

PACIFIC MONTESSORI SOCIETY

FINANCIAL MANAGEMENT POLICIES

1.0 INTRODUCTION

It is the responsibility of the Board of Directors of the Pacific Montessori Society to set policies which govern the financial management of the society. From these policies, procedures are set to ensure that the finances of the society are being managed according to acceptable principles and in a manner that maintains fiscal solvency.

2.0 RESPONSIBILITIES

The society is a non-profit society incorporated under the Societies Act of British Columbia and a registered charity with Canada Revenue Agency. The society receives annual contributions of public funds towards its operation and is accountable for effectively managing those funds. Responsibilities are assigned as follows:

- The Board of Directors are responsible for maintaining fiscal solvency, establishing financial policies and ensuring adherence to such policies. The Board is also responsible for overseeing the status of the society's finances on a monthly basis and ensuring that the Administrator is adhering to financial policies.
- The Treasurer is responsible for advising the Board on financial policy and the Administrator on financial procedures.
- The Administrator is accountable to the Board of Directors for operating the society in a manner consistent with the approved financial policies. Working with the Treasurer and external accountants, the Administrator will also establish proper procedures that enforce the policies of the society.
- All other staff are accountable to the Board of Directors through the Administrator and are responsible for adhering to the financial policies and relevant procedures.

3.0 ADMINISTRATIVE

The society shall employ personnel or contract services in order to maintain the accounting system and its files and documents. The accounting system will support compliance with federal and provincial legislation, including managing and remitting the appropriate payroll deductions and tracking GST for rebate.

The accounting records shall be updated on a monthly basis and be subject to the scrutiny of the Administrator and Board of Directors on a periodic basis. Financial records of the society (i.e. electronic records, ledgers, cheques, receipts) shall be retained for a period of seven years.

4.0 BANKING

4.1 General

The Board shall direct the appropriate individual to choose a financial institution that provides the most appropriate services for the lowest cost. The location of the financial institution should be taken into account.

All blank cheques are to be kept in a secure and preferably locked location. Signed cancelled cheques returned from the bank shall also be kept in a secure and preferably locked location

4.2 Deposits

As a basic principle, the duties of collection, recording of receipts in the accounting system, bank deposits and balancing receipts against deposits should be assigned to different people such that any discrepancy can be identified and corrected.

In general, deposits are to be made as soon as possible depending on the amounts in question. Amounts greater than \$8,000 should be deposited the next business day.

All cheques, cash, etc. will be sent to the Administrator for deposit. The Accountant shall record the deposits in the accounting system and balance receipts against deposits.

All cheques, cash, etc. will be placed in a locked box that can only be accessed by authorized individuals until deposited.

The person receiving the cash shall record the amounts in the cash receipts book.

All deposit records are to be initialed by a signing authority.

All funds shall be deposited in the assigned financial institution.

4.3 Payments

Accounts payable shall be paid early enough to take advantage of any discounts or before late penalty charges apply.

Before a payment is made, the invoice shall be reviewed to ensure:

- the goods were received or services rendered;
- the invoice was approved by the appropriate person; and
- the proper general ledger account is identified.

When the cheque is written, the invoice shall be:

- stamped paid and the corresponding cheque number and date recorded on the invoice;
- approved and the initials of the approver indicated on the invoice; and
- marked to indicate additions have been checked by the Accountant.

These procedures are intended to ensure that the goods were actually received and the purchase was approved, the invoice was checked for accuracy and that the invoice is not paid twice. It also documents the cheque number for cross referencing.

All payments must be listed on a monthly basis and presented to the Treasurer for acknowledgment.

Payments shall be made by cheque except for small dollar amounts not exceeding \$100. In this case, petty cash is to be used.

The petty cash should not exceed \$500. Petty cash and receipts shall be balanced by the Accountant on a monthly basis.

4.4 Cheque Signing

The Board of Directors must appoint the signing officers. The signing officers should include the Administrator and the Treasurer. Other signing officers may also be appointed by the Board of Directors as necessary to meet operational requirements. All cheques must contain two authorized signatures.

No cheque is to be signed by any signing officer without the relevant supporting documentation being provided for review. All cheques should be completely filled in before being signed.

The cheque stub shall be used to ensure a record of the cheque is maintained, for recording in the accounting records.

Sequentially numbered personalized cheques shall be used to maintain a proper control over the cheques. Voided cheques must be retained and clearly marked "VOID".

4.5 Bank Reconciliation

Bank reconciliations shall be prepared and balanced on a monthly basis by the Accountant. The Treasurer shall review the bank reconciliations on a regular basis.

5.0 MONTHLY UNAUDITED FINANCIAL STATEMENTS

Monthly unaudited financial statements shall be completed by the Accountant, reviewed by the Administrator and provided to the Treasurer by the third week of the month. The Treasurer will present the monthly financial statements to the Board of Directors for acknowledgement and acceptance. It is the duty of the Board of Directors to ensure that they review and understand the financial reports provided.

The financial reports will include income and expenses, showing variances from the projected budget or any other unusual financial situations. Any clarification required on the financial records of the society are to be directed to the Secretary or Treasurer. The Secretary or Treasurer will obtain any necessary information and bring it back to the Board of Directors for discussion on a timely basis.

The financial books and records of the society are the property of the society and shall be open for examination by any Board members at any reasonable time.

6.0 PURCHASES, CONTRACTS, TENDERS AND PROPOSALS CALLS

6.1 Purchases

Authority for making day-to-day purchases outlined in the budget is delegated to the Administrator and signing officers. Expenditures not included in the budget should be approved by motion at a meeting of the Board of Directors.

