



Finance Policies Manual

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1 INTRODUCTION TO THE FINANCIAL POLICIES

1.1 Purpose

The purpose of the Financial Policies is to describe all accounting matters managed by the Board of Directors of The Canadian Network for Maternal, Newborn and Child Health / Réseau Canadien sur la Santé des Mères, des Nouveau-Nés et des Enfants currently operating as the Canadian Partnership for Women and Children's Health (hereafter referred to as CanWaCH).

In addition to these Financial Policies, the Chief Executive Officer and designate is expected to keep an up-to-date Financial Operations Manual which articulates the day-to-day procedures associated with these policies.

The Financial Operating Procedures will be made available to the Board of Directors by request and will be reviewed annually, for information, by the Finance Audit and Risk Committee.

The Financial Operations Manual will also be reviewed annually and can be amended from time to time at the discretion of the Financial Management Team.

2 ACCOUNTING PROCEDURES & INTERNAL CONTROLS

This section covers basic accounting procedures and describes internal controls for CanWaCH. The accounting procedures used by CanWaCH shall conform to Generally Accepted Accounting Principles (GAAP) to ensure accuracy of information and compliance with external standards.

2.1 Basis of Accounting

CanWaCH 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.

Additionally, to meet funder obligations, CanWaCH uses a cash basis of accounting on a monthly basis.

Financial year: The fiscal year is October 1 to September 30.

2.2 Chart of Accounts

The Chief Executive Officer is responsible for maintaining a Chart of Accounts (COA). A COA is defined as the detailed listing of all accounts with full descriptions; these descriptions should correlate easily to the budget categories for purposes of comparison.

2.3 Segregation of Duties

Financial duties and responsibilities are separated so that no one employee has sole control over cash receipts, disbursements, payroll, reconciliation of bank accounts, or any critical accounting function.

Procedure

In the current structure at CanWaCH, the CEO is the most senior manager responsible for financial matters. The CEO is responsible to the Board of Directors. The CEO and designate, most commonly the Director of Programs and Operations is responsible for financial management of the organization. In the case that the Director of Programs and Operations becomes aware or suspects of financial wrongdoing or fraud by the CEO, the Director of Programs and Operations is responsible to inform the Board of Directors directly, via a request to meet in-camera with the Finance Audit and Risk Committee.

The Financial Operations Team, composed of the CEO, Director of Programs and Operations Financial Governance Advisor and Financial Administrator has the primary responsibility for designing and maintaining the accounting system and contracts. Bookkeeping support may be provided by other staff or a contractor.

Treasurer and Finance Audit and Risk Committee

The Board Treasurer chairs the Finance Audit and Risk Committee, which is composed of members designated by the Board of Directors. The Finance Audit and Risk Committee has whatever authority as may be designated by the Board of Directors, including:

- Selecting and recommending the auditor for board approval;
- Performing regular, in-depth reviews of CanWaCH's financial activity;
- Overseeing the development of the annual budget; and
- Determining the allocation of investment deposits.

Chief Executive Officer

The Chief Executive Officer has the responsibility for administering these policies and ensuring compliance with procedures that have been approved by the Board of Directors. The CEO has whatever authority as may be designated by the Board of Directors, including:

- Making spending decisions within the parameters of the approved budget;
- Employing and terminating personnel;
- Determining wage levels within the approved salary grid;
- Creating and amending operating procedures and controls;
- Making decisions regarding the duties and accountabilities of personnel and the delegation of decision-making authority; and
- Entering into contractual agreements within board designated parameters.

Delegations of financial responsibilities represent the different acts of authority designated or assigned to different Board members, management or staff positions and roles. There are two key types of delegation:

- The first are business activity delegations, which bestow authority to take or approve actions on behalf of CanWaCH.
- The second are financial delegations such as the authority to approve expenditure up to a certain limit. Any signatory to the organization will have the relevant qualifications and experience.

