



## **1. Basis of Accounting**

The Association 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.

The accrual method allows for recording revenue and expenses when incurred. It eliminates the budget distortion of large advance payments, such as annual insurance premiums. This method gives a more accurate picture when actual expenses are compared with budgeted amounts. It also eliminates the possibility of overlooking incurred but unpaid expenses when making budget projections.

Throughout the fiscal year, expenses are accrued into the quarter in which they are incurred. The books are closed no later than the 2 weeks after the close of the quarter. Invoices received after closing the books will be counted as a current-month expense. 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 30 days after the end of the fiscal year. Revenue is always recorded in the month in which it was earned.

## **2. Journal Entries**

Inter-divisional transactions and pre-paid expenses are posted quarterly. Journal entries are written and approved by the Secretary Treasurer and posted by the Bookkeeper.

## **3. Bank Reconciliations**

All bank statements will be opened and reviewed in a timely manner. Bank reconciliation and approval will occur within 15 days of the close of the month. All bank statements and cancelled cheques will be opened, reviewed and initialed by the Secretary Treasurer upon receipt. Once reviewed, bank statements are submitted to the Bookkeeper for reconciliation. The Secretary Treasurer will review and approve reconciliation reports by signing and dating the report.

## **4. Recordkeeping**

Association financial documentation will be solely retained at the Association Office and will not be stored at divisional or program offices.<sup>[1]</sup>

Documents and financial records are retained for 7 years and are then shredded. Accounting records are maintained in electronic files under password security.

[1] Documents listed in Section c) of the Consent Order signed on January 5, 2017, and in Agreement between Alberta Education and TCSA also signed January 5, 2017, will be solely retained at the Association Office and will not be stored at divisional or program offices.

## **B. Internal Controls**

Internal controls are a set of procedures to prevent deliberate or misguided use of funds for unauthorized purposes. The Association employs several safeguards to ensure that financial transactions are properly authorized, appropriated, executed and recorded.

### **1. Related Parties**

Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control, or significant influence over the other. Two or more parties are related when they are subject to common control, joint control, or significant common influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members. Board members and senior managers must disclose to the Board that they are members of related parties and may participate in a related party transaction.

A related party transaction is a transfer of economic resources or obligations between related parties or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

### **2. Conflict of Interest**

All employees and members of the Board of Directors are expected to use good judgment, to adhere to high ethical standards, and to act in such a manner as to avoid any actual or potential conflict of interest. A conflict of interest occurs when the personal, professional, or business interests of an employee or Board member conflict with the interests of the Association. Both the fact and the appearance of a conflict of interest should be avoided.

Employees and Board members must disclose any interests in a proposed transaction or decision that may create a conflict of interest. After disclosure, the employee or Board member will not be permitted to participate in the transaction or decision. Should there be any dispute as to whether a conflict of interest exists, the senior manager shall determine whether a conflict of interest exists for an employee and shall determine the appropriate response. The Board of Directors shall determine whether a conflict of interest exists for the senior managers or a member of the Board and shall determine the appropriate response.

### **3. Segregation of Duties**

The Association's financial duties are distributed among multiple people to help ensure protection from fraud and error. The distribution of duties aims for maximum protection of the Association's assets while also considering efficiency of operations. Segregation of duties is maintained by the separation of approval and verification of all financial transactions by unrelated parties. Approval validates that the expense

actually took place and is legitimately in support of the Association's activities. Verification validates accuracy of amount and account classification and that it occurred in accordance with prescribed practice.

Minor contracts, leases, and expenditures shall be approved by the department's senior manager and verified by the Secretary Treasurer. In the case of Financial Services, they shall be approved by the Finance Committee. Minor contracts, leases and expenditures are amounts smaller than \$3000 total, and not conditioned by section 2 of the policy on Property Leases. The Finance Committee shall evaluate all major contracts, leases and expenditures before presentation to the Board.

#### **4. Fiscal Security**

Reasonable and adequate insurance coverage will be maintained to protect the Association's interests as well as the Board of Directors and the Association's employees. All Association employees shall be bonded through an Employee's dishonesty bond policy. In addition, all Directors shall be bonded by a reputable bonding company.

#### **5. Physical Security**

It is important that all Association assets are adequately protected. Physical security of assets requires that access to assets be limited to authorized personnel. The Association maintains physical security of its assets to ensure that only people who are authorized have physical or indirect access to money, securities, real estate and other valuable property. Financial records are restricted materials with limited access. Only the Secretary Treasurer and Bookkeeper or others so authorized shall have access to financial records (vendor files, cheques, journals, payroll, etc.).

Electronic financial files and software are password protected. Cheques are kept secure under lock. They are prepared by the Bookkeeper and require dual signatures.

