

**THE CANADIAN ASSOCIATION  
OF BUSINESS STUDENTS**

9300 Tecumseh Road East  
Windsor, ON N8R 1A2

Email. [vpfinance@cabsonline.ca](mailto:vpfinance@cabsonline.ca)  
[www.cabsonline.org](http://www.cabsonline.org)



# FINANCIAL MANAGEMENT POLICY

## **POLICY COORDINATORS**

**Chairperson**  
Board of Directors  
[chair@cabsonline.ca](mailto:chair@cabsonline.ca)

**Vice President of Finance**  
Senior LT  
[vpfinance@cabsonline.ca](mailto:vpfinance@cabsonline.ca)

## **DATE EFFECTIVE**

May 1st, 2020

**GENERAL PROVISIONS**

**1. PURPOSE AND SCOPE**

- a. 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.
  
- b. 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.

**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.

**VERSION HISTORY**

---

<b>VERSION</b>	<b>EFFECTIVE DATE</b>
1.0	2015-03-29
1.1	2016-10-10
1.2	2020-05-01

**ABSTRACT**

---

The Corporation is governed by a battery 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.

### **3. PRINCIPLES**

- a. 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: Flagship Properties of the Corporation, as defined in the Corporation's Policy on Definitions, include:
  - 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. Tax regulations requiring the Corporation to have an accountable plan, including proper accounting for valid business expense verses employee compensation.
- vi. Minimizes reputation 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 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.

##### **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 month end.

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 RBC Royal Bank. 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. The financial institution may only be changed by a resolution of the Board.

f. Accounting Software

- i. The Corporation must use specialized software or cloud-based applications 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:

- a. 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;
      - b. under normal circumstances each cheque, electronic funds transfer, and cash record produced must be signed by the VP Finance, except in extenuating circumstances or extraordinary circumstances;

## 2. Extenuating Circumstances and Contingency Planning

- a. Extenuating circumstances are defined as circumstances where the VP Finance is deceased, incapacitated or removed.
- b. The primary contingency plan for extenuating circumstances requires that a member of the Board undertake the VP Finance position in the interim until the President appoints a temporary Vice President Finance by interim or until the Board elects a replacement VP Finance.
- c. 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 VP Finance in the interim, pending replacement of the VP Finance or replacement of the EVP.
- d. The EVP must be third signatory for cheques as a responsive contingency plan.

## 3. 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.

## 4. 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, or an otherwise independently established Audit Committee, will determine the appropriate steps to conduct an internal audit.

#### 5. 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.

#### 6. Bank Reconciliations

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

### **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 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.

## 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 VP 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 VP 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 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 by the Board and stakeholders.

## 4. Income Tax Compliance

- a. The Corporation is registered with Corporations Canada, a division of Industry 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.

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

- ii. 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 VP Finance, which may override the default cease of membership. By default, no late payment fee applies, however the VP Finance has the authority to impose a late fee at their discretion.

d. Conference Delegate Fees

- i. 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, Competitions, and 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 and the sponsor completes the Sponsor Account Requisition form.
- ii. 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
- 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 VP Finance and President. The VP 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 VP Finance or President is made aware of this deposit;
- ii. Cheques and other liquid financial instruments that are received by post mail or e-transfer shall be deposited promptly by the appropriate party as delegated by the VP Finance, on or before fourteen (14) calendar days following the reception of any such instrument.

h. Expenses and Accounts Payable

i. Purchases and Procurement

1. 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 VP Finance and the bid award must be specifically approved in advance by the President.

ii. Invoice Approval and Processing

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

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 members 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. Pre-approval is only done by a Check Requisition Form (F8055), which is approved and filed before the 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 a member 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 a member 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.

## **8. ASSET MANAGEMENT**

a. Capital Equipment

- i. 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

- i. 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.

## 9. HONOURARIUMS

a. CABS Management Team

i. Amount

1. The CABS Executive Management shall be eligible for an annual honorarium of \$1,000.00 CDN per position for services rendered. Members of the CABS Executive Management team shall submit a request form for honorarium in conjunction with performance reports to the Board of Directors for approval.
2. The Board of directors shall determine the approval of the request with the decision underwritten by the Chair and Vice-Chair of the Board of Directors. The Board of Directors shall determine fulfillment of honoraria based on the performance results submit to date. Full record of Honoraria requests and commensurate performance reports shall be archived irrespective of approval.
3. The Vice President of Finance shall be exempt from honoraria eligibility. VP Finance shall be eligible for \$1,000.00 CDN annual compensation as approved by the Board of Directors.
4. Compensation shall be remitted on a prorated basis of the fiscal year.

ii. Assessment

1. At the last BOD meeting of the fiscal year, the Board of Directors of the Corporation shall reward an honorarium to

the Management Team members. The amount of said honorarium shall be determined based on an objective review of each member's performance throughout the year.

iii. Scoring

1. The Board of Directors shall assess Management Team performance based on the following criteria:

- a. Management Team job description
- b. Management Team Annual Action Plan
- c. Benchmarking relative to peer group, other management team members, and predecessor performance
- d. Quantifiable goals and expectations for performance
- e. Availability and time devoted to the Corporation
- f. Enthusiasm and initiative demonstrated within colleagues
- g. Contribution to program teams and services

2. The Board of Directors will apply the following scoring model to the designated criteria:

<b>Level of Performance</b>	<b>Description</b>	<b>Payout</b>
Very Poor	Consistently failed to meet expectations	0%
Poor	Sometimes met expectations	0%
Satisfactory	Met expectations but did not excel past them	60%
Good	Exceeded somewhat beyond expectations	80%
Very Good	Consistently exceeds expectations	100%

iv. Payout

1. The honorarium is receivable within a reasonable period of time subsequent to the final BOD meeting of the fiscal year.

## 10. REFUNDS & REIMBURSEMENTS

### a. Refunds

- i. Refunds shall be eligible at the discretion of the VP Finance where,
  1. The refund is due to 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 refund at the discretion for the VP Finance.
- iii. Refunds & Reimbursements policies should be clearly stated on invoices where applicable.

### b. Reimbursements

- i. Reimbursement shall be granted for purchases approved by either the VP Finance or President prior to purchase.
- ii. Reimbursements shall be accompanied by an itemized receipt or invoice that clearly outlines the value of purchase and date of purchase.
- iii. Proof of payment must be presented to the VP Finance within 90 days of purchase. Submissions beyond the specified period are under no obligation for reimbursement.