

**THE CANADIAN ASSOCIATION
OF BUSINESS STUDENTS INC.**



REGISTERED DOCUMENT			
DOCUMENT TITLE			
FINANCIAL MANAGEMENT POLICY			
VERSION	EFFECTIVE DATE	PRIOR REVIEW DATE	
1.3	2021-03-01	2020-11-21	
REVIEW AUTHORITY		REVIEW INTERVAL	
<ul style="list-style-type: none"> • FINANCE COMMITTEE • BOARD OF DIRECTORS 		ONCE ANNUALLY	
CERTIFYING DIRECTOR OR OFFICER			
TITLE		NAME	
SECRETARY		TONY QUACH	
SIGNATURE			DATE
			April 22, 2021
APPROVALS			
#	BOARD MEETING	MEETING MINUTES	DATE
1	NOVEMBER	MEETING MINUTES	2020-11-30

ABSTRACT

The Corporation is governed by a set of documents, interdependent in a hierarchy of authority and prevalence. The aggregate of these by-laws, as well as the resolutions, policies, procedures, corporate directives and other relevant documents serve as the framework by which the various managers, employees and agents are guided and held accountable in the execution of their mandates, both on a managerial and operational level.

Furthermore, the documents are designed to promote, support and encourage the manner in which we conduct business; make effective use of resources; and identify certain activities that need to be carefully managed and controlled. They define our operating culture, ensure that we comply with relevant laws and current regulations, and ensure that our corporate objectives are properly defined and effectively achieved.

All documents classified by each specific hierarchical level are under the jurisdiction of a specific governing body for regular review, modification and approval.

As a leader among Canadian organizations, the Corporation desires to remain a leader in corporate governance and ethical business conduct by maintaining best practices, transparency and accountability to our stakeholders.

This includes a commitment to the highest standards of corporate governance as the Board and management believe that good corporate governance practices tend to contribute to the creation and maintenance of member value.

On an ongoing basis, the Board reviews its structure, practices and composition and initiates changes to improve its effectiveness.

The Financial Management Policy, subordinate to the By-Laws, Articles of Incorporation, the *Canada Not-for-profit Corporations Act (S.C. 2009, c. 23)* and other effective laws of the land, and relevant policies and directives of the Corporation, is the document that defines the fundamental principles and activities that apply to the working capital management and general day to day operating procedures as it relates to internal controls.

This policy supersedes any event or program policy relating to finances and if uncertainty exists than this document takes precedence over the program document.

GENERAL PROVISIONS

1. PURPOSE AND SCOPE

- a. The Policy on Financial Management prescribes:
 - i. basic requirements, including systems and controls that govern the financial activities of the Corporation, to ensure consistent and sufficient compliance to legal, governmental and auditing requirements.
 - ii. principle-based requirements for conduct, budgeting, bookkeeping, treatment of transactions, recording and reporting of the Corporation for accounting and taxation purposes;
 - iii. procedural requirements related to auditing, bank accounts, collections, treatment of surplus and loss, the recognition of revenue, expenses, finance transition, and all other accounting or finance topics;
 - iv. requirements of Employees in executing their fiduciary duty, guiding conduct and providing procedural requirements for handling financial documentation related to Corporate financial transaction documentation for Sponsored and Non-Sponsored activity, including activities programs and events of the Corporation, as defined in the Corporation's Policy on Definitions.
- b. This Policy is sovereign to the By-Laws of the Corporation and is aligned with all other governing documents of CABS.

2. DEFINITIONS

- a. The following terms that appear in this policy are hereby defined in the Policy of Definitions; terms that do not appear in that list of definitions but do appear in the "Definitions" section of the Bylaws of the Corporation are equally enforceable in this policy.

3. PRINCIPLES

- a. The Policy on Financial Management exists primarily to enforce the prescribe the Providing thorough and complete transaction justifications and supporting documentation protects and benefits the Corporation in the following ways:
 - i. Minimizes the risk of penalties and fines due to unsubstantiated business expenses.
 - ii. Ensures compliance with legal and regulatory requirements.