Purchases greater than \$50 should be approved by the Administrator or Academic Head.

Generally, the society shall seek three written quotations for purchases greater than \$5,000 where at least three suppliers are available for that service or product. The written quotes obtained shall be presented to the Board of Directors before a purchase is approved. Purchases greater than \$15,000 should, at the discretion of the Board or Directors, be put to Public Tender or Proposal Call.

All contractors are to sign an agreement outlining the services required, the rate per hour and the maximum hours to be billed. The Administrator is responsible for verifying that an invoice is submitted and that it is within the contract agreement before it is paid.

6.2 Tenders and Proposal Calls

Tenders or Proposal Calls shall be advertised and for a period of not less than two weeks (14 calendar days) from the closing date.

All tender bids or proposal calls must be returned to the society's office in a sealed envelope marked: "For the Tender (or Proposal Call) of (project name)", and all bids will be kept in a safe place until the time of opening. A Board member or a signing authority must be present during the opening of the tenders or proposals.

All tenders will be recorded by the Administrator. The Administrator will record the name of the company, amount of the tender or proposal and the name of the project. Copies of the tender packages are not for public knowledge; however, the amounts of the bids and the names of the companies can be given to the public for information. All other information is confidential.

Upon approval of a tender, a contract will be signed and approved by both parties and will become part of the accounting records.

The lowest bid may not necessarily be acceptable if the Board of Directors deems it in the best interest of the society to not give the project to the lowest bidder.

6.3 Capital Expenditures

Tangible assets exceeding \$250 per unit and last beyond a year will be classified as capital expenditures.

7.0 AUDIT OR REVIEW ENGAGEMENT

The Treasurer, Administrator and Accountant shall be involved in the annual examination of the society's financial statements that is conducted by independent, objective and qualified accountants. This examination will provide the Board of Directors with assurance that the records and supporting documents are accurate and complete.

On an annual basis, the Board will determine whether an audit or Review Engagement will be conducted. This decision will depend on the level of assurance the Board of Directors and funding institutions require. Accounting services will be reviewed every 3 years by obtaining quotes for these services from at least three accounting firms.

The external accountants, with assistance from the Treasurer and Administrator, will present the financial statements to the Board. The annual financial statements will cover the fiscal year of

July 1st to June 30th and will be presented at the society's Annual General Meeting to be held by the end of October each year.

8.0 CONFLICT OF INTEREST

Members of the Board of Directors must declare any potential conflicts of interest with regard to the purchase of goods or services.

Purchase of personal items for employees or Directors shall not be made.

9.0 PAYROLL

All wage and salary levels are determined by the Board of Directors and are approved through the budget process. Salaried employees are to be paid on a regular monthly basis. An advance, not to exceed one-half the monthly pay, shall be paid on the 15th or last working day before the 15th of the month.

All payroll records will be maintained by the Accountant and will outline the breakdown of the deductions, hours and amounts. A payroll statement itemizing gross pay and deductions shall be prepared for each employee each pay period. Payroll shall be administered in accordance with applicable provincial and federal government requirements.

Personnel records are to be maintained by the Administrator.

10.0 BUDGETS

The annual budget for the next fiscal year shall be prepared by the Administrator, working closely with the appropriate staff, and reviewed by the Treasurer.

The Board of Directors shall approve the budget annually, as close to the beginning of the year as possible. The Board of Directors must ensure that any approved budget is realistic, maintains fiscal solvency and ensures the security of the society's assets. During the course of the year, the budget will be revised only if there is a significant change in the funding or expenses.

The Treasurer shall compare the budget to the unaudited monthly financial statements and present the comparison to the Board of Directors, to support the Board's monitoring of actual results.

11.0 REIMBURSEMENT OF EXPENSES

Society staff may be reimbursed for travel expenses (mileage, meals, accommodation, parking, taxi, etc.) incurred as a result of society business according to the following schedule. Approval must be received from the Administrator, or Board of Directors in the case of Administrator travel, prior to the expense being incurred.

Mileage - \$0.44/km. Rental vehicles are to be used for lengthy travel when the cost is less than paying mileage. In this case, the staff will be reimbursed for the rental of the vehicle plus gas upon presentation of receipts. Travel from home to work does not qualify for mileage.

Meals - \$6.00 for Breakfast, \$7.00 for Lunch and \$13.50 for Dinner. Receipts are not required to claim meal allowances. Breakfast will only be reimbursed when it is necessary to travel prior

to 6:00am and dinner will only be reimbursed when it is necessary to travel later than 6:00pm. Meals may only be claimed when staff are away from the school on business and outside of the greater Victoria area.

Accommodations & Other Expenses – will be reimbursed upon presentation of receipts.

12.0 EXTERNAL REGULATIONS AND GUIDELINES

The society must adhere to the following external acts and requirements: GST regulations (Canada Revenue Agency), Payroll Source Deduction regulations (Canada Revenue Agency), Charity Income Tax Regulations (Canada Revenue Agency), Societies Act of British Columbia and Accounting Guidelines for Non-Profit Organizations (Canadian Institute of Chartered Accountants).

13.0 EVALUATION

Every three years or as needed, the Board of Directors shall conduct a review of its Financial Policies taking into account changes in the needs of the society and its financial management, changes in Government regulations and requirements, as well as recommendations from the society's external accountants. Except those required by federal or provincial legislation, all changes in policies will need to be approved by the Board of Directors before becoming valid.

This policy document was approved by the Board of Directors of the Pacific Montessori Society on March 9, 2005.

Penny Barner, President