

BY-LAW, FINANCIAL MANAGEMENT AND FINANCIAL PERFORMANCE STANDARDS

INDIGENOUS NOT-FOR-PROFIT
ORGANIZATIONS



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INTRODUCTION TO THE 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”) was 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 treaty and self-governing Nations, tribal councils and Indigenous not-for-profit organizations.

The standards presented in this document have been developed specifically for Indigenous not-for-profit organizations (referred to collectively as “NPOs”). Under paragraph 50.1 (1) e. of the Act, these are organizations established to provide public services, including social welfare, housing, recreational, cultural, health or educational services, to Aboriginal groups or Aboriginal persons. These standards may also be applied by tribal councils operating as not-for-profit organizations that meet the definition from paragraph 50.1(1) e.

With the new standards for Indigenous NPOs, the FMB has built upon its expertise and experience as a standards-setter for First Nation governments. The FMB’s existing standards are well-established and are based on internationally recognized good governance and finance practices, adapted to meet the needs of First Nations. In developing standards for NPOs, the FMB recognized that the structure and operations of Indigenous NPOs are different from the First Nation governments that the FMB has historically served. As a result, new financial management practices and financial performance measures were researched and developed by the FMB in order to best serve this new client segment. The Indigenous Not-for-Profit Organization Standards (referred to as the “NPO Standards”) have a strong foundation in the existing standards for First Nation governments, but recognize the unique characteristics of Indigenous not-for-profit organizations, including variations in size, structure, membership, services, revenues, geography, accounting framework and governing legislation.

The NPO Standards consist of two parts: combined standards for by-laws and financial management, and standards for measuring financial performance. These new standards will be the framework used by the FMB to assess an NPO’s internal control environment and historical financial performance. At this time, the FMB cannot issue a Certificate to an NPO. The authority for the FMB to issue a Certificate to an NPO under the Act will depend on the development and enactment of new regulations under section 141.1 of the Act. It is anticipated that in the future, these NPO Standards will be used to determine an NPO’s eligibility for Certification.

Part 1 – By-law and Financial Management System Standards for NPOs

Part 1 of the NPO Standards focuses on by-law content and financial management practices designed specifically for NPOs. The standards in Part 1 are primarily principles based and less prescriptive about specific requirements, which allows the standards to be applied by different types of NPOs.

The FMB has developed an internal control framework for NPOs, shown in **Figure A** on the following page, around which the Part 1 standards have been designed. The By-Law and Financial Management

System Standards include detailed requirements within each of the following five key areas of financial management.

Figure A - FMB's internal control framework for NPOs



- **Organizational Policies and Procedures** – This section contains standards related to establishing policies and procedures in certain areas of risk management and conduct expectations, including conflicts of interest.
- **Human Resource Management** – This section contains standards specific to human resources management, including hiring, dismissals, performance management, records management and key roles in financial administration.
- **Planning, Reporting and Oversight** – This section contains standards specific to financial planning and budgeting, financial reporting, 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 over Purchasing, Payables and Payments** – This section contains standards related to expenditure management, account reconciliations, and borrowing.

Unlike the FMB's existing standards for First Nation governments where the financial administration law requirement and the financial management systems standards are separate, the NPO Standards combine the by-law and financial management requirements for NPOs. Part 1 of the NPO Standards include requirements for both the content of the by-laws, policies, and procedures and the implementation of those by-laws, policies, and procedures by an NPO. Each section of the NPO

Standards is comprised of two components. The first component of the standards requires an NPO to establish provisions in their by-law and/or policies and procedures respecting an area of financial management (for example, the mitigation and management of conflicts of interest). The second component of the standards requires an NPO to demonstrate that it has implemented the required provisions of the by-law and/or policies and procedures.

Part 2 – Financial Performance Standards for NPOs

Part 2 consists of five financial performance ratios, shown in **Figure B**, that measure an NPO's historical financial performance. These ratios measure an 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 financial performance ratios

FISCAL GROWTH RATIO	OPERATING MARGIN RATIO	ASSET MAINTENANCE RATIO	NET DEBT RATIO	INTEREST EXPENSE RATIO
Total revenue in the CY less total revenue in the PY / Total revenue in the PY	Total revenue less total expenses / Total revenue	Total tangible capital asset expenditures / Total amortization expense	Total liabilities less total non-financial assets / Total revenue	Total interest expense / Total revenue
This ratio measures the year-over-year revenue growth.	This ratio measures an NPO's ability to sustain fiscal balance.	This ratio determines if the overall asset base is increasing or being replenished.	This ratio measures an NPO'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 NPO's ability to manage its overall level of debt.