Position	Business Activity Delegation
Board Chair	<ul style="list-style-type: none"> ● Authorized to sign cheques (with a delegated co-signatory) on behalf of CanWaCH
Treasurer	<ul style="list-style-type: none"> ● Authorized to sign cheques and release direct deposits (with a delegated co-signatory) on behalf of CanWaCH ● Authorized to approve contracts over \$100,000 that are approved within the annual budget
Board Members	<ul style="list-style-type: none"> ● Approve annual budget ● Designate an operating reserve and approve use of operating reserve ● Authorize expenditure over a set dollar limit
Chief Executive Officer	<ul style="list-style-type: none"> ● Authorized to sign cheques and release direct deposits (with a delegated co-signatory) on behalf of CanWaCH ● Authorized to enter contracts under \$100,000 that are approved within the annual budget. Contracts over \$100,000 can be approved, with approval from Treasurer, as agreed within the annual budget ● Review and approve finance reports ● Provide information for budget
Finance Audit and Risk committee	<ul style="list-style-type: none"> ● Recommend Board approval of Annual Work Plan and Budget ● Recommend Board approval of Finance/Administration Reports ● Approve budget variations ● Recommend Board approval of Audited Financial Statements
Director, Programs and Operations; or senior level staff designate	<ul style="list-style-type: none"> ● Authorized to sign cheques and release direct deposits (with a delegated co-signatory) on behalf of CanWaCH ● Authorized to enter contracts under \$10,000 that are approved within the annual budget ● Manage bank accounts ● Review and approve funder finance reports ● Monitor cashflow ● Provide information for budget and prepare budgets
Financial Governance Advisor and Financial Administrator	<ul style="list-style-type: none"> ● Prepare financial reports and prepare budgets ● Provide information for budget ● Cash flow analysis

2.4 Ethics and Conflict of Interest

In every instance, Board members and/or employees must put the interests of CanWaCH over personal or any other interests. This means that Board members and/or employees shall refrain from personal investments or business activity that could conflict with the proper execution and management of the organization's finances, or that could impair the ability to make impartial decisions. Board members and/or employees involved in financial matters shall disclose all material interests in financial institutions with which they conduct business.

If a staff member or Board member has a direct or indirect beneficial interest in a financial transaction of CanWaCH, they must provide full disclosure of that interest to the Board of Directors. The Board will determine whether CanWaCH's relevant holdings will continue to be retained or sold forthwith.

Refer to the Conflict of Interest Policy in the Board Governance Manual and the Human Resources Manual.

2.5 Retention & Management of Financial Records

CanWaCH maintains a centralized filing system for policy and project-related files. Staff are responsible for keeping the files relevant to all projects including funding agreements.

The Finance Team is responsible for ensuring compliance with maintaining the central file(s) on each project as specified above.

As a virtual organization, CanWaCH conducts the majority of its business online. CanWaCH maintains digital records of all requests for proposals, cost comparisons, contracts, accounts payable, accounts receivable and back-ups of all other financial records and reports.

All financial records are kept accurately and stored for the period specified by the Canada Revenue Agency (CRA) or for the specified term following the termination of an Agreement.

2.6 Bank Reconciliation

The Finance Team will monitor CanWaCH's accounts and approve monthly reconciliations. The Finance Team will make available all back and investment reconciliations as requested; reconciliations demonstrate that balances presented on the financial reports agree with the records of the financial institution.

2.7 Insurance

Reasonable and adequate coverage will be maintained to protect CanWaCH's interests as well as the Board of Directors and CanWaCH's employees. The following insurance policies shall be kept on a yearly basis: Commercial general liability, property & casualty insurance, Directors and Officers insurance, and liability insurance that may be required for specific events.

Insurance Policies shall be carefully reviewed by the Finance Team and/or Finance Audit and Risk Committee before renewal each year.

3 FINANCIAL PLANNING & REPORTING

3.1 Financial Planning

CanWaCH earns income through: (1) direct costs to deliver project activities from project funders, (2) indirect (overhead) operating costs from project funders, (3) other funding, often unrestricted, earned through unrestricted activities such as membership fees or one-off unrestricted contributions.

In undertaking financial planning, monitoring and reporting, CanWaCH takes into consideration:

- (1) program and project activity costs for the year (direct, eligible project expenses)
- (2) operating costs for the year (overhead expenses)
- (3) the reserve fund (see 3.5 below)
- (4) additional anticipated residual undesignated funds, which form a 'special projects' fund that can be utilized to advance organizational objectives upon Management's recommendation and the Finance, Audit and Risk Committee's approval

3.2 Budget Preparation

The budget serves as an agreed estimate of income and expenses and is a vital planning tool for CanWaCH and Board. The budget will take into consideration the four elements articulated in 3.1.

The Chief Executive Officer and relevant staff are responsible for presenting the Finance Audit and Risk Committee with an annual operating budget draft approximately forty-five (45) days prior to the end of the fiscal year and approximately fifteen (15) days prior to its submission to the Board of Directors.

