

NOT-FOR-PROFIT  
ORGANIZATION

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PROPOSED STANDARDS



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[EFFECTIVE DATE TBD]

## NOTICE

This document contains proposed standards developed by the FMB for tribal council and not-for-profit organizations (collectively, “NPOs”) being presented for public comment. These proposed standards should be read in combination with the companion explanatory document, *Proposed Standards and Performance Measures for Not-for-profit Organizations – Invitation to Comment*, available for download on FMB’s website ([fnfmb.com/en/services/set-standards/proposed-standards-not-profit-organizations](http://fnfmb.com/en/services/set-standards/proposed-standards-not-profit-organizations)). The *Invitation to Comment* document provides details regarding the development of the NPO Standards by the FMB. It also contains details on how you can provide comments and feedback to the FMB on these proposed NPO Standards.

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## INTRODUCTION TO THE NPO STANDARDS

In December 2018, the *First Nations Fiscal Management Act* (“the Act”) was amended to include several new sections, including Section 50.1. As a result of this amendment, the First Nations Financial Management Board (“the FMB”) is now authorized under subsection 50.1 (3) of the Act to develop new standards for financial performance, laws or by-laws respecting financial administration, and financial management systems for five new types of organizations, including tribal councils and not-for-profit organizations.

The Not-for-profit Standards (“NPO Standards”) presented in this document have been developed specifically for tribal councils and other not-for-profit organizations established to provide public services, including social welfare, housing, recreational, cultural, health or educational services, to Aboriginal groups or Aboriginal persons (referred to collectively as “NPOs”). As the structure and operations of these organizations are vastly different from the First Nation governments that the FMB currently serves, brand new financial management practices and financial performance measures were researched and developed by the FMB in order to best serve this new client segment.

These proposed standards should be read in combination with the companion explanatory document, *Proposed Standards and Performance Measures for Not-for-profit Organizations – Invitation to Comment*, available for download on FMB’s website ([fnfmb.com/en/services/set-standards/proposed-standards-not-profit-organizations](http://fnfmb.com/en/services/set-standards/proposed-standards-not-profit-organizations)). The *Invitation to Comment* document provides details regarding the development of the NPO Standards by the FMB. The *Invitation to Comment* document also contains details on how to provide comments and feedback to the FMB on the proposed NPO Standards.

The proposed NPO Standards consist of two parts: standards for financial management and standards for measuring financial performance.

### Part 1 – Financial management system standards for NPOs

Part 1 of the NPO Standards focuses on financial management practices designed specifically for NPOs. These new standards will be the framework used by the FMB to assess a NPO’s internal control environment and will eventually be used to determine eligibility for Certification<sup>1</sup>.

The FMB has developed an internal control framework for NPOs, shown in **Figure A** on the following page, around which the proposed NPO Standards have been tailored. The NPO Standards include detailed requirements within each of these five key areas of financial management.

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<sup>1</sup>The authority for the FMB to issue a Certificate to a NPO under the Act will depend on the development and enactment of new regulations under section 141.1 of the Act.

Figure A - FMB's internal control framework for NPOs



- Human Resources – This section contains standards specific to human resources management, including hiring, dismissals, performance management, records management and key roles in financial administration.
- By-laws, Policies and Procedures – This section contains standards related to establishing policies and procedures in certain areas of financial management and conduct expectations, including conflicts of interest.
- Planning, Reporting and Oversight – This section contains standards specific to financial planning and budgeting, financial reporting, risk management and also governance, including the requirement for an audit committee.
- Recording, Safeguarding and Monitoring Assets – This section contains standards related to cash management, account reconciliations, investments, and tangible capital asset management.
- Controls of Purchasing, Payables and Payments – This section contains standards related to expenditure management, account reconciliations, and borrowing.

The NPO Standards include requirements for both the content of the corporate by-laws, policies and procedures and the implementation of those by-laws, policies and procedures. Each section of the NPO Standards is comprised of two components. The first component requires a NPO to include certain provisions in the corporate by-law. The second component requires the implementation of the provision.

### Part 2 – Financial performance measures for NPOs

Part 2 is composed of five financial performance ratios, shown in **Figure B** on the following page, that measure the NPO's historical financial performance and will eventually be used to determine eligibility for Certification. These ratios measure a NPO's financial capacity, its ability to sustain

and/or grow its fiscal balance, its investment in tangible capital assets, and its ability to manage its overall level of debt.

Figure B - Summary of proposed financial performance ratios

FISCAL GROWTH RATIO	OPERATING MARGIN RATIO	ASSET MAINTENANCE RATIO	NET DEBT RATIO	INTEREST EXPENSE RATIO
$[(\text{Total revenue in the CY less total revenue in the PY}) / (\text{Total revenue in the PY})]$	$[(\text{Total revenue less total expenses}) / (\text{Total revenue})]$	$[(\text{Total tangible capital asset expenditures}) / (\text{Total amortization expense})]$	$[(\text{Total liabilities less total assets, TCA, prepaid expenses and inventory}) / \text{Total revenue}]$	$[(\text{Total interest expense}) / (\text{Total revenue})]$
This ratio measures the year-over-year revenue growth.	This ratio measures an organization's ability to generate revenue to satisfy expenses.	This ratio determines if the overall asset base is increasing or being replenished.	This ratio measures an organization's ability to manage debt, specifically, the net debt burden in relation to one year's annual revenue.	This ratio measures the total amount of interest incurred relative to total revenue. This measures an organization's ability to manage its overall level of debt.

Your comments are requested on the proposed NPO Standards

The FMB is committed to being responsive and listening to the needs of NPOs and other First Nations Institutions. The FMB is seeking comments and input prior to introducing these new Standards. This input will be critical in developing standards that are relevant to the NPOs that will use them. The FMB welcomes all comments on the proposed NPO Standards in this document, including any suggested changes. Please see [Appendix A](#) for a series of questions that will help the FMB in this development process.

Given the disruptions caused by the COVID-19 pandemic, the FMB wants to allow sufficient time for all interested stakeholders to provide comments. Therefore, the FMB is significantly extending the usual 45-day comment period. The FMB requests that comments on the proposed NPO Standards be provided by September 30, 2020. Please refer to [Appendix A](#) for how you can provide your comments.

Following the comment period and analysis of the feedback received, the FMB expects to issue the new NPO Standards in Q3 or Q4 2020-2021 depending on the volume and nature of comments received. The NPO Standards will become effective on the date determined by the FMB's Board of Directors. NPOs can then begin working with and applying these new NPO Standards.