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FIRST NATIONS FINANCIAL MANAGEMENT BOARD

STANDARDS FOR INDIGENOUS NOT-FOR-PROFIT ORGANIZATIONS

INTRODUCTION

1.0 PURPOSE OF STANDARDS

1.1	Purpose of standards - These standards are established under subsection 50.1(3) of the Act and address matters related to the content of by-laws, policies, and procedures respecting financial administration, financial management systems and financial performance of entities referred to in subsection 50.1(1) of the Act.
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2.0 COMPLIANCE OPINION

2.1	Application of Procedures – The <i>Indigenous Not-for-Profit Organization Compliance Opinion Policy and Procedures</i> apply to these standards.
2.2	Compliance in all material respects – Before the FMB may issue a compliance opinion on these standards, as permitted under subsection 50.1(2) of the Act, the FMB must be of the opinion that an NPO was, at the time of the review, in compliance, in all material respects, with these standards.

3.0 INTERPRETATION OF STANDARDS

3.1	Definitions – Unless the context indicates otherwise, in these NPO Standards:
	“ Act ” means the <i>First Nations Fiscal Management Act</i> ;
	“ annual financial statements ” means the annual financial statements of an NPO along with supporting note disclosure prepared in accordance with GAAP;
	“ audit report ” means a report, including an opinion along with any relevant qualifications, provided by an NPO’s auditor respecting compliance of the NPO’s annual financial statements with GAAP;
	“ auditor ” means the independent auditor of an NPO;
	“ by-law ” means a bylaw respecting financial administration adopted by an NPO in accordance with the requirements of the law under which the NPO was established;
	“ By-Law and FMS Standards ” means the standards set out in Part 1;
	“ 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;
	“ FP Standards ” means the standards set out in Part 2;

	<p>“GAAP” means generally accepted accounting principles of the Chartered Professional Accountants of Canada, as amended or replaced from time to time, and includes</p> <ol style="list-style-type: none"> CPA Canada Handbook – Accounting, Part III Accounting Standards for Not-for-Profit Organizations, and CPA Canada Public Sector Accounting Handbook (with or without PS 4200 series for Government Not-for-Profit Organizations);
	<p>“governing body” means the board of directors or other body responsible for the overall management and supervision of the activities and affairs of an NPO;</p>
	<p>“including” means ‘including, but not limited to’;</p>
	<p>“NPO” means a not-for-profit organization as defined in paragraph 50.1 (1) e. of the Act and for greater certainty includes a tribal council established as a not-for-profit organization as defined in that paragraph;</p>
	<p>“tangible capital assets” means the tangible capital assets presented on the statement of financial position of the NPO representing identifiable tangible assets that meet all of the following criteria</p> <ol style="list-style-type: none"> 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, have useful economic lives extending beyond an accounting period, have been acquired, constructed or developed with the intention of being used on a continuing basis, are not for sale in the ordinary course of business, and are not held as part of a collection.
3.2	<p>Application of Act definitions – Unless the context indicates otherwise, the words and expressions used in these standards and not otherwise defined have the same meanings as in the Act.</p>
3.3	<p>Rules of interpretation – In these standards, the following rules of interpretation apply</p> <ol style="list-style-type: none"> words in the singular include the plural, and words in the plural include the singular, if a word or expression is defined, other parts of speech and grammatical forms of the same word or expression have corresponding meanings, a reference to a by-law means an NPO’s by-law, a reference to a standard means the standard as amended or replaced from time to time, headings, subheadings and notes are inserted for convenience of reference only, do not form part of these standards and in no way define, limit, alter or enlarge the scope or meaning of any standard.

4.0 CONFLICTS

4.1	<p>Between standards and legislation – In the event of a conflict between a standard and the legislation under which an NPO is established, the legislation prevails to the extent of the</p>
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	conflict.
4.2	Higher standards apply – Despite standard 4.1 if these standards impose a higher standard than that imposed in the legislation under which an NPO was established, the higher standard must be applied.