Before proceeding for full Board review, the Finance Audit and Risk Committee must review and approve the Budget and recommend approval of the budget to the full Board. The Chief Executive Officer and the Treasurer present the budget to the Board for final review and approval.

When reviewing the draft budget, Board Members should ensure that it is based on realistic assumptions, reflects organizational priorities and balances.

The Finance Team will provide the Finance Audit and Risk Committee with a reforecasted budget at the meeting following the end of the second quarter.

3.3 Internal Financial Reports

Internal financial reports are generally prepared within five weeks of the end of each quarter.

Board Reports

The Finance Audit and Risk Committee meets quarterly. For each quarter, the Finance Team prepares for the Finance Audit and Risk Committee at least the following reports:

- A Balance Sheet summarizing the assets, liabilities and net assets of the organization at the end of the latest quarter.

- A Statement of Activity (income and expenses) showing the latest quarterly and year to date actual revenues and expenses as well as future projections, to ensure the organization is on track with respect to the budget. The Statement of Activity will show variance against budget (a percentage).
- An undesignated funds report, detailing CanWaCH's unrestricted income and expenses, including overhead operating costs and special projects funds.

At the discretion of the Chief Executive Officer, or at the request of the Finance Audit and Risk Committee, other reports may be presented from time to time.

Funders may require that reports be specifically approved by the Board. These reports must first be sent to the Finance Audit and Risk Committee for recommendation for approval by the Board of Directors. The Treasurer is responsible for presenting the financial reports to the Board. The Chief Executive Officer or designate is available at the Treasurer's convenience to consult on any financial issues.

Financial reports to Members

The Treasurer, or designate, presents the audited financial statements to the membership at the annual meeting.

Other Reports

Financial reports to funders, government, and investments, are prepared by the Financial Governance Advisor in accordance with individual funder requirements of the report. The Chief Executive Officer is responsible to notify the Board of any potential risks identified during the reporting process.

3.4 Audits

Audited Financial Statements

CanWaCH's financial statements are audited annually by an accredited auditor. External auditors are appointed each year at the Annual General Meeting.

Before distribution, the audited financial statements must be approved by the Finance Audit and Risk Committee and Board of Directors.

A summary of the financial statements, referring to the audit report and indicating that copies of the full financial statements are available upon request, distributed to members and made available on CanWaCH's website.

CanWaCH may also be audited by funders, in accordance with our contribution agreements. The Finance Team will manage the audit. The Chief Executive Officer is responsible to notify the Board of any potential risks identified during the audit.

3.5 Reserve and Reserve Funds

The purpose of this policy is to establish consistent principles, standards and guidelines for the maintenance, management and accounting of reserves and reserve funds.

The target minimum operating reserve fund for the organization is three (3) months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, insurance, audit, office costs; required professional services (ex. legal fees), and liabilities such as severance.

Procedures

- The amount of the operating reserve will be calculated each year alongside the approval of the annual budget, reported to the Finance Audit and Risk Committee and Board of Directors
- The operating reserve will be funded with surplus unrestricted operating funds. The Board of Directors may from time-to-time direct that a specific source of revenue be set aside for operating reserves.
- To use the operating reserves, the Chief Executive Officer will submit a request to the Finance Audit and Risk Committee. The request will include the analysis and determination of the use of funds and plans for replenishment. CanWaCH's goal is to replenish the funds used within twelve (12) months to restore the operating reserve fund to the target minimum amount.
- The Finance Audit and Risk Committee will make its recommendation to the Board for approval.

3.6 Tax Filing

The Finance Team will ensure that the contracted accountant prepares the necessary income tax returns for annual filing and submits them to the CRA in a timely manner.

The Finance Team will ensure that HST paid is recorded and recovered in accordance with CRA's HST Regulations for Public Service Bodies.

4 BANKING AND INVESTMENTS

4.1 Accounts and Investments

Managing a non-profit's funds effectively means balancing three goals: (1) minimizing investment risk, (2) obtaining access to the funds when needed, and (3) earning a reasonable rate of return.

To manage and control these issues, CanWaCH should:

- **Establish investment objectives and capabilities.** The Board should, on an annual basis, examine CanWaCH's short-term and long-term goals. In the context of the mission, operations, and financial need, Management should establish investment objectives and risk tolerance. It must consider how many separate instruments and funds to establish and the time horizon of the commitment, the types of acceptable instruments, and the circumstances under which funds may be withdrawn from investments prior to maturity. This information should be available to the Board upon request.