## NOT-FOR-PROFIT ORGANIZATION STANDARDS

### PART 1 – FINANCIAL MANAGEMENT SYSTEM STANDARDS FOR NPOS

DEFINITIONS	
	“Act” means the <i>First Nations Fiscal Management Act</i> ;
	“auditor” means the independent auditor of the NPO appointed by the governing body;
	“corporate by-law” means the set of rules for governing and operating the NPO;
	“executive director” means the senior administrative officer responsible for the day-to-day management or administration of the NPO’s administrative system;
	“finance director” means the senior financial manager or controller responsible for the day to-day management or administration of the NPO’s financial administration system;
	“financial institution” means the First Nations Finance Authority, a bank, credit union or caisse populaire;
	“financial management” includes financial administration, financial performance and accountability;
	“First Nations Finance Authority” means the First Nations Finance Authority established under the Act;
	“fiscal year” means the twelve (12) month period used for accounting and financial reporting purposes;
	“FMB” means the First Nations Financial Management Board established under the Act;
	“GAAP” means generally accepted accounting principles of the Chartered Professional Accountants of Canada, as amended or replaced from time to time;
	“governing body” means the board of directors or other governing body responsible for managing and supervising the activities and affairs of the NPO;
	“including” means ‘including, but not limited to’;
	“life-cycle management program” means a program of inspection, planning, maintenance, replacement and oversight of the NPO’s tangible capital assets;

	“NPO” means the non-profit organization, alternatively referred to as a not-for-profit organization;
	“NPO members” means the persons who have been admitted into membership of the NPO in accordance with the NPO’s articles of incorporation and conditions set out in the corporate by-laws;
	“officer” means the executive director, finance director and any other employee of the NPO designated by the governing body as an officer;
	“policy” means the overall intentions and directions of the governing body respecting specified subject matter;
	“procedure” means the specified method by which an activity or a process is to be carried out;
	“record” means anything on which information is recorded or stored by any means whether graphic, electronic, mechanical or otherwise.

## HUMAN RESOURCES

### HR.01 RECORDS OF FUNCTIONS

The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the maintenance of current records clearly describing the functions, responsibilities and authorities of the personnel (including officers, employees, consultants and contractors) involved in operation and management of the financial management system and all its related processes.

The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the maintenance of current records clearly describing the functions, responsibilities and authorities of the personnel (including officers, employees, consultants and contractors) involved in operation and management of the financial management system and all its related processes.

### HR.02 APPOINTMENT OF EXECUTIVE DIRECTOR

The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the appointment of an Executive Director who reports directly to the governing body.

The governing body of the NPO demonstrates that it has appointed an Executive Director to perform the duties and functions set out in standard HR.04



<b>HR.03 APPOINTMENT OF FINANCE DIRECTOR</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the appointment of a Finance Director who reports directly to the Executive Director
	The governing body of the NPO demonstrates that it has appointed a Finance Director to perform the duties and functions set out in standard HR.05
<b>HR.04 DUTIES AND FUNCTIONS OF EXECUTIVE DIRECTOR</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions that require, or requires the governing body to establish policies and procedures that require, the Executive Director <ul style="list-style-type: none"> <li>a. to oversee, supervise and direct the activities of all officers and employees of the organization,</li> <li>b. to oversee and administer the contracts of the organization,</li> <li>c. to identify, assess, monitor and report on financial reporting risks and risk of fraud, and</li> <li>d. to monitor and report on the effectiveness of mitigating controls for the risks referred to in paragraph c. taking into consideration the cost of implementing those controls.</li> </ul>
	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the duties and functions of the Executive Director
<b>HR.05 DUTIES AND FUNCTIONS OF FINANCE DIRECTOR</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions that require, or requires the governing body to establish policies and procedures that require, the Finance Director <ul style="list-style-type: none"> <li>a. to ensure the financial accounting systems, policies, procedures and internal controls are appropriately designed and operating effectively;</li> <li>b. to administer and maintain all charts of accounts of the organization;</li> <li>c. to prepare the annual budgets and multi-year financial plans of the organization;</li> <li>d. to prepare the financial statements of the organization;</li> <li>e. to prepare the financial components of reports to the governing body and financial information required by the governing body or the audit committee;</li> <li>f. to actively monitor compliance with any agreements and funding arrangements entered into by the organization;</li> <li>g. to administer and supervise the preparation and maintenance of financial records and the financial administration reporting systems;</li> <li>h. to actively monitor compliance with the legal obligations of the organization and any policies and procedures of the organization respecting its financial administration;</li> </ul>

	<ul style="list-style-type: none"> <li>i. to evaluate the financial administration systems of the organization and recommend improvements;</li> <li>j. to develop and recommend procedures for the safeguarding of assets and ensure approved procedures are followed; and</li> <li>k. to develop and recommend procedures for identifying and mitigating financial reporting risks and risk of fraud and to ensure approved procedures are followed.</li> </ul>
	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the duties and functions of the Finance Director.
<b>HR.06 RECORDS OF QUALIFICATIONS / COMPETENCIES</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the maintenance of current records of the skills, experience, qualifications and competencies for all personnel referred to in standard HR.01.
	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the maintenance of current records of the skills, experience, qualifications and competencies for all personnel referred to in standard HR.01.
<b>HR.07 MANAGEMENT OF PERSONNEL RECORDS</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the creation, retention, safeguarding and maintenance of appropriate confidentiality of current records of individual employee's skills, experience, qualifications, competencies and training.
	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the creation, retention, safeguarding and maintenance of appropriate confidentiality of current records of individual employee's skills, experience, qualifications, competencies and training.
<b>HR.08 BACKGROUND CHECKS</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the completion of background checks, employment reference checks and criminal record checks prior to the hiring of new employees or contractors.
	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the completion of background checks, employment reference checks and criminal record checks prior to the hiring of new employees or contractors.

HR.09 HIRING OF EMPLOYEES	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the hiring of employees referred to in standard HR.01 including requirements to ensure</p> <ul style="list-style-type: none"> <li>a. person hired as an employee has the skills, experience, qualifications and competencies required for the position being filled, and</li> <li>b. fair and impartial hiring practices such as providing consistent selection criteria, evaluating applicants consistently, using rating processes and reference checks and hiring on merit.</li> </ul>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the hiring of employees referred to in standard HR.01.</p>
HR.10 HIRING OF CONSULTANTS / CONTRACTORS	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the retaining of consultants and contractors referred to in standard HR.01 to ensure that a consultant or contractor retained has the skills, experience, qualifications and competencies required for the role being performed.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the retaining of consultants and contractors referred to in standard HR.01 to ensure that a consultant or contractor retained has the skills, experience, qualifications and competencies required for the role being performed.</p>
HR.11 DISMISSAL POLICY / PROCEDURES	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the dismissal of employees, with or without cause, including requirements for keeping records of how applicable employment laws have been complied with.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the dismissal of employees, with or without cause, including requirements for keeping records of how applicable employment laws have been complied with.</p>
HR.12 TRAINING FOR NEW EMPLOYEES	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the induction training requirements for employees based on their new role and assigned responsibilities.</p>

	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the induction training requirements for employees based on their new role and assigned responsibilities
<b>HR.13 TRAINING FOR EXISTING EMPLOYEES</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the on-going training or professional development requirements for employees based on their role, assigned responsibilities and performance management plan referred to in standard HR.15.
	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the on-going training or professional development requirements for employees based on their role, assigned responsibilities and performance management plan referred to in standard HR.15.
<b>HR.14 PERFORMANCE MEASURES</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, performance measures appropriate for the roles and responsibilities of every employee.
	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting performance measures appropriate for the roles and responsibilities of every employee.
<b>HR.15 PERFORMANCE MANAGEMENT</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, an annual performance management and evaluation process for all employees including a performance management plan.
	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting an annual performance management and evaluation process for all employees including a performance management plan.
<b>HR.16 EMPLOYEE ENGAGEMENT AND RETENTION</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, a strategy for ensuring that employees remain engaged in their work and committed to the objectives of the organization.