### **C. Financial Planning and Reporting**

The Association's annual budget is prepared and approved annually for all divisions. The budget is prepared by the Secretary Treasurer in conjunction with the other Senior Managers and with oversight from the Board Finance Committee. The budget must be approved by the Board of Directors prior to being submitted to Alberta Education by the due date. The budget is revised during the year only if approved by the Board of Directors.

The Secretary Treasurer will work with the Senior Leadership Team to ensure that the annual budget is an accurate reflection of programmatic goals for the coming year. The Secretary Treasurer will ensure that the budget is developed using the Association's standard revenue recognition and cost allocation procedures. The Secretary Treasurer will present a draft budget to the Finance Committee at least 30 days prior to its submission to the full Board of Directors. The Finance Committee

shall review and approve a recommended fiscal year budget and submit it for approval to the Board of Directors. The Board of Directors will review and approve the budget at its last meeting prior to the start of the fiscal year.

**1. Budget Preparation**

Budgets are commonly organized in functions by source/object and sub functions. A function is a group of related activities aimed at accomplishing a major program or service of the Association. An object applies to an article purchased or a service obtained, rather than to the purpose for which the article or service was purchased or obtained. Sub functions are groupings of related activities within a particular function.

The top-level budget is the Association. The Association sums up second level budgets for the private school, home education services, finance services, and reimbursements. Because of its budgetary size, the home education budget sums up third level budgets for facilitation, family programs, and the magazine. Event and program budgets must be prepared by a planner and/or organizer, reviewed by the Secretary Treasurer and submitted to the Board for approval. These approved budgets will be included in the overall budget of the Association. The budget presentation template is used for all functions and is the basic format for quarterly budget variance reports.

<b>Function: .....</b>	2015-16	2016-17	2017-18	Projected % Growth
<i>Revenue by source</i>				
Alberta Education grants				
Other government grants				
Student tuition and fees				
Donations and other revenues				
Investment income				
 <i>Expenses by object</i>				
Salaries and benefits				
Materials, supplies and services				
Utilities				
Maintenance and repair				
Scholarships and bursaries				
Contingencies				
Amortization of capital assets				
 <b>Surplus (Deficit)</b>				

Budgeting for the Association can be fairly accurate because of its size. Salaries and benefits represent a major portion of the expenditures, so it is possible to budget those expenses and their related costs very closely. Most contracts and leases are

known.

## 2. Budget Presentation

The budget document usually consists of two parts. The first part is the budget message containing an explanation and summary of the principle budget items, an outline of the Association's experience during the past period and its financial status at the time of the message and financial assumptions for the coming period. The second consists of schedules supporting the summary. These schedules show the past years' actual revenues, expenditures and other data used in making the estimates, and the necessary schedules for the proposed budget.

## 3. Budget Adoption

In January of each year, the Board reviews budget assumptions. Periodic updates are presented as budget development continues. In March, the budget is presented to the Board. At that time, the Board reviews a summary of the budget. No later than April of each year, the proposed budget is presented to the Board for further review before adoption. The budget must be approved by the Board of Directors prior to being submitted to Alberta Education by the due date. The budget is revised during the year only if approved by the Board of Directors.

## 4. Budgetary Control

Budgetary control is maintained at the division level by the senior managers. These managers control their budget by the encumbrance of estimated purchase amounts prior to release of purchase orders. Encumbrances are commitments related to unperformed contracts for goods or services. They represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

The Secretary Treasurer is responsible for producing the following year-to-date reports within 30 days of the end of each quarter: Statement of Financial Position, Statement of Activities, Budget v. Actual and updated Cash Flow Projection. The Secretary Treasurer will present reports to the full Board of Directors on a quarterly basis. The quarterly report will include a narrative report that summarizes the Association's current financial position and explanations for budget variance. Any anticipated variance of 5% or more requires an explanation in the quarterly report to the Board. The quarterly budget variance reports use the basic function by source/object format to report progress for the first, second and third quarters.

Function: .....	YTD Actual	Projected	Estimate	Budget
Variance				
<i>Revenue by source</i>				
Alberta Education grants				
Other government grants				
Student tuition and fees				
Donations and other revenues				
Investment income				

*Expenses by object*  
Salaries and benefits  
Materials, supplies and services  
Utilities  
Maintenance and repair  
Scholarships and bursaries  
Contingencies  
Amortization of capital assets  
**Surplus (Deficit)**

## **5. Audit**

The Association will have an annual audit of its financial statements within three months of the end of each the fiscal year. The audit shall be completed by a firm of Independent Certified Public Accountants. The Secretary Treasurer shall have direct responsibility in overseeing the implementation of the Annual Financial Audit. A representative of the audit firm shall be invited to attend the annual presentation to the Board and shall be required to make a presentation to the Board if the audit report is other than unqualified, or if the auditor reports material weaknesses in internal controls or reportable conditions.