Accounts

CanWaCH holds funds in one or more accounts necessary to administer day-to-day transactions, as decided by the Chief Executive Officer. Any reserve funds may be placed in such a way as to maximize interest income, such as with a GIC or another CDIC-insured deposit product. From time to time, the Chief Executive Officer shall investigate banking options and move funds among deposit accounts as appropriate to meet the organization's need for cash on hand and, where possible, maximize interest. Decisions to remove funds

from GICs or other term deposit accounts will be brought before the Finance Audit and Risk Committee for approval before the transaction occurs.

Fund Transfers

Two authorised signatories are required to approve a transfer of funds between any two of CanWaCH's accounts.

Deposits

Payments received will be deposited to the appropriate account upon receipt; deposits will be overseen by the Finance Team.

Investments

CanWaCH's funds will never be invested in market-based financial instruments such as stocks, bonds or mutual funds, regardless of potential returns. Safety of principal is the most important objective. The financial risk tolerance of the organization is zero; therefore, its funds should not be exposed to market, currency, or any other type of risk.

The objectives of this policy are to ensure:

- a) Adherence to statutory requirements;
- b) Preservation and security of capital;
- c) Maintenance of necessary liquidity; and
- d) Realizing a competitive rate of return.

Investments are not to be locked in for multiple year terms, and investment maturity should be staggered so that cash reserves become available every three months in order that the appropriate funds are available for the organization's needs throughout the year.

5 CONTROLS ON EXPENDITURES

5.1 Signing Authority

- confers responsibility to approve financial transactions;
- facilitates efficient decision-making and ensures that actions and decisions are taken by appropriate approval levels;
- ensures that transactions are executed as intended and in accordance with applicable law, regulations and policy;
- maintains fiscal integrity and creates a sound internal control environment.

Procedure

Signing officers are appointed at the first Board meeting following the Annual General Meeting. A record of signing authorities should be reviewed annually at the first Board meeting following the Annual General Meeting. The purpose of the review will be to appoint signatories where there have been changes.

- CanWaCH shall maintain four signing officers, including two members of the Board and/or Finance Audit and Risk Committee, Treasurer, and two staff members, Chief Executive Officer, and CanWaCH staff designate. In general, the designate is the Director of Programs and Operations. In instances where the staff designate is absent or on leave for an extended period of time, the CEO will select an alternate designate. The alternate must be in a Director level position, with financial experience. The selection of an alternate designate will be discussed with the Treasurer.
- Documents of CanWaCH approved by the Board, including any funding agreement shall be signed by signing officers.
- All cheques, drafts or orders for the payment of money and all notes and acceptances and bills of exchange shall be signed by two signing officers.

Directors who have signing authority may change from time to time based on changes in Board membership. For continuity and to avoid delays in issuing cheques, at least two members of the Board will have signing authority at any given time.

5.2 Delegation of Authority

Matters Delegated to Management

All matters not specifically reserved for the Board and necessary for the day-to-day management of the organization, and the implementation of corporate objectives, are delegated to management. Management may sub-delegate where appropriate.

The Chief Executive Officer, and Director of Programs and Operations will, to the extent possible, ensure continuity of operations and minimize disruptions and risk. Where absences are unavoidable, delegation of authority will be granted, at the Board's approval, to qualified staff to minimize operational disruption and risk. The Board must be informed of the parameters of the delegation and the period for which it will be in force.

5.3 Disbursement of Funds

Custody of Cheques/Online Account Access

- The Finance Team is responsible for unused cheque stock and managing distribution of cheques for processing. The Finance Team is expected to mitigate risk associated with unused cheque stock including safe storage and keeping.
- An updated list of online account access information (financial institution and account number, user name if applicable, and password) shall be kept in a secure location, accessible by the Finance Team and accounting designate as required.