	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting a strategy for ensuring that employees remain engaged in their work and committed to the objectives of the organization.</p>
<p><b>HR.17 GOVERNING BODY RESPONSIBILITIES</b></p>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the minimum responsibilities of each member of the governing body including:</p> <ul style="list-style-type: none"> <li>a. being informed about the articles of incorporation and legislation which affects the organization, as well as its by-laws, mission, values, code of conduct, and relevant policies;</li> <li>b. being aware of the activities of the organization, as well as general trends in the sector in which it operates;</li> <li>c. attending meetings of the governing body regularly, serving on committees of the governing body and contributing from personal, professional and life experience to the work of the governing body and the success of the organization;</li> <li>d. clearly expressing and constructively discussing concerns or opposition to governing body decisions at the time the issue is being considered, and exercising their vote unless a conflict of interest exists;</li> <li>e. maintaining solidarity in support of decisions made by the governing body in good faith after reasonable consideration;</li> <li>f. working effectively and respectfully with staff on committees or other work of the governing body, while knowing and respecting the distinction in the roles of the governing body and staff; and</li> <li>g. watching for and declaring any apparent or real conflict of interest in accordance with the organization's policies.</li> </ul>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the minimum responsibilities of each member of the governing body.</p>
<p><b>BY-LAWS, POLICIES AND PROCEDURES</b></p>	
<p><b>BPP.01 POLICIES AND PROCEDURES</b></p>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the preparation of all policies and procedures necessary to effectively manage and control the financial management system of the organization.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the effective management and control of the financial management system of the organization.</p>

<b>BPP.02 HUMAN RESOURCE POLICIES</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the preparation and maintenance of human resource management policies that comply with all applicable legislation.
	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the preparation and maintenance of human resource management policies that comply with all applicable legislation.
<b>BPP.03 INFORMATION TECHNOLOGY SECURITY POLICY</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the security of information technology and organizational data.
	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the security of information technology and organizational data including: <ul style="list-style-type: none"> <li>a. reporting and responding to information technology threats or incidents;</li> <li>b. managing and controlling user access to systems and data;</li> <li>c. change management;</li> <li>d. records management; and</li> <li>e. information security standards.</li> </ul>
<b>BPP.04 BUSINESS CONTINUITY PLAN / DISASTER RECOVERY PLAN</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the preparation and maintenance of a business continuity plan and/or disaster recovery plan.
	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting a business continuity plan and/or disaster recovery plan that include: <ul style="list-style-type: none"> <li>a. contingency plans for the recovery of systems, data, and operations;</li> <li>b. the frequency of testing the recovery plan; and</li> <li>c. assignment of roles and responsibilities of personnel within a continuity plan.</li> </ul>
<b>BPP.05 ACCESS TO POLICIES AND PROCEDURES</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the availability of all policies and procedures to all persons affected by them.

	<p>The governing body of the NPO demonstrates that all policies and procedures have been made available to persons affected by them.</p>
<p><b>BPP.06 CONFLICT OF INTEREST POLICY</b></p>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the avoidance and mitigation of conflicts of interest including the following:</p> <ul style="list-style-type: none"> <li>a. defining the private interests of directors, officers, employees, committee members, contractors and agents that could result in a conflict of interest,</li> <li>b. specifying restrictions on the acceptance of gifts and benefits by any person referred to in paragraph a. that might reasonable be seen to have been offered in order to influence the making of a decision by that person,</li> <li>c. prohibiting any person referred to in paragraph a. who has a conflict of interest from attempting to influence a decision or from participating in the making of a decision respecting the matter in which the person has a conflict of interest, and</li> <li>d. specifying how any undisclosed or any alleged but not admitted conflicts of interest of any person referred to in paragraph a. are to be addressed.</li> </ul>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the avoidance and mitigation of conflicts of interest.</p>
<p><b>BPP.07 CODE OF CONDUCT</b></p>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, conduct expectations including the requirement for all persons who are making financial recommendations or decisions for the organization to</p> <ul style="list-style-type: none"> <li>a. behave in an ethical and transparent manner, and</li> <li>b. to comply with all applicable legal requirements.</li> </ul>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting conduct expectations by ensuring that</p> <ul style="list-style-type: none"> <li>a. every employee, committee member, contractor and agent sign a declaration indicating they understand and agree to comply with the applicable conduct expectations as set out in the corporate by-laws or in policies and procedures;</li> <li>b. the declarations referred to in paragraph a. are signed             <ul style="list-style-type: none"> <li>i. when the employee, committee member, contractor or agent is first hired, appointed or retained, as the case may be, and</li> <li>ii. annually after that;</li> </ul> </li> <li>c. the declarations referred to in paragraphs a. and b. are retained and safeguarded; and</li> </ul>

	<p>d. the applicable conduct expectations as set out in the corporate by-laws or in policies are included in the terms of any applicable employment contracts, appointments to the finance and audit committee, contracts for service with consultants and contractors and appointment of agents.</p>
<b>BPP.08 DISCLOSURE OF CONFLICTS OF INTEREST BY MEMBERS OF THE GOVERNING BODY</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting,</p> <ul style="list-style-type: none"> <li>a. the annual disclosures by members of the governing body of their private interests which could result in a conflict of interest,</li> <li>b. the disclosures by members of the governing body as soon as practicable of any circumstances which could result in an actual or potential conflict of interest, and</li> <li>c. the recording, retaining and safeguarding of these disclosures under these procedures in a manner that protects the privacy of the persons referenced in the disclosures.</li> </ul>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the recording, retaining and safeguarding of all conflict of interest disclosures made by members of the governing body.</p>
<b>BPP.09 DISCLOSURE OF CONFLICTS OF INTEREST BY EMPLOYEES</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting,</p> <ul style="list-style-type: none"> <li>a. the disclosures by employees, committee members, contractors and agents as soon as practicable of any circumstances which could result in an actual or potential conflict of interest, and</li> <li>b. the recording, retaining and safeguarding of these disclosures under these procedures in a manner that protects the privacy of the persons referenced in the disclosures.</li> </ul>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the recording, retaining and safeguarding of all conflict of interest disclosures made by employees, committee members, contractors and agents.</p>
<b>BPP.10 WHISTLEBLOWER POLICY</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the means by which a person may report any alleged misappropriation or irregularity in the financial administration of the NPO and how these reports must be considered.</p>



	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the means by which a person may report any alleged or suspected fraud, unsafe work conditions, discrimination or irregularity in the financial management of the organization and how these reports must be considered and handled.</p>
<b>BPP.11 ORGANIZATION CHART</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the preparation and maintenance of a current organization chart which includes the following information:</p> <ul style="list-style-type: none"> <li>a. all governance, management and administrative systems of the organization and their linkages;</li> <li>b. the specific roles and responsibilities of each level of the organization of these systems; and</li> <li>c. all governance, management and administrative positions at each level of the organization of these systems including             <ul style="list-style-type: none"> <li>i. the governing body, audit committee and all other committees of the governing body and the officers and employees of the NPO, and</li> <li>ii. the principal lines of authority and responsibility between the governing body, the committees, officers and employees.</li> </ul> </li> </ul>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the preparation and maintenance of a current organization chart.</p>
<b>BPP.12 ACCESS TO ORGANIZATION CHART</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions that requires, or requires the governing body to establish policies and procedures that requires, access to the organization chart to be provided to all persons affected by it including members of the governing body, committee members, officers, employees, contractors and agents of the organization.</p>
	<p>The governing body of the NPO demonstrates that it provides access to the organizational chart by all persons affected by it.</p>
<b>BPP.13 INFORM NPO MEMBERS OF ALL MEETINGS OF NPO MEMBERS</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the communication of the time and place of a meeting of NPO members to each NPO member entitled to vote at the meeting.</p>