- iii. Establishes adequate and consistent documentation standards for all financial transactions.
- iv. Provides an independent and efficient source for obtaining transactional information.
- v. Ensures that the corporation has an accountable plan that complies with tax regulations, including proper accounting for valid business expense versus employee compensation.
- vi. Minimizes reputational risks and adverse public perception.
- vii. 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.
- viii. Ensures an efficient process of compliance, transition and archiving.

4. POLICY AND PROCEDURES

a. Accounting Procedures

i. Basis of Accounting

1. 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 the 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 where 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.

a. Journal Entries

- i. 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 end of month.

- b. Month-End Close

- i. 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

- c. Bank Reconciliations

- i. 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.

- d. Record Keeping

- i. All financial documents and records must be recorded, stored and protected in accordance with applicable CABS governance for record keeping and in accordance with Canadian law, including but not limited to the Canada Not-for-profit Corporations Act (S.C. 2009, c. 23).

e. Bank Accounts

- i. The Corporation must have two separate bank accounts: one for the 5 Days charity program and one for the operations and transactions of the Head Office and other programs. The exclusive financial institution for all chequing accounts of the Corporation and its programs shall be Royal Bank of Canada. The financial institution may only be changed by a resolution of the Board.. 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 balances of zero dollars.

f. Accounting Software

- i. The Corporation must use specialized software with data contained in a cloud-based application to track and manage financial transactions..

5. INTERNAL CONTROLS

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

- i. Signing Authority for Financial Matters

- 1. Financial matters for cash outflows require payment or money transfer by cheque, where each transaction must be:

- a. first requested by an Employee authorized to request a payment for a legitimate expense on behalf of the

Corporation, in accordance with the Corporation's governance.;

- b. then approved the President, in accordance with the protocol prescribed by the Corporation's governance, respective of the type of transaction, namely via electronic signatures and workflows or through the traditional cheque requisition or request for payments form;
- c. finally reviewed for compliance with the effective governance of the Corporation, including but not limited to delegation of authority, spending limits, approval requirements for expenditures over budget, and rules for reimbursement, before executing payment or reimbursement through approved instrument, such as cheque, electronic funds transfer, Interac e-transfer, and cash;
- d. In the event that the VPF is removed from office or resigns the Secretary must be signed onto the bank account and granted the financial privileges of Vice President of Finance in the interim, pending replacement of the Vice President of Finance.

2. Conflict of Interest

- a. All directors of the Board and agents of the Corporation, including the officers of the Management Team are expected to use good judgment, adhere to high ethical standards, and 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.

3. Segregation of Duties

- a. 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 three

incompatible business functions: 1) Requisitioning/Requesting, 2) Approving/Authorizing, and 3) Handling/Dispensing. 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, upon request by the Board, will conduct an audit to ensure that there is no material misstatement in the financial statements at year-end. In this situation, the Finance Committee will determine the appropriate steps to conduct an internal audit.

4. Physical Security

- a. 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.

5. Bank Reconciliations

- a. All bank statements will be reviewed and reconciliation executed with the accounting records for all accounts during the quarter close process by the organizations hired bookkeepers, where bank reconciliation and approval will occur within thirty (30) days of the quarter close.
- b. The bank reconciliation process will also include the hired bookkeepers verifying that the appropriate approvals were met as stated in 6.1.

6. FINANCIAL PLANNING AND REPORTING

- a. 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.

i. Budgeting Process

1. Head Office Budget

- a. The organization's annual budget is prepared and approved annually for the Head Office program. The budget is prepared by the Vice President of Finance 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.

2. Program Budgets Other Than Head Office

- a. The organization's programs' annual budget estimations are prepared by the respective Program Teams' Directors of Finance, which are then reviewed and approved by the CABS Vice President of Finance. Once approved, responsibility falls to the Program Team Director of Finance to maintain a working budget for their program throughout its duration and inform the CABS Vice President of Finance of any sudden or sizable deviation from the approved estimate. Deliberate and significant revisions to the approved budget estimation may only be made if approved by the Board of Directors.