Direct Deposit and Cheque Authorization

- All invoices will be reviewed and approved by the Finance Team
- Two signatures are required on all cheques and electronic fund transfers

Duties of Direct Deposit and Cheque Signers

All cheques will be signed by the signers designated by the Board of Directors. Prior to signing a cheque, a cheque signer will do the following:

- Compare the amount on the cheque to the amount on the invoice or note.
- Be sure that the appropriate manager has approved the invoice as an applicable expense, and the Finance Team has initialed the invoice that it matches quotes or contract arrangements.
- Check the date on the invoice or the Finance Team note against the date of signing the cheque or release of direct deposit. If the difference is more than 60 days, confirm with the Finance Administrator payment has not been made before signing the cheque or releasing the direct deposit. This is to mitigate the risk that the organization is paying the same expense twice.
- Check to be sure that the amount of the expense is not unreasonable for the service/product provided.

Expenses Not Invoiced

In some cases, expenses may not be invoiced, such as rent. When such expenses are due, the Finance Team needs to ensure that the expense is in the budget and write a note authorizing payment of the expense and the amount of the expense.

Prohibited Practices

In no event will:

- invoices be paid unless approved by the appropriate authority;
- blank cheques be signed in advance;
- cheques be made out to “cash,” “bearer,” etc.

Each cheque signer will be made aware that signing blank cheques exposes CanWaCH to theft since the bank is entitled to charge our account for any cheque that has a valid signature. A signed blank cheque is an invitation to theft.

Expense Reimbursement (note: see policy in HR manual)

Reasonable documentation showing the date, amount and what the expense was for must be provided before expenses are reimbursed. Credit card receipts and store receipts that do not describe the purchase are not reasonable documentation.

Request for payment, with documentation, must be submitted within 30 days of the expense being incurred.

Refer to the Expense Policy in the Governance and HR Manuals.

Non-Cheque Payments

CanWaCH will not authorize the use of **debit cards** for any purposes.

Credit Cards Policy

Any **credit cards** held by CanWaCH will have limits and clear signing authority. Credit card transactions are subject to all policies pertaining to expenditures. The receipts for all credit card charges will be given to the Finance Team within two (2) weeks of the purchase along with proper documentation. The Finance Team will verify all credit card charges with the monthly statements. A record of all charges will be given to the Finance Administrator with applicable allocation information for posting.

A copy of all charges will be attached to the monthly credit card statement when submitted to the Director of Programs and Operations for approval and signing.

The Chief Executive Officer's credit card usage will be provided to the Board Chair and the Board Treasurer upon request.

A corporate cardholder may use the credit card only for official purposes directly related to the needs of the organization. The cardholder may not use a corporate credit card for personal purposes, even if he or she plans to reimburse the organization.

The following purchases are not allowed on the corporate credit card:

- Personal purchases
- Cash advances or loans
- Payroll advances
- Purchases for other organizations
- Alcohol
- Personal entertainment
- Fuel for personal vehicles
- Purchases from a business you own or operate unless pre-approved by the Board
- Any item inconsistent with the mission and values of CanWaCH

The cardholder must notify the bank and CanWaCH immediately in the event that the card is lost or stolen.

Online Payments

Online payments may be used, providing a written record of the payment is made simultaneously, with an authorized co-signer (someone with cheque signing authority) on the form. All login and password information for all financial accounts shall be kept by the Finance Team or accounting designate, and be kept in a secure location along with financial records. Online payments are subject to all policies pertaining to expenditures.

Borrowing and Lines of Credit

CanWaCH will ensure that borrowing in the corporate name is authorized. The Board must approve application for and acceptance of any Lines of Credit. Once the Line of Credit is authorized by the Board, the Chief Executive Officer can authorize borrowing within the limit of the line of credit, to a limit determined by the Board of Directors. The Board must approve all borrowing against the line of credit greater than that amount.

The full Board must approve any other borrowing of funds in the name of CanWaCH, including the use of any promissory notes. The Board must give very serious attention to be sure that the corporation will have sufficient funds available to repay any loans or lines of credit on time.

Payroll

All employees are required to record time worked, holidays, leave taken for payroll, benefits tracking, and cost allocation purposes.

- Employees complete time sheets and submit them to the employee's supervisor on the due date, based on the schedule produced at the beginning of the year. Timesheets are reviewed, corrected if necessary, signed and submitted to the bookkeeper. All paid time off balances are maintained within the payroll system, based on the information provided on approved timesheets.

5.4 Procurement and Purchasing Policy

CanWaCH must meet high ethical standards to merit the trust of its partners and clients, as well as donors, governments and the public. The integrity of CanWaCH depends on ethical behaviour throughout the organization, and in particular, on fair, well-informed decision-making.