	The governing body of the NPO demonstrates that the NPO has established and implemented policies and procedures respecting, the communication of the time and place of a meeting of NPO members to each NPO member entitled to vote at the meeting.
<b>PLANNING, REPORTING, AND OVERSIGHT</b>	
<b>PRO.01 SIZE AND COMPOSITION OF THE GOVERNING BODY</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the size and composition of its governing body.
	The governing body of the NPO demonstrates that its size and composition is in accordance with the corporate by-laws and statutory requirements.
<b>PRO.02 COMMITTEE TERMS OF REFERENCE</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, documented terms of reference for each committee of the governing body.
	The governing body of the NPO demonstrates that it has developed and implemented documented terms of reference for each committee of the governing body that include the number and qualifications of its members, its quorum requirements, its role or functions, including any established in the corporate by-laws, its voting rules, its objectives or requested outcomes and its meeting and reporting obligations.
<b>PRO.03 PURPOSE STATEMENT</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, a purpose statement describing how the NPO will improve the lives, circumstances or conditions of the NPO members that it serves.
	The governing body of the NPO demonstrates that it has implemented a clear purpose statement that express's the organization's impact on the lives of the NPO's members, customers, clients and others that it serves.
<b>PRO.04 AUDIT COMMITTEE</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the establishment of an audit committee.
	The governing body of the NPO demonstrates that it has carried out the following: <ul style="list-style-type: none"> <li>a. established its audit committee consisting of the number of members specified in the corporate by-laws;</li> </ul>

	<ul style="list-style-type: none"> <li>b. appointed members of the committee who meet the requirements of the corporate by-laws including the following:                             <ul style="list-style-type: none"> <li>i. a majority of the members must have financial competency,</li> <li>ii. all members must be independent,</li> <li>iii. all members are eligible to be members of the committee;</li> </ul> </li> <li>c. appointed a chairperson and a vice-chairperson of the committee; and</li> <li>d. documented the appointment of the members of the committee and their terms of office.</li> </ul>
<b>PRO.05 RETENTION OF MEETING RECORDS</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the retention of records related to meetings of all committee and governing body meetings.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the retention of the agenda and minutes of all committee and governing body meetings for at least seven years.</p>
<b>PRO.06 STRATEGIC PLAN</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the preparation of a strategic plan for the organization for purposes of informing financial and organizational decision-making.</p>
	<p>The governing body of the NPO demonstrates that the NPO</p> <ul style="list-style-type: none"> <li>a. has established and implemented a current documented strategic plan that articulates a long-term vision for the NPO and NPO members to be used by the NPO for the purpose of informing financial and organizational decision making, and</li> <li>b. reviews the strategic plan on a regular, periodic basis and revises it as necessary.</li> </ul>
<b>PRO.07 ANNUAL OPERATING AND CAPITAL BUDGET</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the preparation of an annual operating and capital budget for the next fiscal year.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures for</p> <ul style="list-style-type: none"> <li>a. the approval by the governing body of an annual operating and capital budget of the NPO for the following fiscal year no later than the last day of the current fiscal year, and</li> </ul>

	b. the approval by the governing body of any changes to the annual budget.
<b>PRO.08 MULTI-YEAR FINANCIAL PLAN</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the annual preparation of a multi-year financial plan for the NPO for the purpose of informing financial decision-making in a manner that is consistent with and supports the objectives of the NPO's strategic plan referred to in standard PRO.06.
	The governing body of the NPO demonstrates a current documented multi-year financial plan for the NPO that <ul style="list-style-type: none"> <li>a. meets the requirements of the corporate by-laws,</li> <li>b. is consistent with and supports the objectives of the strategic plan referred to in standard PRO.06,</li> <li>c. is based on the projections of revenues, expenditures and transfers between accounts,</li> <li>d. includes all required reserves;</li> <li>e. includes the life-cycle management program for tangible capital assets, and</li> <li>f. includes any planned capital asset projects.</li> </ul>
<b>PRO.09 INFORMING OR INVOLVING NPO MEMBERS</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the means by which NPO members will be involved in or informed about <ul style="list-style-type: none"> <li>a. the strategic plan referred to in standard PRO.06,</li> <li>b. the multi-year financial plan referred to in standard PRO.08,</li> <li>c. the annual operating and capital budget referred to in standard PRO.07 including any anticipated budget surplus or deficit, and</li> <li>d. extraordinary expenditures.</li> </ul>
	The governing body of the NPO demonstrates that it has complied with the requirements of the corporate by-laws or NPO policies and procedures respecting the involvement in or informing of NPO members about the strategic plan, annual operating and capital budget and multi-year financial plan.
<b>PRO.10 SUCCESSION PLANNING</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the preparation and annual maintenance of a succession plan for key management personnel.

	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the preparation and annual maintenance of a succession plan for key management personnel.
<b>PRO.11 RISK MANAGEMENT STRATEGY</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, a risk management strategy.
	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting a risk management strategy including the development, review and maintenance of a risk register that records details including the assigned risk owner and risk remediation plan.
<b>PRO.12 RISK ASSESSMENT</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, an annual risk assessment that is based on the strategy referred to in standards PRO.11.
	The governing body of the NPO demonstrates that it conducts an annual risk assessment that includes the risk of fraud.
<b>PRO.13 MANUAL JOURNAL ENTRIES</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the periodic independent review of manual journal entries.
	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the periodic independent review of manual journal entries to determine their validity and accuracy.
<b>PRO.14 INSURANCE</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, requirements for liability, property and other insurance of the NPO, including insurance respecting assets under the NPO's care or control.
	The governing body of the NPO demonstrates that it has implemented policies and procedures to ensure that the requirements of the corporate by-laws respecting insurance coverage of the NPO have been met including the following: <ul style="list-style-type: none"> <li>a. the identification of the material risks of the NPO for which insurance coverage may available;</li> <li>b. the identification and procurement of appropriate insurance coverage;</li> </ul>

