



## Finances

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This Fact Sheet provides information about the legal rules non-profits must follow related to finances in the Yukon.

Non-profits must follow many rules for the management of their financial affairs. For example, the *Societies Act* requires that a non-profit keep sufficient accounting records and be able to produce a set of financial statements for its members. Sometimes, a non-profit's treasurer can keep sufficient accounting records and produce financial statements.

The *Societies Act* requires that Class A non-profits have their finances reviewed by an accountant.

## Financial Statements

Financial statements and accounting records are not the same thing. Financial statements are a broad overview of a non-profit's financial position, presented for member approval at each AGM. Financial statements generally include four documents: Income Statement, Balance Sheet (Statement of Financial Position), Statement of Cash Flows, and Equity Statement (Statement of Retained Earnings). The statement of accounts should include amounts received by government funding and public donations.

Every non-profit is obligated to produce financial statements on an annual basis based on the fiscal year, and provide them to its members at each AGM. The Board approves the statements and two directors will sign off on them before they are provided to the members at an AGM for their consideration. Members do not approve Financial Statements.

Non-profit financial statements must report the amount paid under contracts for services if any of them are for more than the threshold set by regulation. If 10 or less employees or

persons contract with the society, you must report this if it is over the threshold set by regulation, which is currently set at \$75,000. If more than 10 employees or persons contracting, statements must include the 10 most highly remunerated. A contract for services is when your non-profit has contracted with a person or company for performing a service such as bookkeeping or cleaning.

Non-profits are not permitted to restrict access to financial statements.

### **Accounting Records**

Accounting records are the records that track financial transactions of the non-profit. These records include details on individual financial transactions such as the date and amount of deposits or withdrawals, cheque numbers, bank account numbers, daily balances, etc. Normally these details are called the general ledger or “the books.”

Accounting records such as the general ledger of the non-profit and supporting documentation such as bank statements and donation receipts contain a great deal of personal sensitive information. For that reason, access to accounting records should be restricted in a non-profit’s bylaws.

### **Fiscal Year**

Financial statements are prepared based on a non-profit’s fiscal year. A fiscal year is the one-year period of time that a non-profit uses for accounting purposes and for preparation of its financial statements. For example, some non-profits have their fiscal year aligned with the calendar year (January 1 to December 31) while others to the government year end (April 1 to March 31). Some non-profits set their fiscal period to align with a natural break in their operations, such as a summer camp with a fiscal year of September 1 to August 31. The fiscal year must be registered at incorporation.

### **Audits**

An audit is when a non-profit’s financial statements are reviewed by a third party to ensure they fairly and accurately represent the non-profit’s financial position. Audits are intended to help non-profits ensure financial accountability.



The *Societies Act* does not require audits except for Class A societies, which are required to have an accountant. Audits are only mandatory if required by a non-profit's bylaws or by funders. Usually, it is funders that require non-profits to have their finances audited. If an audit is not required in the bylaws or as a condition of funding, an audit is optional. The more revenue a non-profit has, the more an audit is needed to maintain public confidence. If a non-profit chooses to have their books audited, the *Societies Act* sets out the qualifications for the auditor.

For many small non-profits, an audit may be too expensive to voluntarily undertake. Some non-profits that are not required to have an audit, choose instead to have a review engagement. A review engagement is a review of the financial statements to determine if any material modifications need be made for them to conform to the financial reporting framework. A review engagement is less expensive than an audit, but it only tells the non-profit if its financial statements are properly formatted/organized.

### **Borrowing and Debentures**

Under the *Societies Act*, non-profits can borrow funds and issue debt obligations whenever the directors determine, unless it is prohibited by the bylaws. There can be negative consequences if the directors borrow without the proper authority.

A debt obligation or debenture is a debt instrument used to raise capital. Debentures are typically used to raise short term capital for specific purposes such as an expansion of services. Debentures are unsecured by collateral or assets and are generally backed up by the creditworthiness of the borrower.