

The Canadian Association of Business Students

Policy on Financial Management

Latest Modification

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Policy Coordinator: President

Approved by: Board of Directors

Senior Management Team

Signature/Date:

Chairman

President

Preamble

The *Policy on Financial Management* defines the rules, systems, controls and procedures used by the Corporation for the management and protection of the assets of the Corporation. The scope of the rules and procedures defined herein include budgeting, financial records management for accounting and taxation purposes, auditing, bank accounts, revenue recognition, collections, finance transition, treatment of surplus and loss, and all other accounting or finance topics.

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1. Definitions

The definitions herein are defined and referenced in the *Policy Definitions* document.

2. Scope

The *Policy on Financial Management* defines the fundamental principles and activities that apply to the conduct, bookkeeping, transactions, recording and reporting of the Corporation for accounting and taxation purposes. This Policy is sovereign to the By-Laws of the Corporation and is aligned with all other governing documents of CABS.

3. Principles

Corporate financial transaction documentation for Sponsored and Non-Sponsored activity must be consistently sufficient to meet and comply with legal, governmental and auditing requirements. Providing thorough and complete transaction justifications and support documentation protects and benefits the Corporation in the following ways:

- Minimizes the risk of penalties and fines due to unsubstantiated business expenses.
- Ensures compliance with legal and regulatory requirements.
- Establishes adequate and consistent documentation standards for all financial transactions.
- Provides an independent and efficient source for obtaining transactional information.
- Tax regulations requiring the Corporation to have an accountable plan, including proper accounting for valid business expense verses employee compensation.
- Minimizes reputation risks and adverse public perception.
- Ensures that the management team and the strategic business units of the Corporation remain accountable and transparent to the Board of Directors and to all stakeholders.
- Ensures an efficient process of compliance, transition and archiving.

4. Policy and Procedures

A. Accounting Procedures

a) Basis of Accounting

The organization uses the accrual basis of accounting. The accrual basis is the method of accounting whereby revenue and expenses are identified with specific periods of time, such as a month or year, and are recorded as incurred. This method of recording revenue and expenses is without regard to date of receipt or payment of cash.

Throughout the fiscal year, expenses are accrued into the month in which they are incurred. The books are closed no later than the 30 days after the close of the month.

Invoices received after closing the books will, at the discretion of the Vice President Finance, be counted as a current-month expense or adjusted retroactively whereas the books will need to be closed again.

At the close of the fiscal year, this rule is not enforced. All expenses that should be accrued into the prior fiscal year are so accrued, in order to ensure that year-end financial statements reflect all expenses incurred during the fiscal year. Year-end books are closed no later than 90 days after the end of the fiscal year. Revenue is always recorded in the month in which it was earned or pledged.

b) Chart of Programs

The chart of programs referred to by the governing documents of the Corporation are defined and explained in the *Corporate Directive – Chart of Accounts and Programs* document.

c) Chart of Accounts

The chart of accounts for accounting purposes, referred to by the governing documents of the Corporation are defined and explained in the *Corporate Directive – Chart of Accounts and Programs* document.

e) Journal Entries

Journal entries are double entries in the accounting system (debit and credit) recording the business transactions of the Corporation.

They must be posted for all transactions that modify the current or non-current financial position of the Corporation. All journal entries are appropriately posted before each monthly closing.

The Vice President Finance is responsible for the posting of journal entries on a daily-to-weekly basis. The journal entries are to be reviewed by the President and signed at every month end.

e) Month-End Close

The month-end close requires the verification of journal entries, adjustment of general ledger, processing of all adjusting entries, validation of calculations and preparation of bank reconciliation.

The month-end close must be completed on or before the 10th day of each following month.

f) Bank Reconciliations

All bank statements will be reviewed and reconciliation executed with the accounting records for all accounts during the Month-End Close process, where bank reconciliation and approval will occur within thirty (30) days of the month-end close.

The monthly bank statements and of all accounts for any current fiscal period must be printed and stored in the Book of the Company.

The reconciliation report must be prepared and signed by the Vice President Finance. The President will review and approve reconciliation reports by signing and dating the report, and storing these reports in the Book of the Company.

g) Record-keeping

All financial documents and records must adhere to the governing document *Policy and Procedures on Document Classification, Retention*

and Archiving.

h) Bank Accounts

The Corporation must have one individual bank account for each Subsidiary and one individual bank account for the operations and transactions of Head Office.