## **6. Tax Compliance**

The Secretary Treasurer prepares the annual Charities Return and the semi-annual GST Return. The Charities and GST Returns are reported with the appropriate quarterly report to the Board.

## **7. Quarterly/Annual Payroll Reports**

The Bookkeeper is responsible for preparing employee T4s by February 28 each year, and the Secretary Treasurer oversees this responsibility to ensure accuracy and timeliness. The Secretary Treasurer files monthly payroll tax reports by the filing deadlines and ensures accuracy and timeliness.

# **D. Revenue & Accounts Receivable**

## **1. Invoice Preparation**

All grants and projects are invoiced each month to capture all billable expenses and ensure a regular healthy cash flow for the Association. All final invoices for the prior month are completed by the 15th of the following month (ex: June 15th for May). The Secretary Treasurer or his designate prepares invoices as needed and reviews outstanding receivables on a monthly basis.

## **2. Revenue Recognition**

All contributions will be recorded in accordance with GAAP and must be credited to the appropriate revenue lines as presented in the annual budget and coded as designated in the Association's Chart of Accounts.

The Secretary Treasurer reviews all revenue and indicates on the letter or copy of the cheque how the revenue shall be recognized (as earned/contributed, conditional/unconditional and restricted/unrestricted). If there is a question or uncertainty about how to recognize a particular contribution, the Secretary Treasurer will ensure that the donor is contacted to clarify the intent of the contribution. The Bookkeeper is responsible for posting revenue to the general ledger.

### **3. Cash Receipts**

Mail should be opened by a designate of the Secretary Treasurer. All cheques shall be endorsed with the Association's official stamp. A designate of the Secretary Treasurer shall record all cheques and cash by date, name of company or individual, designation, and amount. After recording cheques, or cash, they are forwarded to the Secretary Treasurer who records it for accounting purposes. An individual deposit ticket shall be prepared with duplicate copies, bearing a different designation of each account. That record shall include date of deposit, name of sender, amount, and designation. A copy of the bank deposit slip is retained in chronological order with copies of the deposited cheques.

All cash and cheques shall be deposited the same business day if possible, and no later than the next business day into the Association's Bank Account.

The Secretary Treasurer shall ensure that all donors and contributors shall receive proper acknowledgement of their contributions in accordance with CRA Guidelines. Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of six months or less. The Association places its temporary cash investments in 3-month GICs. The Secretary Treasurer shall closely monitor the balances of the Chequing account and Certificates of Deposit accounts.

### **4. Deposits**

The Secretary Treasurer shall maintain and oversee bank accounts and ensure the Association's day-to-day financial operations. All cheques, cash, money orders, and credit card deposits, are reviewed by the Secretary Treasurer and deposited in the appropriate Accounts. Fund raising events, foundation and corporate donations and miscellaneous contributions, shall be deposited into the accounts. Monies shall be transferred from the Chequing account into the investment account when necessary by the Secretary Treasurer. Cheques are written weekly to meet obligations, or ongoing operational expenditures.

Bank deposits are made as needed. A designate of the Secretary Treasurer prepares and reviews bank deposit slips and physically takes cheques to the bank. The Secretary Treasurer reviews bank receipts and how are they filed.

## **E. Expense & Accounts Payable**

### **1. Payroll**

Payroll is executed monthly. It is prepared on the 23<sup>rd</sup> for end of month distribution. Direct deposits will be provided to each employee by the Secretary Treasurer. Monthly payroll expenses shall be verified against payroll reports and direct deposit reports and reconciled with chequing account reports.

### **2. Time Sheet Preparation & Approval**

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 their senior manager on the due date, based on the schedule produced at the beginning of the year. Senior managers review, correct if necessary, sign and submit timesheets to the Secretary Treasurer within three working days from the time sheet due date. Senior managers approve sick and vacation time as necessary and ensure they are recorded on timesheets.

The Secretary Treasurer or designate is responsible for entering time sheet information into the payroll and accounting systems as needed. All paid time off balances are maintained within the payroll system based on the information provided on approved timesheets. The Secretary Treasurer has overall authority to approve payroll system changes including how employees are added to/removed from the system and how pay increases are documented.

Upon voluntary and involuntary termination, payroll is processed and distributed to the employee within one month. The Secretary Treasurer calculates final paycheques, ensures accuracy of any accrued paid time off to be paid, and ensures that the employee receives the final paycheque.

### **3. Purchases & Procurement**

Any expenditure in excess of \$3,000.00 for the purchase of a single item should have bids from three (3) suppliers if possible. These bids will be reviewed by the senior manager, verified by the Secretary Treasurer, and the bid award must be specifically approved in advance by the Board. Senior managers can then authorize and issue purchase orders within the approved budget.