The objective of this policy is to provide a framework and direction for the acquisition of Goods and Services required for CanWaCH to discharge its mandate and meet its objectives (the "Policy").

Application

In this policy:

"Assets" mean any purchase CanWaCH made which will realize economic benefits for more than one year.

"Contract" means any contract entered into or to be entered into by CanWaCH for the purchase of any Goods and/or Services;

"Goods" refers to tangible items required by CanWaCH from time to time to facilitate its objectives, including but not limited to property for sale, lease or rental (also known as merchandise or commodity).

"Services" refers to professional and operational services to be retained by CanWaCH from time to time, including but not limited to, project management, evaluation, planning, market research, writing, editing, translation, printing, design, computer programming, coaching, training, local ground transportation and facility rental services, but excluding services:

- provided by employees of CanWaCH;
- provided by persons seconded by CanWaCH to another organization or entity; or,
- provided by persons to whom CanWaCH issues a grant.

The purchase of all Goods and Services by CanWaCH will be covered by this policy.

In the case where it is unclear whether this Policy applies to an action contemplated by CanWaCH, the decision of whether this Policy applies will be two-fold. First, a recommendation made by the Chief

Executive Officer will be submitted to the Finance Audit and Risk Committee. Second, the Finance Audit and Risk Committee will consider said recommendation and issue the final decision.

CanWaCH shall carry out the purchase of Goods and Services in accordance with the following principles:

- a) Goods and Services obtained must stand the test of public scrutiny in matters of prudence and probity;
- b) The process of procuring the purchase of Goods and Services shall be as simple and straightforward as possible to enable bidders to access contracting opportunities;
- c) An open, competitive process shall be used, where appropriate, and reflect fairness in the spending of public funds, while supporting operational objectives; and
- d) The process of procuring the purchase of Goods and Services shall conform to applicable legislative, regulatory, and policy authorities.

The Chief Executive Officer is responsible for administering the ongoing implementation and enforcement of this Policy.

Notwithstanding that CanWaCH is not subject to the Treasury Board Contracting Policy for the purchase of Goods and Services, CanWaCH shall abide, where possible, to the principles set out in such policy provided that, in the event of a conflict between the provisions of the Treasury Board Contracting Policy and this Policy, the terms of this Policy shall prevail and govern the conduct of CanWaCH. Please refer to the following link for the most current version of the Treasury Board Contracting Policy:

<https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=14494>

Approval of Contracts

A Contract shall be authorized and approved on behalf of CanWaCH as follows:

- a. Where the Contract falls within the Board approved budget of CanWaCH, the Chief Executive Officer is authorized to approve Contracts of up to \$100,000 (including disbursements and taxes) without further Board approval.
- b. Where the Contract falls within the Board approved budget of CanWaCH, the Treasurer (or designated "Authorized Approver") and the Chief Executive Officer are authorized to approve Contracts of \$100,000 or more without further Board approval.

In any other situation, a contract for Goods and/or Services shall be approved in such manner as directed by resolution of the Board of Directors.

Procurement

Procurement includes managing the supply of goods, assets and services. Once the need for external goods, assets or services has been approved, CanWaCH will govern the procurement of Contracts by the following supply management terms:

1. **Procure repeat services of a vendor on record** for a contract price of \$25,000 or less
2. **Procure a new vendor** with a contract price of \$25,000 or less (excluding disbursements, HST, travel, and other expenses) may be sole sourced.

3. Procure for goods, assets or services with a contract price in excess of \$25,000 (excluding disbursements, HST, travel and other expenses) or a Contract that no longer qualifies for an exemption pursuant to subsection (a) above, shall be tendered competitively unless it is determined by resolution of the Executive Committee that there is valid reason not to do so, in which case the reasons for this decision shall be clearly documented in writing.

4. Sole Source a contract

Procurement may be based on the lowest cost or best value. When procuring for best value, the criteria used to compare quotes will be pre-determined and include the importance or weighting of each criteria (e.g. warranty, delivery time, past performance, specifications, quality, etc.) This information will be compared and summarized for Managements' approval to proceed with procuring the goods, assets or services.

Recordkeeping

All documentation and any pertinent correspondence for procured goods, assets or services are saved in Google Drive. The Finance Team saves the signed contract and related documentation in a Contract Repository in Google Drive for three years following the year end in which the Funders project is completed.

Additional information, may be found in the Finance Procedures for Managers, Guidance for Cost Comparisons / Fund Requests or Finance Procedures.