	<ul style="list-style-type: none"> <li>c. the approvals required for insurance coverage; and</li> <li>d. the actions required to avoid lapses in coverage.</li> </ul>
<b>PRO.15 QUARTERLY REPORTING</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the preparation of quarterly financial statements and accompanying management reports respecting the financial and operating affairs of the NPO and for their provision to the governing body and the audit committee.
	<p>The governing body of the NPO demonstrates that quarterly financial statements and accompanying management reports (including year-to-date budget-to-actual comparisons and variance explanations) that summarize all financial and operating activities of the NPO are being</p> <ul style="list-style-type: none"> <li>a. prepared by the finance director,</li> <li>b. considered and recommended by the audit committee to the governing body not later than thirty (30) days after the quarter for which the statements and reports were prepared, and</li> <li>c. considered and approved by the governing body not later than forty-five (45) days after the quarter for which the statements and reports were prepared.</li> </ul>
<b>PRO.16 APPOINTMENT OF PUBLIC ACCOUNTANT</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the appointment and dismissal of the NPO's auditor.
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures for the appointment and dismissal of the public accountant including the following:</p> <ul style="list-style-type: none"> <li>a. determining that a proposed public accountant meets the requirements of the corporate by-laws;</li> <li>b. confirming that a public accountant has been appointed to perform an audit of the NPO's annual financial statements as required by the corporate by-laws and the terms of a signed engagement letter;</li> <li>c. specifying the basis for dismissing a public accountant; and</li> <li>d. replacing a public accountant who has been dismissed or who has resigned.</li> </ul>
<b>PRO.17 AUDITOR QUALIFICATIONS</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the minimum qualifications of an auditor.
	The governing body of the NPO demonstrates that it has appointed a public accountant that is

	<ul style="list-style-type: none"> <li>a. independent of the NPO, and</li> <li>b. a public accounting firm or public accountant             <ul style="list-style-type: none"> <li>i. in good standing with the provincial or territorial body of the Chartered Professional Accountants of Canada in the province or territory in which the public accounting firm or public accountant is practicing, and</li> <li>ii. licensed or otherwise authorized to practice public accounting in the province or territory in which the NPO is located.</li> </ul> </li> </ul>
<b>PRO.18 ANNUAL FINANCIAL STATEMENT AUDIT</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the annual appointment of a licensed and qualified public accountant to conduct an audit of the NPO's annual general purpose financial statements in accordance with Canadian generally accepted auditing standards.</p>
	<p>The governing body of the NPO demonstrates that it has appointed a licensed and qualified public accountant to conduct an audit of the NPO's annual general purpose financial statements in accordance with Canadian generally accepted auditing standards.</p>
<b>PRO.19 REVIEW AND RESPOND TO MANAGEMENT LETTER</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the review and evaluation of any management letter or internal control recommendations provided by the NPO's auditor.</p>
	<p>The governing body of the NPO demonstrates that it has reviewed and evaluated any management letter or internal control recommendations provided by the NPO's public accountant including management's planned response to each recommendation.</p>
<b>PRO.20 PREPARE AND ISSUE AUDITED FINANCIAL STATEMENTS</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the preparation, approval and issuance of the NPO's annual audited financial statements within one hundred twenty (120) days of the fiscal year end.</p>
	<p>The governing body of the NPO demonstrates that</p> <ul style="list-style-type: none"> <li>a. it has received and considered a recommendation from the Audit Committee on the approval of the annual audited financial statements;</li> <li>b. it has reviewed and approved the audited annual financial statements of the NPO within one hundred twenty (120) days after the fiscal year-end or such earlier time specified in the corporate by-laws, and</li> </ul>

	<p>c. the audited annual financial statements have been signed by the persons required in the corporate by-laws.</p>
<p><b>PRO.21 PUBLISH ANNUAL AUDITED FINANCIAL STATEMENTS</b></p>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the availability of the annual audited financial statements referred to in standard PRO.20 to NPO members.</p>
	<p>The governing body of the NPO demonstrates that the approved annual financial statements of the NPO, together with a corresponding signed Independent Auditor's Report, has been made available to NPO members.</p>
<p><b>PRO.22 PREPARE AND FILE STATUTORY RETURNS</b></p>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the preparation and filing of all annual tax and information returns within statutory deadlines.</p>
	<p>The governing body of the NPO demonstrates that it has prepared and filed of all annual tax and information returns within statutory deadlines.</p>
<p><b>PRO.23 REVIEW TOTAL COMPENSATION</b></p>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the review and approval of remuneration and expenses of the Executive Director.</p>
	<p>The governing body demonstrates that the total compensation package of the Executive Director is reviewed and approved by the governing body or a committee and expenses are reviewed at least annually by a member(s) of the governing body.</p>
<p><b>PRO.24 PREPARE ANNUAL REPORT</b></p>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the preparation of an annual report of the NPO containing the following:</p> <ul style="list-style-type: none"> <li>a. description of the strategy being used to achieve the purpose of the NPO;</li> <li>b. goals and performance measures with comparison to original expectations;</li> <li>c. risks and opportunities;</li> <li>d. environmental, social and governance considerations;</li> <li>e. financial highlights; and</li> <li>f. future outlook.</li> </ul>



	<p>The governing body of the NPO demonstrates that it has prepared the annual report of the NPO by the earlier of</p> <ol style="list-style-type: none"> <li>the time specified in the corporate by-laws, or</li> <li>one hundred eighty (180) days after the fiscal year-end.</li> </ol>
<b>PRO.25 PUBLISH ANNUAL REPORT</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the publication of the annual report of the NPO required in PRO.24 within one hundred eighty (180) days of the fiscal year end.</p>
	<p>The governing body of the NPO demonstrates that it has published the annual report of the NPO required in PRO.24 by the earlier of</p> <ol style="list-style-type: none"> <li>the time specified in the corporate by-laws, or</li> <li>one hundred eighty (180) days after the fiscal year-end.</li> </ol>
<b>RECORDING, SAFEGUARDING AND MONITORING ASSETS</b>	
<b>RSMA.01 PHYSICAL SECURITY</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the physical security controls and permissions over access to buildings, premises, information technology systems and moveable assets.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the physical security controls and permissions over access to buildings, premises, information technology systems and moveable assets.</p>
<b>RSMA.02 CASH MANAGEMENT</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the means for effectively managing and controlling all NPO funds and revenues, including internal controls for financial institution accounts and asset management.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the means for effectively managing and controlling all NPO funds and revenues, including internal controls for financial institution accounts and asset management.</p>
<b>RSMA.03 SEGREGATION OF DUTIES</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the segregation of duties within the cash process.</p>

	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures requiring different people to</p> <ul style="list-style-type: none"> <li>a. receive, handle and deposit cash and cash equivalents; and</li> <li>b. record receipts and disbursements in the accounting records or system.</li> </ul>
<b>RSMA.04 SIGNING AUTHORITY</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the signing authorities for each of the NPO's financial institution accounts.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the signing authorities for each of the NPO's financial institution accounts.</p>
<b>RSMA.05 FINANCIAL INSTITUTION ACCOUNTS</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the operation and record keeping of the NPO's financial institution accounts.</p>
	<p>The governing body of the NPO demonstrates that the NPO's financial institution accounts are operated as follows:</p> <ul style="list-style-type: none"> <li>a. all accounts are maintained and operated solely for identified purposes;</li> <li>b. current records of all account transactions are retained and available for review at any time;</li> <li>c. all records pertaining to financial institution authorities are maintained and changes reported to the audit committee;</li> <li>d. written notification of any withdrawal or change to cheque writing limitations established by the governing body, the audit committee or the finance director is communicated as soon as possible to the financial institution with a copy retained in the NPO's records; and</li> <li>e. any restricted monies are deposited in a separate account and accounted for on a separate basis.</li> </ul>
<b>RSMA.06 ACCOUNT RECONCILIATIONS</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the monthly reconciliation and review of general ledger account balances including:</p> <ul style="list-style-type: none"> <li>a. financial institution accounts;</li> <li>b. accounts receivable; and</li> </ul>