The exclusive financial institution for all chequing accounts of the Corporation and its subsidiaries shall be TD Canada Trust.

All accounts must be registered in the name of and owned by the Corporation, where the President and Vice President Finance have unlimited access to the accounts.

The bank accounts are not required to have opening balance of zero dollars.

i) Accounting Software

The Corporation must specialized software or cloud-based applications to track and manage financial transactions.

B. Internal Controls

The organization employs several safeguards to ensure that financial transactions are properly authorized, appropriated, executed and recorded.

a) Signing Authority for Financial Matters

Financial matters for cash outflows require payment or money transfer by cheque, where:

- each transaction must be authorized by signature of the President on the appropriate form respective of the type of transaction, namely via the cheque requisition form;
- under normal circumstances each cheque produced must be signed by the VPFN, except in extenuating circumstances or extraordinary circumstances;

b) Extenuating Circumstances and Contingency Planning

Extenuating circumstances are defined as circumstances where the VPFN is dead, incapacitated or removed.

The primary contingency plan for extenuating circumstances requires that the Executive Vice President undertake the VPFN position in interim until the President appoints a temporary Vice President Finance by interim or until the Board elects a replacement VPFN.

The secondary contingency plan for extenuating circumstances typically enacted in the event that the primary plan is exhausted, the Secretary must be signed onto the bank account and granted the privileges of VPFN in interim, pending replacement of the VPFN or replacement of the EVP.

The EVP must be third signatory for cheques as a responsive contingency plan.

c) Conflict of Interest

All directors of the Board and agents of the Corporation, including the officers of the Management Team are expected to use good judgment, to adhere to high ethical standards, and to act in such a manner as to avoid any actual or potential conflict of interest.

A conflict of interest occurs when the personal, professional, or business interests of an agent, Officer or Board member conflict with the interests of the Corporation.

Both the fact of, and the appearance of a conflict of interest should be avoided.

c) Segregation of Duties

The financial duties of the Corporation are distributed among multiple people to help ensure protection from fraud and error. The Corporation shall identify, remediate, and maintain a separation of incompatible business functions. Adequate segregation of duties decreases the likelihood that material and immaterial errors will remain undetected. This distribution of duties aims for maximum protection of the assets of the Corporation while also considering efficiency of operations.

Though the three functions are not equally split between three different members of the Corporation, this is accommodated by the fact that the Finance committee will conduct semi-annual audits to ensure that there is no material misstatement in the financial statements at year-end.

d) Physical Security

The Corporation maintains physical security of its assets to ensure that only authorized personnel have physical or indirect access to money, securities, real estate and other valuable property.

C. Financial Planning and Reporting

The financial statements are prepared in accordance with Accounting Standards for Private Enterprises (ASPE). The presentation of the Financial Statements shall follow the recommendation of the Financial Accounting Standards Board (FASB) No. 4400, "Reporting Standards for Not-For-Profit Organizations."

Under ASPE-NPO, revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization are classified as unrestricted, temporarily restricted and permanently restricted.

a) Budgeting Process

i. Head Office Budget

The organization's annual budget is prepared and approved annually for the Head Office program. The budget is prepared by the VPFN in conjunction with the President/Chief Executive Officer and the Board Finance Committee. The budget is to be approved by the Board of Directors prior to the start of each fiscal year. The budget is revised during the year only if approved by the Board of Directors.

ii. Program Budgets Other than Head Office

The organization's subsidiaries' annual budget is prepared and approved annually for the individual programs. The budget is prepared by each committee's VPFN in conjunction with the President/Chief Executive Officer and the Board Finance Committee. The budget is to be approved by the Board of Directors prior to the formation of the organizing committee during the bid selection process. The budget is revised during the year only if approved by the Board of Directors.

b) Internal Financial Reports

The organization prepares regular financial reports on a monthly basis. All reports are finalized no later than 30 days after the close of the prior month. The report must be prepared by the VPFN and approved by the President, then distributed to the Finance Committee, before final publishing the Board and stakeholders.

