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# FINANCIAL MANAGEMENT: STATEMENT OF POLICY AND PROCEDURE

## EXPENSES

### 1. POLICY

* 1. All purchases of goods and services and all agreements shall be subject to appropriate authorization.
  2. All contracts or agreements that materially affect the finances of the organization shall be reviewed by the Finance Committee and authorized by the Board of Directors.
  3. Expense advances may be provided to employees when the nature and approximate amount of the expense is approved beforehand.
  4. All employees or board members incurring expenses on organizational business will adhere to the travel guidelines for expenses.
  5. Costs shall be recognized at the time they are incurred unless they qualify for treatment as an asset under the capitalization policy.

### 2. PURPOSE

* 1. The purpose of this Statement of Policy and Procedure is to provide guidelines on the treatment of expenses of the organization as well as appropriate controls over expenses.

### 3. SCOPE

* 1. This policy applies to the Board of Directors, the Executive Director, and all employees involved in the handling of expenses.

### 4. RESPONSIBILITY

* 1. It is the responsibility of the Board of Directors to approve the budget for the coming year and to assure itself that expenses are managed and controlled effectively.
  2. It is the responsibility of the Executive Director to ensure that expenses are authorized appropriately both at the time of commitment and at the time of payment, that they are consistent with the intent of the budget and that appropriate internal controls are established over all expenses.

### 5. PROCEDURES

* 1. Expense Authorization

1. Authorization for any purchase must be made in advance by the Director of Operations or the Executive Director unless specified otherwise in another policy.
2. Any agreement that may materially affect the mission or the finances of the organization shall be reviewed and authorized by the Board of Directors, including acquisitions, divestitures and contracts:
   * + 1. All agreements, contracts, divestitures and acquisitions for budgeted items shall be authorized and signed by the Executive Director.
       2. The Board of Directors shall approve all budgeted agreements, contracts, divestitures and acquisition contracts over $15,000.
       3. All procurements, purchases of service and contracts/agreements over $15,000 must be done by Request for Proposal (RFP).
   1. Expense Reimbursement
3. It is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ policy to reimburse employees and board members for ordinary, necessary and reasonable expenses when directly related to the transaction of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ business.

“Directly Related” means:

* There is the expectation of deriving some current or future benefit for the organization
* The employee is actively engaged in an activity necessary for the performance of the employee’s employment duties.

