee members) and active external stakeholders from the community.

The successful strategic plan should identify:

- A renewed understanding and commitment to the organization's stated mission and purpose
- The organization's vision for the community it serves.
- The definition of expectations the board wants the organization to achieve and related timelines
- How the organization plans to achieve this objective; and
- How the organization's success will be measured.

b) The Operating Plan

From the board developed strategic plan, each CF organization is required to prepare the annual Operating Plan.

The Operating Plan details the plan to achieve the expected results. The Operations Plan assigns budget to the next year's planned actions and activities.

c) The Budget & The Board's Role in Finances

Each CF organization must adopt a budget for the coming financial year. The budget identifies how the organization will spend the core and other funding it receives.

The Community Futures board of directors carries great responsibility in managing the organization's finances. Its role is summed up in four (4) basic steps:

1. Setting and approving financial policies
2. Ensuring Board instructions are implemented
3. Monitoring financial outcomes; and
4. Meeting financial obligations as defined by provincial and federal legislation, and contracts including the Contribution Agreements as described herein.

d) Financial Audit Requirements

The Contribution Agreements signed by your board of directors requires the CF organization to submit an audited financial statement for the prior Fiscal Year. The board of directors reviewed and approved audited statements are required to be submitted to PrairiesCan (Manitoba, Saskatchewan, and Alberta) or PacifiCan (BC).

The required annual audit is to be conducted by a professionally certified accountant in good standing and in accordance with Accounting Standards for Non-Profit Organizations and in keeping with Canadian generally accepted auditing standards (Canadian GAAS).

The essential annual process includes the following:

- Preparation of the Audit Service Plan for review and acceptance by the organization's board of directors.
- Review of the organization and its environment, including internal control, to assess the risk of material misstatement of the financial statements whether due to error or fraud.
- The performance of audit procedures sufficient to afford a reasonable basis for an opinion regarding the financial statements under audit.

In addition, to ensure that there is uniformity in the presentation of financial statement information CF organizations are required to follow the **Financial Reporting Guide.**

This Guide assists the Board of Directors to better understand their responsibilities for the financial information and for the preparation of the financial statements. The Guide is a tool to be used by the external auditors on the financial reporting responsibilities required by both PrairiesCan and PacifiCan.

e) Reporting Requirements

The Contribution Agreement – Section 9 requires each CF organization to comply with the following reporting obligations:

	Annual Submission Dates *(on or before)*
Annual Operating Plan	January 31st
Semi-Annual Financial Report	October 31st
Annual Audited Financial Report	July 31st
Auditor's Management Letter	July 31st
List of Business Numbers and Related	As Requested,
Quarterly Performance Reports	October 20th and April 20th

Effective and timely reporting process is an important oversight tool and schedule for the board of directors. In addition, demonstrating the results generated by the CF organization at the local, provincial, and national levels helps make the case for continuing financial support of the CFP by the Government of Canada.

Exercise: The Importance of a Strategic Plan

a) What would you describe as the most important elements of a strategic plan?

b) Other than your CF's Board members and staff – who else do feel should be consulted when your CF undertakes its strategic planning process?

c) How often do you feel your CF's strategic plan should be monitored? And how often should it be updated?

G. Community Futures Board Development Program

A successful CF organization is governed by community leaders, like you, who are passionate about the organization's purpose and who are confident and knowledgeable about their role on the board of directors.

Board training is one way that you and your board can ensure that all members

of the board are on the same page, motivated, and clear about their duties, roles, and responsibilities. It provides you and your fellow board members with the tools required to govern effectively.

To support you and your board of directors, current and future, the Community Futures Pan West Network makes available its Community Futures Leadership Institute - Board Development Program. This program offers a series of 15 training modules each created to provide information and training on various key aspects of governing and leading your local CF organization.

Designed to create focused, facilitated discussion at the local board level, each module in this series also provides training intended to enhance your core competencies as community leaders and to increase the effectiveness of all Community Futures leaders.

The following table provides a summary of these leadership aspects, listed by module:

Module	Leadership Aspects of a Board
Module 1 **Community Economic Development**	Community Futures plays a significant role in community economic development. Board members will: • Understand what community economic development is. • Discuss the objectives, principles, and strategies of community economic development. • Explain the importance of community engagement and accountability in community economic development. • Distinguish how community economic development differs from other approaches to economic development and community development; and • Describe the role Community Futures plays in community economic development.
Module 2 **Operations – Board and Staff**	Board members fulfill five major leadership functions: decision maker, advisor, trustee, perpetuator, and leader. This module examines these functions and the critical principles underlying them. Participants will:

Module	Leadership Aspects of a Board
	• Distinguish between board and management authority and accountability. • Identify the relationship between board, management, and the staff; and • Be aware of organization and structure of a board.
Module 3 **Legal Responsibilities of Boards**	Board members need to become familiar with the legal environment that exists for non-profit organizations. Participants will: • Be aware of the legal framework within which they provide leadership. • Know where to find and apply the legal guidelines governing non-profit board of directors. • Identify the circumstances that create liability for directors; and • Review how boards can protect themselves against liability.
Module 4 **Financial Management of a Non-Profit**	This module demonstrates the relationship between financial management and long-range goals that boards must establish. Boards must be able to set financial policies and evaluate their organization's financial performance. Participants will: • Recognize roles in financial management. • Examine how to establish accountability for achieving the objectives set out in the board's plans. • Identify the financial reports that are used to measure the financial performance of the organization; and • Review financial objectives and audits and understand the role of the audit in maintaining accountability.
Module 5 **Board Development and Performance**	This module examines the role and accountability of the board of directors. Board members must demonstrate leadership through commitment, integrity, and teamwork. Participants will: • Examine the role of the board of directors. • Discuss the importance of board performance.