c) Finance Committee

Must be formed during the Annual General Meeting of each new fiscal year, or within one hundred (120) calendar days of the previous fiscal year-end. It must be a determined pool of candidates to fill an odd number of positions, of a maximum of 5 and minimum of 3, where candidates may only be nominated by a representative of the Board, and where Board members can self-nominate. The Chairman of the Board must facilitate the elections process during the following regular meeting of the Board.

d) Audit

Semi-annual audits are to be conducted by the finance committee. This is to ensure that there is no material misstatement in the financial records of The Corporation. The audits are to be completed within 60 days of the semi-annual dates. In which the committee is to report back to the Corporation with their diagnostics and commentaries.

e) Tax Compliance

As the Corporation complies with the paragraph 149(1)(f) of the *Income Tax Act* which states;

In general terms, paragraph 149(1)(f) provides that the taxable income of an association is exempt from tax under Part I of the Act for a period throughout which the association complies with all of the following conditions:

- a) it is not a charity
 - b) it is organized exclusively for social welfare, civic improvement, pleasure, recreation or any other purpose except profit
 - c) it is in fact operated exclusively for the same purpose for which it was organized or for any of the other purposes mentioned in (b); and
 - d) it does not distribute or otherwise make available for the personal benefit of a member any of its income unless the member is an association which has as its primary purpose and function the promotion of amateur athletics in Canada.
- f) Filing Requirements:
An association that qualifies under paragraph 149(1)(f) is required to file an income tax return if
- a) it is a corporation;
 - b) it is deemed *inter vivos* trust under subsection 149(5) which has
 - I. tax payable, or
 - II. disposed, or realized a taxable capital gain on the disposition, of any capital property that is **not** used directly in the course of providing dining, recreational or sporting facilities to its members; or
 - c) the Minister has demanded that it file a return.

A T2 Corporation Income Tax Return or a T2 Short return must be filed within 6 months from the end of the corporation's taxation year. A T3 Trust Income Tax and Information Return must be filed within 90 days from the end of the trust's taxation year.

D. Revenue and Accounts Receivable

- a) Invoice Preparation
Invoices for all programs are created by the Vice President Finance upon request from the program coordinators or President, or according to the requirements for membership dues in the governing documents of the Corporation.

All final invoices for the prior month are completed by the 15th of the following month (ex: June 15th for May).

- b) Revenue Recognition

All contributions will be recorded in accordance with GAAP, with specific attention to standards FASB 116 and 117. Contributions are recorded as pledged or received in accordance with FASB 116, and must be credited to the appropriate revenue lines as presented in the annual budget and coded as designated in the organization's Chart of Accounts.

Revenue is to be recorded based on accrual accounting policies, where according to the principle, revenues are recognized when they are realized or realizable, and are earned. Further, the corporation is to classify the revenues as either restricted or unrestricted. Restricted revenues are solely for the purposes of their intention; they are limited to the activities for which the funds are received. Unrestricted revenues are amounts for the general use of the Corporation and its members for the purpose of events associated with the Corporation

i) Membership Dues

Invoices for membership dues shall be created, dated and submitted on the first day of the fiscal year, where payment is due on the last day of the last day of the third month following the fiscal open.

Revenue from membership dues is recorded as unrestricted funds.

Payment not received by the due date will void the invoice and membership shall cease. Special payment arrangements are allowed, at the discretion of the VPFN, which may override the default cease of membership. By default, no late payment fee applies, however the VPFN has the authority to impose a late fee at his discretion.

ii) Conference Delegate Fees

Invoices for delegate fees shall be created, dated and sent on the date specified in Corporate Directive – Conferences Timeline. The payment date is also required. Late payment fees may be allotted, as at the discretion of the respective Vice President Conferences and Competitions for any property.

Revenue from conference delegate fees shall be recorded as restricted funds, restricted to the respective program (conference).

iii) Sponsorship

Invoices for funds and in-kind contributions as direct corporate sponsorship to CABS, its head office and program subsidiaries must be produced only once a Sponsorship Agreement is signed by all parties and the sponsor completes the Sponsor Account Requisition form (F7088).

Revenue from sponsorship for head office shall be recorded as required by the sponsor, but shall be recorded as unrestricted and accorded to the general head office budget if no condition is specified.