	<ul style="list-style-type: none"> <li>c. any other material asset, equity or fund balance.</li> </ul>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the monthly reconciliation and review of general ledger account balances including:</p> <ul style="list-style-type: none"> <li>a. financial institution accounts;</li> <li>b. accounts receivable;</li> <li>c. any other material asset, equity or fund balance.</li> </ul>
<b>RSMA.07 TIMING OF ACCOUNT RECONCILIATIONS</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the timing of when accounts described in standard RSMA.06 must be reconciled by.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures requiring the accounts listed in standard RSMA.06 to be reconciled and independently reviewed within thirty (30) days of the end of the month, except under documented extenuating circumstances.</p>
<b>RSMA.08 IDENTIFY AND TRACK EXTERNAL RESTRICTIONS</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the identification, tracking and recording of all internal and external restrictions over the use of the NPO's funds or assets.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the identification, tracking and recording of all internal and external restrictions over the use of the NPO's funds or assets.</p>
<b>RSMA.09 RECONCILE DONATIONS, GRANTS, AND CONTRIBUTIONS</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the reconciliation of donations, grants and contributions.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the reconciliation of donations, grants and contributions within thirty (30) days of the end of each month.</p>
<b>RSMA.10 INVESTMENT STRATEGY</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, effective investment management strategy for NPO funds.</p>

	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting an effective investment management strategy for NPO funds that requires the following:</p> <ul style="list-style-type: none"> <li>a. risk assessments to be performed and criteria to be met with respect to risk before investing;</li> <li>b. preservation of capital requirements;</li> <li>c. liquidity requirements;</li> <li>d. determination of how passive or active management of funds will be;</li> <li>e. approvals to be given before investing;</li> <li>f. reviews to be conducted to determine if the investments meet the requirements of the corporate by-laws and are consistent with the investment management strategy of the NPO;</li> <li>g. records to be kept and retained of all investment decisions;</li> <li>h. portfolio review frequency;</li> <li>i. legislative compliance;</li> <li>j. ethical, social and environmental requirements or restrictions; and</li> <li>k. appropriate fee structure.</li> </ul>
<b>RSMA.11 MONITOR INVESTMENTS</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the periodic review of the performance of the NPO's investments.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the periodic review of the performance of the NPO's investments including:</p> <ul style="list-style-type: none"> <li>a. whether the financial return of each investment or investment class has met original projections and expectations;</li> <li>b. whether the investment risk to the NPO has materially changed since the last review; and</li> <li>c. whether any corrective action is needed to ensure the NPO achieves its investment objectives.</li> </ul>
<b>RSMA.12 TANGIBLE CAPITAL ASSET REGISTER</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the requirement for tangible capital assets to be</p> <ul style="list-style-type: none"> <li>a. recorded in an asset register,</li> <li>b. adequately safeguarded,</li> <li>c. maintained in accordance with a life-cycle management program as described in standard RSMA.14, and</li> </ul>

	<ul style="list-style-type: none"> <li>d. planned, financed, managed and constructed to acceptable standards.</li> </ul>
	<p>The governing body of the NPO demonstrates that it has</p> <ul style="list-style-type: none"> <li>a. recorded all tangible capital assets in a register,</li> <li>b. implemented adequate safeguards to preserve the value and longevity of tangible capital assets,</li> <li>c. implemented a life-cycle management program as described in standard RSMA.14, and</li> <li>d. planned, financed, managed and constructed tangible capital assets to acceptable standards.</li> </ul>
<b>RSMA.13 TANGIBLE CAPITAL ASSET RESERVE FUND</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the establishment and use of a reserve fund to help finance the future repair, rehabilitation and replacement of the NPO's tangible capital assets.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting a reserve fund to help finance the future repair, rehabilitation and replacement of the NPO's tangible capital assets.</p>
<b>RSMA.14 TANGIBLE CAPITAL ASSET LIFE-CYCLE MANAGEMENT PLAN</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, a documented life-cycle program that includes regular inspection, planning and oversight of NPO tangible capital assets and tangible capital asset projects.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting a tangible capital asset life-cycle management program that includes the following:</p> <ul style="list-style-type: none"> <li>a. the development, maintenance and updating of a register for NPO tangible capital assets;</li> <li>b. the regular, periodic inspection of NPO tangible capital assets;</li> <li>c. for routine maintenance of NPO tangible capital assets, preparation of the following:             <ul style="list-style-type: none"> <li>i. a plan for annual scheduling of required maintenance for the next fiscal year;</li> <li>ii. short and long term forecasting of estimated costs;</li> <li>iii. a budget for required maintenance for the next fiscal year; and</li> <li>iv. a report on any deferred maintenance and any resulting risks to the NPO;</li> </ul> </li> <li>d. for tangible capital asset projects, preparation of the following:             <ul style="list-style-type: none"> <li>i. a plan for annual scheduling of projects for the next fiscal year;</li> <li>ii. short and long term forecasting of estimated costs of projects; and</li> <li>iii. a budget for projects for the next fiscal year; and</li> </ul> </li> <li>e. the annual review by the audit committee of the:</li> </ul>

	<ul style="list-style-type: none"> <li>i. contributions made to, and balance of, the tangible capital asset reserve fund; and</li> <li>ii. proposed scheduling and budgets for routine maintenance and tangible capital asset projects.</li> </ul>
<b>CONTROLS OVER PURCHASING, PAYABLES AND PAYMENTS</b>	
<b>PPP.01 EXPENDITURE MANAGEMENT</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the means for managing effectively all expenditures, including internal controls respecting financial institution accounts and the procurement of goods and services.
	The governing body of the NPO demonstrates that it is effectively managing all expenditures, including internal controls respecting financial institution accounts and the procurement of goods and services, in accordance with the requirements of any applicable policies and procedures.
<b>PPP.02 SEGREGATION OF DUTIES</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, appropriate segregation of duties to ensure appropriate financial controls from the initiation of a financial commitment up to its actual payment or settlement.
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting appropriate segregation of duties to ensure appropriate financial controls from the initiation of a financial commitment up to its actual payment or settlement including a process as follows:</p> <ul style="list-style-type: none"> <li>a. all forms of payment for expenditures require two signatures or two documented approvals before a cheque is issued or payment authorized;</li> <li>b. the authorization of an expenditure and the approval of payment of an authorized expenditure must not be exercised by the same person in respect to any payment; and</li> <li>c. all records verifying compliance with this standard must be retained.</li> </ul>
<b>PPP.03 DELEGATION OF AUTHORITY</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the delegation of authority over the</p> <ul style="list-style-type: none"> <li>a. initiation of a financial commitment or guarantee;</li> <li>b. approval of a financial commitment, contract, guarantee or expenditure; and</li> <li>c. approval of payment or settlement.</li> </ul>