Module	Leadership Aspects of a Board
	• Examine on-going development for all board members; and • Understand the importance of a formal board assessment process.
Module 6 **Community Futures Lending**	Community Futures boards have a role in loan administration and the overall management of the loan fund. Board members should understand more completely the roles, responsibilities, and functions of a loans committee. The loans committee derives its authority and responsibility from the board, and it is accountable to the board for its actions. Participants will: • Discuss the Community Futures' economic and social climate in which lending takes place. • Describe the roles and responsibilities of the loans committee, the board of directors, and management in the loan process. • Recognize the key elements of the lending decisions that will contribute to the performance of the loan portfolio. • Appreciate and understand the role of the board member in loan administration; and • Be familiar with strategies to manage problem accounts.
Module 7 **Management, Recruitment, Performance, Evaluation and Development**	The level of board member participation in recruiting and evaluating other management staff varies by non-profit organization, but in general these roles are the responsibility of the executive director. This module will help you: • Discuss management recruitment and selection process. • Describe the purpose of establishing an equitable compensation package which reflects labour market information and terms of remuneration and compensation.

Module	Leadership Aspects of a Board
	• Be aware of options board members should consider when they establish compensation levels for the executive director. • Explain a board's role in performance planning, evaluation, and development of its executive director; and • Determine how the board can use coaching and counselling to deal with performance concerns.
Module 8 **Board Leadership**	This module allows participants to evaluate their skills as leaders in the capacity of a non-profit board member and enhances their abilities as a strong leader. Participants will: • Recognize leadership as a fundamental responsibility of all board members. • Personalize the idea of leadership in terms of what a leader does. • Understand the three different modes of governance; and • Understand the principles of governance as leadership.
Module 9 **Cultural Awareness**	This module delves into the landscape of Canada based on demographic changes resulting from immigration. Participants will be able to: • Describe the cultural diversity of our country and communities as a result of immigration; • Define methods of connecting and communicating with our whole community. • Recognize and implement communication tools. • Identify the board members' and executive director's role in exercising cultural awareness leadership. • Identify actions the board and staff can take to becoming a culturally-aware organization and community; and

Module	Leadership Aspects of a Board
	• Define a process for organizational self-evaluation.
Module 10 **Advances in the Social Economy**	Community economic development supports the social economy through building capacity within not-for profit organizations. Participants will be able to: • Understand the concept of social economy. • Clarify the links between community economic Development and the social economy. • Understand the distinguishing characteristics of social enterprises. • Explore and define the role of Community Futures in the social economy; and • Discuss how social enterprises can be financed.
Module 11 **Role of Planning**	Planning is essential to the non-profit organization. Participants will: • Describe the role of strategic and operational planning as part of the total planning cycle. • Explain the role of the board in the planning process for the non-profit organization and the community itself.
Module 12 **The Role of the Chair**	The chair plays an important role in a non-profit organization. The chair's roles and responsibilities as they relate to the public, stakeholders, partners, funders, the corporation, board members and staff is examined. Participants will: • Learn how to approach the role of chair with skill and confidence. • Understand the roles and responsibilities associated with the chair's position. • Discuss the specific skills required to be a chair; and

Module	Leadership Aspects of a Board
	• Examine how to support their chair and work together as a strong team.
Module 13 **Strategic Loan Fund Management**	The role of the board of directors in loan administration and the overall strategic management of the loan fund is important. Board members will: • Understand the Community Futures lending vision and its role in community economic development. • Understand the various roles and responsibilities of the loans committee, the board of directors and management in the loan process. • Consider the environment within which the Community Futures operates and the role that strategic lending plays in achieving Community Futures objectives. • Recognize the key components and considerations of loan portfolio objectives; and • Understand tools for monitoring the health of a loan portfolio.
Module 14 **Is Your Community Futures Prepared for Natural and Economic Disaster?**	Community Futures plays a key leadership role in a community and/or region for businesses and economic development. CF organizationshave been known to play a key role when natural disasters, emergencies and economic disruptions take place. Board members will: • Understand the various types of events that can result in business disruption. • Plan for their CF organization to be prepared in case of a major disruptive event. • Understand how to support and assist the businesses comprising its loan portfolio. • Identify the role their CF organization can play in case of a major disruptive event. • Engage stakeholders and participate in or lead key community organizations to develop a proactive plan in case of disruptive events; and

Module	Leadership Aspects of a Board
	• Develop potential policies that could be implemented in support of the actions that staff and boards can follow immediately and throughout disaster recovery.
Module 15 **Volunteer Attraction, Retention and Succession**	A structured board recruitment and retention process, grounded in strategic succession planning, sets the foundation for the organization, and brings in board directors with the right values, skills, attitudes, and commitment for the organization. Board directors will learn: • The importance of strategic board succession planning. • The linkage of strategic board succession planning to volunteer recruitment, retention, development, and assessment. • To prepare for and manage the recruitment process. • The importance of board orientation; and How to strategically view board development and assessment.