Revenue from sponsorship for conferences and competitions shall be recorded as restricted funds, restricted to the respective program they were intended for.

c) Cash Receipts

Cash Receipts include all negotiable instruments, which result in a direct increase in the bank accounts of the Corporation. The term includes, but is not limited to, cash, cheques, and credit card transactions. Cash receipts are to be generated to a centralized mailing location in which the access is limited to the VPFN and President. The VPFN is to ensure that all cash receipts are deposited in a timely manner, namely within five to ten business days upon the receipt of the cash funds.

d) Deposits

Deposits in the form of cash and cash equivalents are to be made by the VPFN, President or program subsidiaries to the appropriate bank accounts held in the name of the Corporation on a weekly basis.

E. Expense and Accounts Payable

a) Purchases and Procurement

Any expenditure in excess of \$1000 for the purchase of a single asset or inventory should have bids from three (3) suppliers if possible. These bids will be reviewed by the VPFN and the bid award must be specifically approved in advance by the President.

b) Invoice Approval and Processing

All invoices must be approved by the President, and VPFN for which the expense was incurred. Approved invoices will be paid within 30 days of receipt.

c) Cash Disbursements

Cash disbursements are to be made only for valid business purposes after approvals by authorized persons. The necessity of itemized invoices from various parties is to be used to ensure no cash is disbursed without the proper documentation. In the instance that no invoice is provided for on the spot expenses, the members incurring the expenses are to collect receipts that will be used to account for those transactions.

e) Employee Expense Reimbursements

Officers and Agents of the Corporation shall be reimbursed for all

expenses incurred in the normal course of business, provided that the expense was pre-approved. Pre-approval is only done by a Check Requisition Form (F8055), which is approved and filed before the purchase.

f) Travel Expenses

Traveling expenses for the purposes of activities associated with the Corporation are eligible for reimbursement. The criteria that must be satisfied to deem the expenses eligible are as follows:

- Individual being reimbursed is a member of the Corporation or a member of the Corporations Subsidiaries
- The reason for travel is solely for the purposes of activities associated with the Corporation.

Vehicle:

If a member of the Corporation travelled more than 40 kilometers away from their residency to attend an event associated with the Corporation, then they are entitled to a reimbursement for the distance travelled.

The rates are as follows for the different provinces:

Province or territory	Cents/kilometer
Alberta	50.0
British Columbia	49.5
Manitoba	47.0
New Brunswick	49.0
Newfoundland and Labrador	52.0
Northwest Territories	58.0
Nova Scotia	50.5
Nunavut	58.0
Ontario	55.0
Prince Edward Island	49.5
Quebec	57.0
Saskatchewan	45.0
Yukon	61.5

g) Credit Cards

Executive Members of Corporation will be issued a corporate credit card where the nature of their job requires such use. The Corporate credit cards will only be used for appropriate business expenditures.

F. Asset Management

a) Capital Equipment

To meet the capitalization requirements, equipment must have an acquisition cost of \$5,000 or more and a life expectancy of one year or more. Capital equipment is recorded on the Corporation's general ledger as a capital asset and expensed to the appropriate capital equipment

object code.

b) Operating Reserve

The Corporation shall maintain throughout the fiscal period, a minimum operating reserve, whose amount is set by ordinary resolution of the Finance Committee.

The amount is subject to modification throughout the fiscal period, adjusted by ordinary resolution of the Finance Committee.

The operating reserve shall be funded with surplus unrestricted operating funds, in the general cash and investment accounts of the organization.

5. Contact Information

Policy Primary Resource Center

Office of the Vice President Finance

E-mail: vpfinance@cabsonline.ca

Profile: www.cabsonline.ca/en/management/vpfinance/

Policy Secondary Resource Center

Finance Committee

E-mail: bod-finance@cabsonline.ca

6. Forms

- 1) F8055 Cheque Requisition Form
- 2) F8025 Program Budget Form
- 3) F8025 Bank Deposit Form
- 4) F8047 Bank Reconciliation Form
- 5) F7088 Sponsor Account Requisition

Document History

Version	Effective	Coordinator	Purpose
1	01/09/2013	Mitch Brown	First edition.
2	02/11/2013	Amandeep Gill	Second edition. Governance reform.