Any expenditure that will be amortized requires written approval by the Board of Directors.

The Secretary Treasurer will maintain an accurate and complete vendor information listing, third party contractor/vendors (local and abroad) and new addition will be vetted and receive the approval of the Secretary Treasurer before any business transaction occurs. Out of province contracting of any business nature must be vetted by the Secretary Treasurer and receive prior approval of the finance committee before any business transaction occurs. A designate of the Secretary Treasurer receives and opens invoices. After an invoice is verified, the bookkeeper enters it into the accounting system. Any variance between the invoice and purchase order is approved

by the Secretary Treasurer or returned to the senior manager for explanation.

#### **4. Expenditure Approval & Processing**

All invoices must be approved by the senior manager of the division for which the expense was incurred. Approved invoices will be paid within 30 days of receipt. All expenditures shall be approved by a senior manager and verified by the Secretary Treasurer. As a measure of accountability and budget control the Secretary Treasurer will be informed of any pending or potential financial expenditures by the Association.

All expenditures shall be coded by account number using the Association's Chart of Accounts. The Secretary Treasurer maintains standard accounting records containing all aspects of the Association's financial operations. They include but are not limited to a general ledger, a cheque register, and a payroll register. Invoices shall be approved by a senior manager. Following the review and approval, cheque payment shall be prepared. Upon payment of a bill, a copy of the cheque or duplicate of stub shall be stapled onto the bill and payment date and cheque number shall be printed on the invoice. The paid invoices shall be filed alphabetically according to company/individual name and shall be kept on a fiscal year basis on file.

The Secretary Treasurer will be notified immediately of any unexpected or unauthorized expenses. Invoices are then routed to the appropriate senior manager for authorization prior to payment being issued. Copies of all invoices paid will be filed in the finance department. After two years these documents will be archived, and they will not be destroyed.

Two signatories approved by the board will sign all cheques, drafts, or orders for payment of money, contracts, and commitments for services issued in the name of the Association. In the absence of either individual, or in the event of a conflict of interest, the signature of the Chair of the Board must be obtained.

#### **5. Programs and Events**

All Program and event reports will be completed and provided to the Secretary Treasurer no later than two weeks after the completion of the event. The Secretary Treasurer will review the report for accuracy and account for all revenue and expenditure relating to the activity. The Secretary Treasurer will measure program and event budget against the actual and account for the variance (if any). Contracting a third party for any event (local or abroad) will go through the appropriate approval process.

#### **6. Travel Expenses**

Employees must abide by the Association's Expense Claims policy. Travel and expense reports for mileage, meals, hotel, supplies, etc., will be maintained by each employee and then submitted to the senior manager for approval and verification and payment by the Secretary Treasurer on a monthly basis. Related parties may not provide approval for each other's expenses. To avoid a conflict of interest, related parties will not be permitted to provide approval for each other's expenses. See Conflict of Interest for further information.

## **7. Credit Cards**

The senior managers shall have credit cards. Employees must utilize that card only for Association business. Only employees designated in writing by the Principal of the Association will be permitted to use the card. Senior managers must authorize and submit a Purchase Order form that explains the business reason for items purchased using the credit card. The Purchase Order will be accompanied with the appropriate receipts or invoice. This will be verified by the Secretary Treasurer.

All credit card receipts and invoices must be submitted to the Secretary Treasurer along with a duly completed purchase order within 72 hours of completing the transactions. Credit Card transactions must be reconciled monthly. Credit card statements are reconciled by the Secretary Treasurer or his designate.

Credit cards will not be used to pay for expenses that can be invoiced. The credit card will only be used for day-to-day business related expenses.

## **F. Capital Asset Management**

Property and equipment shall be stated at historical cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. A Depreciation schedule shall be prepared and maintained by the Secretary Treasurer on an annual basis, taking into consideration the annual equipment inventory. A Property Removal Form shall be required for the removal of the Association's property, supplies, and/or equipment from the Association's premises.

Purchase, installation and maintenance contracts of telephone equipment, telephone lines, office equipment, computer equipment, etc. shall be approved by the Secretary Treasurer after discussion with the Senior Leadership Team and sanction by the Board. Staff Members and other managers shall be responsible for receiving and supervising the installation of equipment scheduled for their facility or working area, and for maintaining and protecting the equipment installed in their offices.

Donated materials and equipment shall be reflected in the Financial Statements at their estimated values measured on the date of receipt. Volunteers donate time to the Association's Program services on an on-going basis. Other volunteers contribute time and services for administrative or fundraising activities. Such contributed services are generally not reflected in the Association's financial statements, since there is no objective way of assessing their value.