1. The Executive Director must approve all business travel and special event advances. These advances must be accounted for within 30 days of completion of the travel or special event.
2. Employees and board members are responsible for complying with this policy and expected to exercise prudent business judgment regarding expenses covered by this policy. Expenses that are not in compliance with this policy will not be reimbursed.
   1. Expense Submission and Approval Procedures
3. Requests for reimbursement of business expenses must be submitted on the Employee Expense Form and approved by the Executive Director and/or his/her designate.
4. The Executive Director shall only approve expense submissions that are:
5. Proper and reimbursable under this policy.
6. Recorded accurately on the Employee Expense Form with all required documentation attached.
7. Reasonable and consistent with this policy.
8. Expense claims must be submitted within a month from when they were incurred, no later than three months in extenuating circumstances, and no later than a month after the end of the fiscal year in which they were incurred. Expenses from previous fiscal years will not be reimbursed after the expiry of the one month.
9. Receipts are required for all expenses submitted for reimbursement. Requests for exceptions to this requirement must explain why the receipt is not available and must be approved by the Executive Director.
10. The Executive Director has the authority to approve individual expenditures for budgeted expenses.
11. The Executive Director has the authority to approve individual expenditures up to and including$5,000 for unbudgeted expenses.
12. The Executive Director and the Finance Committee shall approve all unbudgeted expenditures up to and including $15,000.
13. All unbudgeted expenses over $15,000 shall be approved by the Board of Directors.
    1. The Executive Director’s expense claim shall be submitted and approved by the Board Treasurer or President.
    2. Employees and management will be reimbursed for expenses in accordance with the Collective Agreement.
    3. Non-reimbursable expenses include but are not limited to:
14. Personal entertainment.
15. Alcohol purchases (except under a special business event permit).
16. Fines for traffic violations.
17. Personal items and duty or sales tax charged on personal items.
18. Additional expenses related to travelling with a spouse or other guest.
19. Expenses related to negligence.
20. There shall be no personal loans (advances) to employees.
    1. Business Travel and Special Events
21. Every employee travelling on organizational business is responsible for following the procedures and guidelines for expenses and for retaining all receipts.
22. The Executive Director must approve all business travel and special event advances. These advances must be accounted for within 30 days of completion of the travel or special event.
23. The Executive Director will establish per diem rates payable to employees on business travel consistent with this policy.
24. All receipts shall be retained and submitted with an Employee Expense Form. All receipts should indicate the nature of the expense, the date, the location and the purpose of the trip. Receipts must be reviewed and approved by the Executive Director. Expenses for which a receipt has been lost or misplaced will be reimbursed only at the discretion of the Executive Director.
    1. HST: The accounting department will ensure that all invoices and receipts processed capture the amount of HST paid. The organization will apply for reimbursement of the eligible portion of sales taxes paid at least annually.
    2. Cash Disbursement Procedures
25. Incoming invoices will be stamped with an approval stamp and will be delivered to the Director of Operations or designate. The Director of Operations or designate will check the validity of the invoice against proposals, bids, etc. and work accomplished or delivered. They will then complete the “Goods Received”, “Invoice Received” and “Invoice Checked By” portions of the approval stamp. Any supporting documentation shall be attached to the invoice. The invoice approval stamp will also include any program/project to which the expense will be applied. The invoice must then be submitted to the Financial Manager for payment.
26. All disbursements are to be made by cheque unless the item is considered a petty cash item and is under $100.
27. The accounting department generates cheques for approved invoices through the computerized accounting system and the Financial Manager shall ensure that proper supporting documents are provided for approved expenses.
28. Cheques are then attached to the invoices and to the other supporting documentation being paid, and are submitted for signature.
29. All cheques require two signatures. Documents of the signing authority for the organization for banking purposes are kept on file for each bank account.
30. Bank accounts are reconciled on a monthly basis.
31. Under no circumstances will:

1. Invoices be paid unless approved by the Director of Operations or the Executive Director.
2. Blank cheques (cheques without a date or payee designated) be signed in advance.
3. Cheques be made out to cash, bearer, petty cash etc.
4. Cheques be prepared on verbal authorization.
5. In the event that it is necessary to issue a replacement cheque, a stop payment will be ordered at the bank on the original cheque prior to issuing a replacement cheque.
6. All cheques will be numbered and used in numerical order.
7. All cheques including blank unused cheques will be kept in a secure location.
8. All void cheques will be maintained on file.
   1. Petty Cash
9. Petty cash will be used when, and only when, employees are required to make small cash purchases on behalf of the organization. Receipts must be retained and recorded by the Director of Operations or designate responsible for petty cash.
10. No petty cash fund shall exceed $1,000, and the cumulative petty cash fund for the organization shall not exceed $5,000 at any time.
11. Receipts must be initialed by the Director of Operations or designate and contain a simple explanation on the bottom of the receipt as to the nature of the expense.

d) Monthly, the petty cash custodian will perform a reconciliation of cash and receipts. Any unreconciled amounts must be investigated and corrected by the petty cash custodian. Where an investigation fails to provide reconciliation, the overage or shortage must be reported to the Executive Director.

e) Upon reconciliation, the petty cash reconciliation and receipts will be forwarded to the accounting department who will arrange to provide a replenishment of funds to the petty cash custodian by issuing a cheque.

f) HST amounts will be recorded separately in the petty cash log to allow for recovery of a not-for-profit HST refund.