	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the delegation of authority over the</p> <ul style="list-style-type: none"> <li>a. initiation of a financial commitment or guarantee;</li> <li>b. approval of a financial commitment, contract, guarantee or expenditure; and</li> <li>c. approval of payment or settlement.</li> </ul>
<b>PPP.04 VENDOR MASTER FILE</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the access restrictions, review and approvals required for changes to the organization's vendor master list.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the organization's vendor master list including:</p> <ul style="list-style-type: none"> <li>a. how access is restricted to authorised individuals;</li> <li>b. what review and approval are required before any new vendors are added; and</li> <li>c. periodic review to identify and remove or de-activate inactive vendors.</li> </ul>
<b>PPP.05 EXPENDITURE REQUISITIONS</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the requisitioning of expenditures, financial commitments or guarantees.</p>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the requisitioning of expenditures, financial commitments or guarantees.</p>
<b>PPP.06 ACCOUNT RECONCILIATIONS</b>	
	<p>The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the monthly reconciliation and review of general ledger account balances including:</p> <ul style="list-style-type: none"> <li>a. accounts payable;</li> <li>b. salaries, wages and payroll remittances;</li> <li>c. loans; and</li> <li>d. any other liabilities, accruals or provisions.</li> </ul>
	<p>The governing body of the NPO demonstrates that it has implemented policies and procedures respecting the monthly reconciliation and review of general ledger account balances including:</p> <ul style="list-style-type: none"> <li>a. accounts payable;</li> <li>b. salaries, wages and payroll remittances;</li> <li>c. loans; and</li> </ul>

	d. any other liabilities, accruals or provisions.
<b>PPP.07 TIMING OF ACCOUNT RECONCILIATIONS</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the timing of when account reconciliations must be completed by.
	The governing body of the NPO demonstrates that it has implemented policies and procedures requiring the accounts listed in standard PPP.06 to be reconciled and independently reviewed within thirty (30) days of the end of the month, except under documented extenuating circumstances.
<b>PPP.08 APPROVAL OF LOANS</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the incurring of debt by the NPO, debt management and use of borrowed funds.
	The governing body of the NPO demonstrates that it has implemented policies and procedures respecting <ul style="list-style-type: none"> <li>a. the proper consideration of the need for the NPO to incur debt obligations including the evaluation of different potential financing arrangements;</li> <li>b. the approval of the terms and conditions of debt obligations including any required resolution and membership involvement;</li> <li>c. the timely payment of debt obligations by the NPO;</li> <li>d. the monitoring and reconciliation of debt transactions; and</li> <li>e. the reporting of debt obligations in accordance with the requirements of GAAP, the corporate by-laws and any agreements under which the debt obligations were incurred.</li> </ul>
<b>PPP.09 DEBT RECORDS</b>	
	The governing body of the NPO demonstrates that the NPO has a corporate by-law that includes provisions respecting, or requires the governing body to establish policies and procedures respecting, the maintenance of debt records.
	The governing body of the NPO demonstrates that it has maintained the following records for every debt obligation of the NPO: <ul style="list-style-type: none"> <li>a. the principal amount borrowed;</li> <li>b. the date or dates all or any part of the principal amount must be repaid;</li> <li>c. the date or dates when interest on the debt must be paid;</li> <li>d. calculations used to demonstrate compliance with any debt covenants;</li> <li>e. the cost of borrowing including interest payments and service or other charges;</li> <li>f. the purpose for which the debt has been incurred; and</li> </ul>



	g. the authority under which the debt was incurred including any required resolution and membership involvement.
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## PART 2 – FINANCIAL PERFORMANCE MEASURES FOR NPOS

DEFINITIONS	
	“amortization expense” means the expense accounted for on the statement of operations representing the allocation of the cost of tangible capital assets over their useful lives;
	<p>“collection” means works of art, historical treasures or similar assets that are:</p> <ul style="list-style-type: none"> <li>(i) held for public exhibition, education or research;</li> <li>(ii) protected, cared for and preserved; and</li> <li>(iii) subject to an organizational policy that requires any proceeds from their sale to be used to acquire other items to be added to the collection or for the direct care of the existing collection.</li> </ul>
	“expenses” including losses, means decreases in economic resources, either by way of outflows or reductions of assets or incurrences of liabilities, resulting from an entity’s ordinary revenue generating or service delivery activities;
	“interest” means interest expense;
	“inventory” means goods that are in various stages of being made ready for sale, including: finished goods (that are available to be sold), work-in-progress (meaning in the process of being made) and raw materials (to be used to produce more finished goods);
	“liabilities” means the obligations arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future;
	“NPO” means the non-profit organization, alternatively referred to as a not-for-profit organization;
	“prepaid expenses” means an expenditure paid for in one accounting period, but for which the underlying asset will not be consumed until a future period;
	“revenues” including gains, means increases in economic resources, either by way of inflows or enhancements of assets or reductions of liabilities, resulting from the ordinary activities of an entity. Revenues of not-for-profit organizations normally arise from donations, government grants and other contributions as well as from membership fees, the sale of

	goods, the rendering of services or the use by others of entity resources yielding rent, interest, royalties or dividends;
	<p>“tangible capital assets” means identifiable tangible assets that meet all of the following criteria:</p> <ol style="list-style-type: none"> <li>a. are held for use in the provision of services, for administrative purposes, for production of goods or for the maintenance, development or construction of other tangible capital assets;</li> <li>b. have useful economic lives extending beyond an accounting period;</li> <li>c. have been acquired, constructed or developed with the intention of being used on a continuing basis;</li> <li>d. are not for sale in the ordinary course of business; and</li> <li>e. are not held as part of a collection (as defined above);</li> </ol>
	<p>“tangible capital asset expenditure” means any amount, generally reported in the statement of changes in net assets, statement of cash flows or statement of operations of the financial statements of an NPO, which was paid to construct new, or support the maintenance of existing, tangible capital assets other than land.</p>
	<p>Application of definitions - Unless the context indicates otherwise, the financial terms used in these standards and not otherwise defined have the same meanings as defined in the CPA Canada Accounting Standards for Not-for-Profit Organizations Handbook.</p>

FPM.01 FISCAL GROWTH RATIO (“FGR”)	
	<p>Purpose of FGR - The purpose of the FGR is to measure an NPO’s ability to sustain and grow its financial capacity.</p>
	<p>Description of FGR - The FGR measures the average annual revenue growth rate expressed as a percentage.</p> <p>A growth rate greater than 0 indicates that revenue is growing. A ratio of 0 would indicate no revenue growth when compared to the prior year. A growth rate of less than 0 indicates that revenue is decreasing which could indicate an unsustainable trend.</p>

	<p>Measure of FGR – The FGR between two contiguous years is measured using the following calculation:</p> $\frac{(TR_x - TR_{(x-1)})}{TR_{(x-1)}}$ <p>TR<sub>x</sub>: Total revenue in year “X”  TR<sub>(x-1)</sub>: Total revenue from the fiscal year one prior to year “X”</p> <p>The average FGR for the period under review is determined by taking the average of the FGR results between all contiguous years in the period under review (e.g. the average of the growth rate between Year -1 and Year 0, Year -2 and Year -1, Year -3 and Year -2 and Year -4 and Year -3).</p>
	<p>Thresholds - The NPO demonstrates that its average FGR for the period under review is not lower than -5.0%</p>
<p><b>FPM.02 OPERATING MARGIN RATIO (“OMR”)</b></p>	
	<p>Purpose of OMR - The purpose of the OMR is to measure an NPO’s ability to sustain fiscal balance.</p>
	<p>Description of OMR - The OMR measures the ability of an NPO to sustain structural fiscal balance by determining the extent to which its revenues have been sufficient to meet its expenses.</p> <p>A ratio greater than 0 indicates that sufficient revenue is generated to meet expenses. A ratio less than 0 would indicate that the NPO is spending beyond its revenue base and thus, exerting stress on its financial capacity. A ratio of exactly 0 would imply a NPO’s earnings are equal to its expenditures.</p> <p>A cumulative positive OMR indicates fiscal balance has been maintained, whereas a pattern of deficits signals fiscal imbalance and a need to fund deficits by borrowing.</p>
	<p>Measure of OMR – The OMR for the period under review is measured using the following calculation:</p> $\frac{(TR - TE)}{TR}$ <p>TR: Total revenues during the period under review</p>