3. Internal Financial Reports

- a. The Vice President of Finance is responsible for preparing financial updates on a monthly basis which are to be presented to the board of directors at each meeting. The Vice President of Finance will work with the hired bookkeepers to prepare quarterly financial statements that will be presented to the board.

4. Income Tax Compliance

- a. The Corporation is registered with Corporations Canada and is a certified not-for-profit corporation, responsible for compliance with the Canada Not-for-profit Corporations Act;

- b. Pursuant to its certified corporate status, the Corporation is registered with the Canada Revenue Agency, and is responsible for compliance with the Income Tax Act;
- c. Pursuant to section on exemptions of the Canada Income Tax Act, the Corporation is exempt from taxation on annual income received, based on the type of operations and activities, which remains effective, provided that it complies with all of the following conditions:
 - i. It is not a charity*
 - ii. It is organized exclusively for social welfare, civic improvement, pleasure, recreation or any other purpose except profit*
 - iii. It is in fact operated exclusively for the same purpose for which it was organized or for any of the other purposes mentioned in (5.3.1.5.2); and 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.*

5. Sales Tax Compliance

- a. The Corporation is responsible for collecting, reporting and remitting sales tax on monies received in exchange for eligible services, in accordance with the relevant laws in the jurisdiction in which the Corporation is registered;
- b. The Corporation shall be responsible for reporting and reclaiming net sales tax amounts reclaimable on eligible expenses incurred in the pursuit of its activities;
- c. The Corporation shall follow procedures for ensuring it is compliant with sales tax legislation, as recommended by its public accountant, if applicable.

6. Filing Requirements

- a. In general terms, paragraph 149(1)(l) 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:

- i. An association that qualifies under paragraph 149(1)(l) is required to file an income tax return if:
 1. It is a corporation
 2. It is deemed inter vivos trust under subsection 149(5) which has
- ii. Tax payable, or 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 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. Any filings will be completed by the hired bookkeeping firm.

7. REVENUE AND ACCOUNTS RECEIVABLE

a. Invoice Preparation

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

b. Revenue Recognition

- i. 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.

- ii. 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.

c. Membership Dues

- i. Invoices for membership dues for the following fiscal year shall be created by, and distributed by the Vice President of Finance before the end of their term and will be due within 3 months of issuance. It is therefore the incoming Vice President of Finance's duty to reliably collect outstanding accounts after assumption of their position.
- ii. In the event that the membership dues are not paid by the due date, the Member School in question will have their rights as a Class A school temporarily demoted to that of a Class B School. CABS reserves the right to deny participation in any program during the period in which the Membership Dues remain outstanding. Full Class A status will be reinstated upon receipt of payment at which point the Member School can freely participate in the organization's programming once more.
- iii. 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 Vice President of Finance, which may override the default cease of membership. By default, no late payment fee applies, however the Vice President of Finance has the authority to impose a late fee at their discretion.

d. Conference Delegate Fees

- i. Prior to the event invoices for delegate fees shall be created, dated and sent to the applicable party. The payment date is also required. Late payment fees may be allotted, at the discretion of the respective Vice President of Conferences, Competitions, or Finance for any property.

- ii. Revenue from conference delegate fees, and any late payment or interest fees, shall be recorded as unrestricted funds, with the stipulation that accurate records be kept to properly tie delegate fee transactions to their respective programs..
- e. Sponsorship
 - i. Invoices for funds and in-kind contributions as direct corporate sponsorship to CABS, its head office and programs must be produced only once a Sponsorship Agreement is signed by all parties.
 - ii.
 - iii. Revenue from sponsorship for conferences and competitions shall be recorded as unrestricted funds, unless otherwise required by a specific sponsorship agreement.
- f. Receipt of Cash and Cash Equivalents
 - i. 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 Vice President of Finance and President. The Vice President of Finance 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.
- g. Deposits
 - i. Deposits in the form of cash and cash equivalents are to be made from any source to the appropriate bank accounts held in the name of the Corporation provided the Vice President of Finance or President is made aware of this deposit;
 - ii. Cheques and other liquid financial instruments that are received by mail or e-transfer shall be deposited promptly by the appropriate party as delegated by the Vice President of Finance, on or before fourteen (14) calendar days following the reception of any such instrument.