* 1. Credit Card Purchases

1. Authorized business expenditures may be made by employees using the corporate credit card when approved by the Director of Operations. In every case of credit card usage, the individual charging an account will be held personally responsible in the event that the charge is deemed personal or unauthorized. Every claim has to be submitted with individual bills for each purchase, including the approved signature of the Director of Operations.
2. The maximum line of credit on the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ credit card is $10,000.
3. The credit card must be paid off completely on a monthly basis after charges are approved by the Executive Director or designate.
   1. Supplier Management
4. Goods and services shall be acquired competitively from qualified suppliers to meet specific needs and to obtain the greatest possible value for money expended. There have to be at least three verbal quotations from reputable suppliers for purchase of services over $1,000 and three written quotations for purchases over and including $2,500.
5. Terms of reference must be established for all contracts involving purchase of professional services. Approvals shall be obtained and documentation shall be retained for review and auditing. Unbudgeted professional services of over $5,000 require approval of the Board of Directors through the Finance Committee.
6. The Director of Operations is responsible for purchasing of office supplies and verifying budgetary availability from the Financial Manager prior to effecting purchases.
7. The Director of Operations shall document all requisitioning and receiving of office supplies.
8. Periodically supplier records should be analyzed to obtain information on the reliability of each supplier, comparison of prices or discounts provided or volume of business which may lead to creation of a purchasing contract providing better prices, discounts or payment arrangements.
9. Periodically, the organization will research alternative suppliers for major expense line items which can be used as a basis for broadening the list of available suppliers, negotiating with an existing supplier or general information about market rates for pertinent goods and services.
10. The organization expressly forbids its employees from accepting any goods, service, gift or other personal offering of more than a nominal value from its suppliers at any time.

## CASH MANAGEMENT

### 1. POLICY

* 1. Money Management

1. It is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_’s policy that all receipts of money be recorded in the computerized accounting system (Quick Books software).
2. Receipts of money shall be properly classified and promptly recorded in the accounts of the organization.
3. There shall be proper internal controls over receipts and the recording of money. There must be a complete audit trail of the receipting and recording processes.
4. The Financial Manager must ensure that the recording of receipts process is effective and efficient.
5. The organization should undertake periodic reviews and audits of its recording of receipt of money to ensure that it is operating in accordance with this policy.
   1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ will have a minimum of two signing officers for cash disbursements.
   2. All new bank accounts and investment accounts shall require a resolution of the Board of Directors.
   3. Bank deposits shall be made weekly after being recorded in the general ledger.
   4. Charitable receipts shall be issued by the Financial Manager and signed by the Executive Director after reconciling with the general ledger.
   5. Funds in excess of current cash requirements may be invested as approved by the Board of Directors.
   6. The Board of Directors shall review and approve any investment accounts on an annual basis.

### 2. PURPOSE

* 1. The purpose of this Statement of Policy and Procedure is to provide guidance on the cash operations of the organization as well as appropriate controls over handling of cash.

### 3. SCOPE

* 1. This policy applies to the Board of Directors, the Executive Director and all employees involved in the handling of cash.

### 4. RESPONSIBILITY

* 1. It is the responsibility of the Board of Directors to set guidelines for cash operations and investments, reflecting prudent stewardship of member/donor funds and to assure itself that cash and investments are being managed and controlled effectively.
  2. Financial duties and responsibilities must be separated so that no one employee has sole control over cash receipts, disbursements, payroll, reconciliation of bank accounts, etc.
  3. The Unrestricted and Internally Restricted Reserves can only be accessed with the approval of the Board of Directors.
  4. It is the responsibility of the Executive Director to ensure that:

1. Cash and investments are managed according to guidelines set out by the Board of Directors.
2. Internal controls are established over the handling and access to cash.
3. Cash forecasts are performed on a periodic basis.

