

To: Mayor Letham and Council
From: Joan Abernethy
Re. 22 May 2018 Deputation

Mayor Letham, Councillors,

I will make my deputation as a resident of the City of Kawartha Lakes and a member of the Kawartha Lakes Historical Society ("the Society"), formerly Victoria County Historical Society.

I served the Society as Vice-President for two years until April 2017.

During that time, the Society struggled with the same financial instability challenges it has struggled with for decades and that it continues to struggle with today, and which persist.

1) The Olde Gaol Museum collection is too big for a volunteer board to administer.

When it began, the Victoria County Historical Society represented the county but now, despite its name change, it is unclear if it represents the City of Kawartha Lakes or, as other historical societies in the City serve Kirkfield, Omemee, Coboconk, etc., only Lindsay. The financial management needs are quite different for one than for the other.

2) There is a belief among many volunteer directors in the not-for-profit sector that financial mismanagement is acceptable "because everybody does it", that it is unfixable, and that it is necessary to hide it from a public that doesn't understand.

While it is obviously not true that literally everybody does it, the data show that 50% of Canadian not-for-profit corporations do struggle with financial mismanagement. (Ref.1) The belief is common in the culture but it is poison to building a lasting success.

Not-for-profit organizations in Canada lose a median of over \$100,000 every year to financial mismanagement and fraud. (Ref.2)

Volunteer boards are particularly vulnerable to financial mismanagement and fraud because their directors are often trusting and financially unsophisticated.

The directors buy into the rationale that it is okay to mismanage funding because it serves some "greater good" and then, when they realize they are in trouble, and in an effort to preserve their reputation and keep their problem a secret, they exacerbate the damage by lying to the community, blaming creditors, firing employees who complain, intimidating directors who object and paying expenses out of their own pockets.

That creates not only an insular organization hostile to the public; it also creates conflicts of interest that lead to organization corruption. It erodes public confidence, causes widespread cynicism and distrust, and alienates investments and donations.

The good news is that 50% of not-for-profit organizations do not struggle with financial mismanagement. The Society has the potential to be one of those but only if it gets the help it needs to become financially transparent and accountable.

I therefore support the Society's request for financial support but, because it is critical to the interests of the Kawartha Lakes community that this longstanding challenge be corrected, I also ask Council for the following:

- 1) An appointment to the Society's board, and to the boards of other not-for-profits struggling with financial mismanagement, of a financially literate councillor who will help the Society recruit financially literate directors and to create among them a three-person financial committee responsible for overseeing the administering of a budget separate from the administration of Society programs and operations.
- 2) Make available to all not-for-profit organizations in the City, and provide to the Society immediately, help to write and implement a small business plan to market products, services and programs that will generate revenue sufficient to support a skeleton staff so the Olde Gaol Museum can keep its doors open for six hours a day, five days a week, year around. It is essential to its success that it be open and inviting.
- 3) Clarity about whether Council intends the Society to administer the Olde Gaol Museum on behalf of the city or Lindsay, so it can make informed planning decisions.
- 4) Financial oversight for so long as the City financially supports the Society.

References

1. <https://www.humanityfinancial.ca/top-5-financial-management-risks-for-canadian-nfpo-board-members/>
2. <https://www.cpacanada.ca/en/members-area/profession-news/2016/january/not-for-profit-fraud>
3. <https://assets.kpmg.com/content/dam/kpmg/ca/pdf/2018/03/not-for-profit-fraud-kpmg-canada.pdf>
4. <https://www.bdo.ca/en-ca/insights/industries/not-for-profit-education/best-practices-for-not-for-profit-boards-of-direct/>