8. EXPENSES AND ACCOUNTS PAYABLE

i. Purchases and Procurement

1. Any budget expenditure in excess of \$1000 should have bids from three (3) suppliers if possible and where appropriate. These bids will be reviewed by the Vice President of Finance and the bid award must be specifically approved in advance by the President.
2. Any expense including assets and inventory in excess of \$10,000 should have bids from three (3) suppliers if possible and where appropriate with the recommendation being put to the Board and must be approved by a simple majority.

ii. Invoice Approval and Processing

1. All invoices must be approved by the President, and Vice President of Finance for the expense incurred. Approved invoices will be paid within the terms provided.

iii. Cash Disbursements

1. 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 employee incurring the expenses are to collect receipts that will be used to account for those transactions.

iv. Employee Expense Reimbursements

1. 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 either in a budget or by an executive with the appropriate level of authority. In order to be reimbursed, a Check Requisition Form must be filled out and approved by the Vice President of Finance. Check Requisition Forms should be accompanied by appropriate documents before approval (i.e., itemized receipts, invoices). Check Requisition Form must be submitted and appropriate documents must be presented within 90 days of purchase.

v. Travel Expenses

1. 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:
 - a. Individual being reimbursed is an employee of the Corporation or a member of the Corporation's Programs.
 - b. The reason for travel is solely for the purposes of activities associated with the Corporation.
2. If an employee travels by automobile, they are entitled to receive an amount equal to the relevant automobile allowance rate for a given calendar year as set out by the Canada Revenue Agency, if they desire. The allowance rates for 2020 are as follows:
 - a. 59¢ per kilometre for the first 5,000 kilometres driven.
 - b. 53¢ per kilometre driven after that.
3. In the Northwest Territories, Yukon, and Nunavut, there is an additional 4¢ per kilometre allowed for travel.

vi. Credit Cards

1. When and as directed and approved by the Board, Executive Members of the 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.

9. REFUNDS

a. Refunds

- i. Refunds shall be eligible at the discretion of the Vice President of FinanceVP Finance where,
 1. The refund is due to a technical error
 2. The refund is immaterial to the financial operations of the respective initiative
 3. The refund is due to extenuating circumstances
- ii. Cancellations more than 15 days before an event shall be eligible for a refund of 50% of the total purchase value. Cancellations made 15 days or less before an event may be eligible for a refund at the

discretion for the Vice President of FinanceVP Finance.

- iii. Refunds & Reimbursement policies should be clearly stated on invoices where applicable.

10. ASSET MANAGEMENT

a. Capital Equipment

- i. The organization will meet capitalization requirements as set out by ASNPO, provided the value of the purchased asset is deemed to be material as determined by the Finance Committee.

b. Operating Reserve

- i. The Corporation shall maintain an Operating Reserve which will be set each year under the conditions outlined within this section. The calculated amount will be presented to the Board of Directors with the Fiscal Budget for approval; the Corporation will be mandated to have access to this amount in liquid assets for the duration of the Fiscal Year. The amount of the Operating Reserve required for the Fiscal Year will be 200% (two times) the average of the Head Office Budget for the current Fiscal Year and the four fiscal years previous. In extenuating circumstances, the Board may authorize the use of the Operating Reserve with a special majority (2/3) approval of a motion put forth by the Vice President Finance.

11. HONOURARIUMS

a. CABS Management Team

- i. Pursuant to the HR policy, Honourariums will be dispersed via e-transfer to the eligible individuals after board approval and before the end of the current fiscal year.