

intouch

NEWSLETTER

NOT-FOR-PROFIT ISSUE SEPTEMBER 2009



We Listen. We Think. We Deliver.

When we are introduced to prospective clients, the question we are most often asked is how is Lloyd Sadd different from other brokers?

We believe the answer is in our Mission Statement:

“We invest the time to understand our clients’ business, helping them to reduce their total cost of risk, making them a better organization.”

We strive to stay informed on your operations, the challenges that you face, and the issues that are important to you.

This is why we are proud to launch the newest edition of our “IN TOUCH” newsletter, the Not-for-Profit issue.

This newsletter is intended to bring you current, relevant and useful information that you can share with your organization. We would like to provide you with loss prevention ideas, as well as scenarios and news articles to keep you informed of situations you may be exposed to.

We hope you will find this information beneficial. As always, we welcome your questions or feedback and are happy to discuss them anytime.

Regards,



Kathy Manchak
Not-for Profit Insurance Specialist

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THE DEPARTMENT

Kathy Manchak
Account Executive
(780) 930-3843
kmanchak@lloydsadd.com

Michele Garford
Account Manager
(780) 930-3872
mgarford@lloydsadd.com

Vickie Gray
Account Assistant
(780) 930-3892
vgray@lloydsadd.com

Christine Tenove
Communications Coordinator
(780) 930-3818
ctenove@lloydsadd.com

17413-107 Avenue
Edmonton, AB T5S 1E5

Ph: (780) 483-4544
Fax: (780) 484-5727
Toll Free: 1-800-665-5243
www.lloydsadd.com

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Nonprofit Organizations and Finances: The Importance of an Audit Committee

In recent years, several companies have been lambasted on newspaper front pages for illegal business activities. In response to these events, for profit and nonprofit organizations are recognizing the tremendous value an audit committee is to their organization. These committees serve to ensure that all financial dealings are legal and ethical, and assure that fraudulent behavior kept is far from the confines of their business.

Businesses have also responded to the regulations set forth by the Sarbanes-Oxley Act of 2002. The Act outlines standards regarding financial dealings and auditing procedures within publicly traded companies. However, several provisions also apply to nonprofits, which instruct organizations to establish concrete auditing procedures. For instance, it provides explicit provisions for electing audit committee members, protections for whistleblowers and regulations regarding the destruction of documents.

In the wake of recent scandals, nonprofits must remain educated concerning the design and responsibilities of an audit committee to ensure that their organization's financial status is intact.

AUDIT COMMITTEE MEMBERS

According to the Sarbanes-Oxley Act, a company's audit committee must be comprised of members of the Board of Directors who are also considered "independent." This means that committee members must not receive compensation for their services on the audit committee or within the organization in another function, except if they are paid as a Board of Directors member. Generally, members of the board are volunteers and do not receive compensation.

The committee must also contain one designated finance "expert" who interfaces with the auditor. This person must have the knowledge and ability to analyze financial documents. The other members should be financially competent enough to make sound financial decisions. Specifically, they should be able to select a credible auditing firm and understand the audit data once it is completed.

RESPONSIBILITIES

Although nonprofits conduct an audit with an outside professional, they must also establish an auditing committee to supervise the organization's management and oversee the finance reporting procedures.

The purpose of the auditor is simply to discover fraudulent activities within the organization. The committee will then interface with the auditor and the Board of Directors to identify financial red flags and assure that the organization is working up to the letter of the law.



IN ADDITION, THE AUDIT COMMITTEE HAS THE FOLLOWING DUTIES:

- ❖ Selects the outside auditor without management input to assure there is no conflict of interest.
- ❖ Works with the auditor to regulate the organization's finances on a regular basis and especially at the end of the fiscal year.
- ❖ Monitors the organization's operations and risk management controls.
- ❖ Ensures that all financial reporting within the organization complies with federal and provincial regulations, and follows the doctrines established by the Board of Directors.

INSURANCE OPTIONS

There are several insurance options available to combat losses in the event of fraudulent activity. These coverage options, along with an audit committee, can add financial security to a nonprofit organization.

- ❖ *Employee Dishonesty Coverage*
- ❖ *Fiduciary Dishonesty Coverage*
- ❖ *Fiduciary Liability*

For more details on these types of coverages, or for questions on any insurance matter, please contact a member of your insurance team.

SOURCE: ZYWAVE, INC.



Kathy Manchak
Account Executive



Michele Garford
Account Manager



Vickie Gray
Account Assistant

Business Interruption Coverage

According to the Insurance Information Institute, more than 25 percent of all businesses that close down following a disaster never open their doors again.

With advanced planning, there are measures you can take to protect your company's bottom line. To safeguard your business, consider Business Interruption coverage, an insurance coverage added to your property package that funds the restoration of your business operations after a loss.

There are three types of Business Interruption coverage to consider:

Business Income. This is designed to replace income that would otherwise have been earned by your business had no loss occurred.

Extra Expense. This is designed to pay for necessary expenses incurred during the period of restoration of the property.

Contingent Business Interruption. This is an extension of coverage designed to cover loss of income your business incurs due to a property loss at a key supplier or customer location.

We know that Business Insurance can be a challenge to understand, so please feel free to call any member of our insurance team today.



Community Involvement

Each month Lloyd SADD employees donate funds to a designated charity for the option to dress casually on Fridays; Lloyd SADD matches this amount to double the donation.

We recognize the vital role not-for-profit organizations play in our community and this is our way to show our continuous support and appreciation!