Open Competitive Tender Process

Used for the procurement of goods or services estimated at \$25,000 or more, a competitive document (RFP) is available and outlines CanWaCH approved process.

6 CONTROLS ON INCOME

6.1 Accounts Receivable

In addition to core funding and grants, CanWaCH may sell a range of goods and services including:

- publications
- membership fees
- user fee-for-service
- conference registration

Year-end Receivables and Deferrals

At year end, the Finance Team is responsible for closing the books of each program in one of three ways, depending on the nature of the relationship between CanWaCH and that funder:

- a. *Record Receivable*: Some funders reimburse CanWaCH for actual expenditures made, after the presentation of a financial report. In that case, the Program is shown as having received full

revenue for all expenditures made, and the amount that has been reported but not received is recorded in the books as a grant receivable.

- b. *Record Deferred Revenue:* Some funders advance standard amounts of funds throughout the life of a project, or else all at once at the start. In these cases, money that has been received but has not been spent is not recorded as revenue. Instead it is shown as a liability called Deferred Revenue. In the subsequent year, this money becomes available for the continuation of the project. The financial statements each year include a list of Programs and the unspent amounts so recorded.
- c. *Record Liabilities to Funders:* The last category of funders advances standard amounts of funds, but then requires the return of unspent money after the end of each fiscal year. In these Programs money that has been received but not spent is not recorded as revenue. Instead, it is recorded as a liability due back to the funder.

7 INVENTORY OF ASSETS

7.1 Inventory of Assets

Property and equipment includes items such as:

- Office furniture and equipment
- Computer hardware
- Computer software
- Leasehold improvements

It is CanWaCH’s policy to capitalize all items which have a unit cost greater than one thousand dollars (\$1,000). Items purchased with a value or cost less than one thousand dollars (\$1,000) will be expensed in the period purchased.

The depreciation period for capitalized assets is as follows:

Computer Hardware	36 months
Office Equipment	60 months
Office Furniture	60 months
Computer Software	36 months
Leasehold improvements	Length of lease

Procedures

1. A Fixed Asset Log is maintained by the Finance/Administration staff including date of purchase, asset description, purchase/donation information, cost/fair market value, donor/funding source, identification number, life of asset.
2. The Log will be reviewed by the Director, Programs and Operations.

3. Annually, a physical inspection and inventory will be taken of all fixed assets and reconciled to the general ledger balances.
4. The Finance Team shall be informed in writing of any change in status or condition of any property or equipment.

Depreciation is recorded at least annually. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Any impaired assets discovered during the inventory will be written down to their actual value.

Disposal of assets will be done in accordance with CanWaCH procedures and funder agreements, as applicable.

8 APPENDIX

A CHECKLISTS

Important Financial controls for not-for-profit corporations:

- ✓ budget monitoring
- ✓ accounting, risk management and investment management
- ✓ reliability of financial reporting
- ✓ compliance with applicable laws and regulations
- ✓ segregation of duties
- ✓ third-party review of information
- ✓ appropriate authorization for major purchases
- ✓ cheques require two signatures
- ✓ credit cards have limits
- ✓ reconcile bank statements promptly and review
- ✓ of CRA assessment to ensure they haven't made any changes that will affect this calculation

Oversight of Non-profit financials

- ✓ Board members with clear understanding of financial statements (or seek training)
- ✓ Statements must accurately represent financial position of organization and all transactions for the time period
- ✓ Boards need to ensure that the regular reports they receive are reasonably accurate (e.g., by looking at bank statements)
- ✓ Board members have a duty to ensure that financial affairs are in order. Proper recording and recordkeeping a must

Characteristics of financially healthy non-profits:

- ✓ sufficient income to ensure programming
- ✓ ready access to cash in times of shortfall
- ✓ income based, not just budget-based,
- ✓ spending accumulated surpluses sufficient to cover a shortfall

- ✓ an operating reserve to finance growth
- ✓ Board and management hold themselves responsible for the financial stability of the organization.

B SOURCES

This manual has been adapted from several sources, including those listed below.

Center for Nonprofit Management, Nonprofit Answer Guide, www.nonprofitanswerguide.org

Chartered Executive Director Professional Accountants Canada, A Guide to Financial Statements of Not-for-Profit Organizations: Questions for Directors to Ask
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Compasspoint, Guide to Fiscal Policies and Procedures, June 2012, retrieved from
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