### 5. PROCEDURES

* 1. Banking Accounts and Authorization

1. New bank accounts must be approved by a resolution of the Board of Directors.
2. All cheques will require two signatures with authorized signatories approved by resolution of the Board of Directors.
3. Any two of President, Vice-President, Treasurer, Secretary, Executive Director or Financial Manager shall sign cheques.
4. The Executive Director and the Financial Manager may sign cheques up to and including $5,000 for expenses approved in the budget.
5. The Financial Manager and one of the President, Vice-President,Treasurer or Secretary shall approve and sign all cheques payable to the Executive Director.
6. The Executive Director, and one of the President, Vice-President,Treasurer or Secretary shall approve and sign cheques payable to the Financial Manager.
7. Payments of all recurring monthly expenses for rent, staff pensions and staff benefits may be signed by the Executive Director and the Financial Manager.
8. All payments made by the organization with the exception of payments made from petty cash must be made by cheque or transfer from one of its bank accounts.
9. All funds received by the organization must be deposited to one of its bank accounts in the week received.
10. Every bank account will be reconciled monthly. Discrepancies must be reported to the bank in writing immediately and followed up. Bank reconciliation forms will be retained for seven years.
11. The Unrestricted and Internally Restricted Reserves will be combined with the organization’s operating account.
    1. Reconciliation of Charitable Receipts
12. Charitable receipts will be reconciled to the general ledger no less than annually. Discrepancies will be investigated and reported to the Executive Director.
13. Donations-in-kind shall be receipted at fair market value in accordance with Canada Revenue Agency guidelines.
    1. Cash Forecasts
14. Quarterly, the Financial Manager will review cash requirements and expectations for the coming three to six months and take necessary steps to ensure that sufficient cash is available through:
15. Accounts Receivable
16. Accounts Payable
17. Purchase advances or deferrals
18. In the event that these actions are likely to be insufficient to the purpose, the Financial Manager will advise the Executive Director who will take any necessary additional steps.
    1. Investments
19. All cash in excess of three month’s normal operating expenses may be transferred from the bank account to an investment account.
20. Funds in excess of immediate needs may only be invested in certificates of deposit and guaranteed investment certificates with a federally regulated financial institution.
21. Annually, the Financial Manager and Executive Director will report to the Finance Committee of the Board of Directors on the performance of any investment portfolio including effective yield, and comparing the effective yield to appropriate benchmarks. The Treasurer will report to the Board of Directors and request approval of the investment activity for the preceding period.
    1. Payroll Administration
22. Employees will be paid semi-monthly (24 pay periods a year).
23. Payroll administration is the responsibility of the Financial Manager.
24. All payroll changes, deletions and inclusions shall have prior written approval of the Executive Director.
25. Incremental changes approved under the collective agreement do not require prior Executive Director’s approval.
26. The Executive Director will review and sign the payroll statement.
    1. Capital Assets and Amortization
27. All capital assets which have a lifetime of more than three years will be classified into the appropriate category.
28. All capitalized assets acquired for a specific, externally-funded project will be amortized at a rate equal to the life of the program/project for which the asset is acquired if that period is shorter than the anticipated lifetime of the asset.
29. All capitalized assets will be amortized on a straight-line basis using the expected lifetime of those assets.

## BUDGETS, FORECASTS and REPORTING

### 1. POLICY

* 1. An annual organization budget shall be prepared before the start of each fiscal year and presented to the Board of Directors for approval at their February meeting.
  2. The annual organization budget includes core funding, special projects, partnership projects, membership fees, donations and fundraising.
  3. The annual organization budget is not final until it is approved by the Board.
  4. The budget must be a surplus or balanced budget.

### 2. PURPOSE

* 1. The purpose of this Statement of Policy and Procedure is to set out guidelines for the annual budget and its budgetary control and monthly reporting.

### 3. SCOPE

* 1. This policy applies to the Board of Directors, the Executive Director and through the Executive Director, the Financial Manager and the Director of Operations.

### 4. RESPONSIBILITY

* 1. It is the responsibility of the Executive Director to establish the organizational budget and forecast processes.
  2. It is the responsibility of the Executive Director to ensure that the organizational budget presented to the Board of Directors for approval represents a responsible implementation of the direction provided by the Board and to recommend the budget for approval.
  3. It is the responsibility of the Board of Directors to ensure that the budget represents a responsible implementation of its direction and reflects prudent stewardship of funds.
  4. It is the responsibility of the Board of Directors to approve the budget.
  5. It is the responsibility of the Executive Director to maintain a surplus or balanced budget.

### 5. PROCEDURES

* 1. Budget Guidelines

At the end of the third quarter of each fiscal year, the Executive Director will create a Critical Path (operational plan) document. The document will contain an operational plan outlining critical dates for the planning and monitoring process. The Executive Director will report this plan to the Board.