	TE: Total expenses during the period under review
	Thresholds - The NPO demonstrates that its average OMR for the period under review is not lower than -5.0%
<b>FPM.03 ASSET MAINTENANCE RATIO (“AMR”)</b>	
	Application of AMR – Standard FPM.03 applies only to NPOs with tangible capital assets with an original cost in excess of \$500,000. NPOs with tangible capital assets with an original cost less than \$500,000 are exempt from compliance with this Standard.
	Purpose of AMR - The purpose of the AMR is to measure an NPO’s ability to sustain its investment in its tangible capital assets other than land.
	<p>Description of AMR - The AMR measures the NPO’s total tangible capital expenditures (other than for land) relative to the NPO’s total amortization cost, expressed as a percentage.</p> <p>The AMR assess whether the overall asset base is increasing, or being replenished, at a rate equal to, or higher than, the consumption of assets (i.e. ratio greater than or equal to 1.0).</p> <p>The AMR is an indicator of the willingness of the NPO to maintain the current level of investment in capital assets and provides a measure of the NPO’s ability to execute a tangible capital assets maintenance plan.</p> <p>An AMR of less than 1 over extended years can create fiscal stress in the future. Delayed maintenance or replacement of capital assets may result in outdated assets which affect the NPO’s ability to provide programs or services.</p>
	<p>Measure of AMR – The AMR for the period under review is measured using the following calculation:</p> $\frac{\text{TTCE}}{\text{TAE}}$ <p>TTCE: Total tangible capital asset expenditures during the period under review TAE: Total amortization expense during the period under review</p>
	Thresholds - The NPO demonstrates that its average AMR for the period under review is not lower than 100.0%

FPM.04 NET DEBT RATIO (“NDR”)	
	<p>Purpose of NDR - The purpose of the Net Debt Ratio is to measure aa NPO’s ability to manage its overall level of debt</p>
	<p>Description of NDR - The NDR measures the size of the net debt burden in relation to one year’s annual revenue available to service the debt.</p> <p>The NDR indicates whether an NPO’s debt load is sustainable or potentially restricting its financial flexibility to incur more debt.</p> <p>An increasing NDR indicates total debt is becoming more onerous on the NPO, which could lead to long-term sustainability concerns. A decreasing NDR indicates the NPO’s capacity to incur more debt is strengthening.</p>
	<p>Measure of NDR – The NDR in a given year is measured using the following calculation:</p> $\frac{[TL_x - (TA_x - TCA_x - PPD_x - INV_x)]}{TR_x}$ <p>TL<sub>x</sub>: Total liabilities in year ‘X’                      TA<sub>x</sub>: Total assets in year ‘X’                      TCA<sub>x</sub>: Tangible capital assets in year ‘X’                      PPD<sub>x</sub>: Prepaid expenses in year ‘X’                      INV<sub>x</sub>: Inventory in year ‘X’                      TR: Total Revenue in year ‘X’</p> <p>The weighted average NDR for the period under review is determined by weighting the NDR for each year and summing those results. The weighting factors are 0.3, 0.3, 0.2, 0.1, and 0.1, for the years from most recent to least recent, respectively.</p>
	<p>Thresholds - The NPO demonstrates that its weighted average NDR for the period under review does not exceed 50.0% or that its NDR for the most recent year of the period under review does not exceed 50.0%.</p>
FPM.05 INTEREST EXPENSE RATIO (“IER”)	
	<p>Purpose of IER - The purpose of the IER is to measure as NPO’s ability to manage its overall level of debt.</p>
	<p>Description of IER - The IER measures the size of the NPO’s interest expense burden in relation to annual revenue.</p>

	<p>Measure of IER – The IER for the period under review is measured using the following calculation:</p> $\frac{\text{TIE}}{\text{TR}}$ <p>TIE: Total interest expense during the period under review TR: Total revenues during the period under review</p>
	<p>Thresholds - The NPO demonstrates that its average IER Ratio for the period under review does not exceed 5.0%.</p>

PROPOSED STANDARDS

## APPENDIX A – SURVEY QUESTIONS

The FMB is seeking feedback on the proposed NPO Standards. For convenience, these questions can be answered using an [online feedback form](#). Alternatively, written comments may be sent by email to the FMB's Standards and Certification team: [standards@fnfmb.com](mailto:standards@fnfmb.com)

### Benchmarking questions

1. Please tell us about your organization.
  - Not-for-profit organization
  - Tribal Council
  - First Nation government
  - Advisor to First Nations governments or NPOs
  - Other (please specify)

2. Organization Name:

3. Is your organization federally or provincially incorporated?
  - Federal
  - Provincial
  - Not incorporated
  - Incorporated, but not sure of jurisdiction

4. Please tell us a bit more about yourself and your role at your organization.
  - Finance or administration
  - Board member
  - Advisor
  - Other (please specify)

5. Is there a need within the next 12 months by your organization to access funding for capital project purposes?
  - Yes (please provide an example(s) of proposed capital project your NPO is planning on undertaking)
  - No

6. What type of financial planning and reporting is your organization currently producing? (Select all applicable responses).
- Annual budgets
  - Annual financial statements
  - Annual reports
  - Documented strategic plan
7. What level of assurance (auditor involvement), if any, does your organization obtain for its annual financial statements?
- Audit opinion
  - Review engagement
  - Compilation or notice to reader
  - None of the above
8. Would your organization be interested in providing its annual financial statements to the FMB for use by the FMB in its extended benchmarking analysis of the proposed financial performance ratios?
- Yes (please provide your email below)
  - No

NPO Standards questions

9. Are there any standards you would like to see changed, added or removed from the proposed financial management system standards?
- Yes (please provide as many details as possible with your reasoning or rationale)
  - No

10. Are there any financial performance measures you like to see changed, added or removed from the assessment of financial performance of a NPO? Should any of the ratios that have been excluded be re-considered<sup>2</sup>? If so, please provide details regarding the suggested measure and rationale.
- Yes
  - No

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<sup>2</sup>Refer to Appendix A of the *Proposed Standards and Performance Measures for Not-for-profit Organizations – Invitation to Comment* for a list of other financial performance measured considered.



11. Are there any foreseeable challenges regarding the implementation of the proposed NPO standards by not-for-profit organizations? If so, please provide a brief explanation.

- Yes
- No

12. Do you have any other feedback, comments or suggestions to share with the FMB about the proposed NPO Standards?

PROPOSED STANDARDS