* 1. Budget Process

1. The fiscal year of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ begins on January 1 and ends on December 31.
2. The preparation of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ budget will take place in two stages. The preliminary budget required for the core funding grant applications, shall be approved by the Finance Committee in October and by the Board of Directors in November.
3. The final budget shall be a revision of the preliminary budget which should be approved by the Board of Directors after obtaining reasonable certainty of the anticipated funding for the year. The final budget after Board approval should also be used as a tool to monitor and evaluate operating results.
4. The approved budget will be recommended for revision to the Board when any significant change occurs in the operating environment. The Financial Manager shall prepare the revised budget under the guidance of the Executive Director. The Finance Committee will review, make changes if necessary, and submit it to the Board of Directors for approval.
5. The Executive Director will establish the budget based on an already approved operational plan; will use last year’s funding or qualified estimates for core funding and anticipated project funding; will use the information from anticipated revenues from membership fees, fundraising events and other donations.
6. New revenue received during the budget period and new expenditures not included in the budget shall be stated (specified) in the notes to the monthly financial reports.
7. When the budget is completed, the Executive Director will present the budget to the Finance Committee and then to the Board of Directors for approval.
8. The Board of Directors may choose to approve the budget at this time or request clarifications or changes. The Board may also approve the budgets contingent on requested changes being made. If changes are requested by the Board, the Executive Director will arrange for the necessary changes requested by the Board and re-submit the budget to the Board for approval.
9. The Board will vote to approve the budget. The annual budget is now final.
10. On an annual basis the Board will determine any amount to be invested in the Unrestricted and Internally Restricted Reserves each year.
11. In accordance with \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Unrestricted and Internally Restricted Reserves Policy, the Executive Director will develop and maintain a workable plan to build and maintain \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_’s Reserves at between two to three months of operating expenses.
    1. Forecasts
12. Monthly, as required, the Financial Manager will prepare financial statements with written forecasts and notes to year-end for the revenue/expense budget, taking current year-to-date results into account.
13. Monthly, as required, the Financial Manager under the direction of the Executive Director will submit a report to the Finance Committee which the Treasurer with support of the Executive Director will bring to the Board. This report will show current year-to-date revenues and expenses compared with the approved budget. Also, included in the report is a breakdown of adjustments applied to reflect an accurate picture of the current financial position, and a memorandum explaining the revenue and expense data. This will keep the Board informed of any significant developments, forecasts or decisions.
    1. Monthly Process
14. Monthly actual financial results will be compared to budgeted results both for the current month and for the year-to-date for that month.
15. Variances from budget will be explained in the notes to the financial statements and verified by the Executive Director. Significant trends will be isolated and discussed by the management team and the Board’s Finance Committee to determine any action that may need to be taken to stay on track.
16. Other reports from the finance department may be produced and provided to the management team and the Finance Committee for review and action, such as cash flow reports and bank reconciliation.

# REFERENCE AND RELATED STATEMENTS OF POLICY AND PROCEDURE

* Human Resource Policies
* Collective Agreement
* Unrestricted and Internally Restricted Reserves Policy
* Risk Management Policy
* Trusteeship Agreement Policy
* Executive Director Limitations
* Management Policies
* Access and Equity Policy

# APPENDIX A: GLOSSARY OF TERMS

***Accounts payable*** is an amount owed for goods or services purchased or an expense booked as a liability for the organization until the account is paid.

***Accounts receivable*** is an amount due for goods or services sold but not yet received. Note that a pledged donation is not an account receivable.

***Bank reconciliation*** is a comparison between the bank’s record of transactions and the records of the organization. After taking into account deposits in transit, direct deposits not yet recorded and outstanding cheques (not presented to the bank), the two records should be in agreement.

***Budget*** is a financial plan outlining expected revenues, expenses and expenditures for fixed assets that is formally reviewed and approved by the Board of Directors. It is an estimate of revenues and expenses and the resultant surplus or deficit for a particular period.

***Budget process*** means a coordinated and comprehensive process of financial planning and management which incorporates financial governance principles as well as internal control and risk management principles.

***Contribution agreement*** is a contract arrangement between a government organization and a non-governmental organization for specific purposes and with specific deliverables subject to reporting and audit processes.

***Controls*** are mechanisms such as reports, reviews and procedures that are designed to ensure policies are effectively adhered to and reduce the risk of fraud or error.

***Forecast*** is an estimate of the most likely financial results based upon best- available knowledge as to how events will unfold.

***Grant*** is a gift of funds for a specified purpose.

***Petty cash*** is a small amount of cash kept on hand at a worksite to be used for necessary minor purchases.

***Reconciliation of charitable receipts*** is the comparison between charitable receipts issued, bank deposits, membership and donations data base and the investigation of any unexplained differences.

**Definition:** Internally Restricted Reserves are those that are restricted internally by the board for a specific purpose. An example is a Building Fund.

Unrestricted Reserves are general funds that are not restricted to any specific purpose.