PART 1 – BY-LAW AND FINANCIAL MANAGEMENT SYSTEM STANDARDS

5.0 PURPOSE OF BY-LAW AND FMS STANDARDS

5.1	Purpose of By-Law and FMS Standards – The purpose of these By-Law and FMS Standards is to identify elements of a financial administration by-law, and to establish basic requirements for sound financial practices for the operation, management, reporting and control of the financial management system of an NPO and include the testing of an NPO’s implementation of those requirements.
5.2	Caution – These By-Law and FMS Standards are not intended to provide a means to assess every requirement of the financial management system of an NPO and should not be relied upon for that purpose.

6.0 INTERPRETATION OF BY-LAW AND FMS STANDARDS

6.1	Definitions – Unless the context indicates otherwise, in these By-Law and FMS Standards:
	“ executive director ” means the senior administrative officer responsible for the day-to-day management or administration of an NPO’s administrative system;
	“ finance director ” means the senior financial manager or controller responsible for the day-to-day management or administration of an NPO’s financial management system;
	“ financial competency ” means the ability to read and understand financial statements that present accounting issues reasonably expected to be raised by an NPO’s financial statements;
	“ financial institution ” means the First Nations Finance Authority, a bank, credit union or caisse populaire;
	“ financial management ” includes financial administration, financial performance and accountability;
	“ life-cycle management program ” means a program of inspection, planning, maintenance, replacement and oversight of an NPO’s tangible capital assets;

	“ NPO members ” means the persons or entities who have been admitted into membership of an NPO in accordance with the conditions set out in the by- laws or articles of incorporation of the NPO;
	“ officer ” means the executive director, finance director and any other employee of an NPO designated by the governing body as an officer;
	“ policy ” means a document stating the overall intentions and directions of the governing body of an NPO respecting specified subject matter;
	“ procedure ” means a document setting out the specified method by which a policy, activity or a process of the NPO is to be carried out;
	“ record ” means anything on which information is recorded or stored by any means whether graphic, electronic, mechanical or otherwise.
6.2	Mandatory provisions – These By-Law and FMS Standards establish requirements which must be complied with by an NPO unless the standard is expressed as permissive.

7.0 SOUND FINANCIAL MANAGEMENT PRACTICES

7.1	Sound practices required – A standard in the By-law and FMS Standards must be met so as to enable an NPO to carry out its financial management in a manner that substantially accords with sound financial management practices of NPOs in Canada.
7.2	Applicable considerations – When determining how a standard is to be met in its financial management system, an NPO may take into consideration the unique characteristics of an NPO, including its social, economic, legal, and geographic environments. The FMB will take these considerations into account when determining if these standards have been met.
7.3	Minimal required content – These standards do not address all the subjects that an NPO may wish to include in its by-laws or financial management system – only those subjects which the NPO must include in its by-laws and financial management system in order to receive a compliance opinion by the FMB under paragraph 50.1(2)(b) of the Act.

DIVISION 1: ORGANIZATIONAL POLICIES AND PROCEDURES

8.0 POLICIES AND PROCEDURES

8.1	By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. The governing body will create either a by-law or policies and procedures respecting, the preparation of all policies and procedures necessary to effectively manage and control the financial management system of the NPO.
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8.2	<p>Required content - The by-law or the policies and procedures referred to in standard 8.1 require</p> <ul style="list-style-type: none"> a. all policies to be approved by the governing body, b. all procedures to be consistent with, and made under the authority of, a policy approved by the governing body, and c. all policies and procedures to be made available to all persons affected by them.
8.3	<p>Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and-or any policies and procedures referred to in standards 8.1 and 8.2.</p>

9.0 RECORDS AND INFORMATION

9.1	<p>By-law or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. <u>The governing body will create either a by-law or policies and procedures</u> respecting, records and information management in order to support compliance by the NPO with its legal requirements and obligations, and the effective operation and control of the NPO's financial management system.</p>
9.2	<p>Required content - The by-law or the policies and procedures referred to in standard 9.1 address the preparation, identification, maintenance, security, storage, retention, access to, disposal of and confidentiality of the records of the NPO, and require</p> <ul style="list-style-type: none"> a. all records maintained for the financial management system of the NPO to be legible, readily identifiable and readily retrievable, b. a process to receive and manage requests made for information respecting the NPO's financial management system, and c. the definition of information the NPO is permitted or required to release and information the NPO is required to retain as confidential.
9.3	<p>Implementation - The governing body of the NPO demonstrates that the NPO has implemented the by-law and-or any policies and procedures referred to in standards 9.1 and 9.2.</p>

10.0 INFORMATION TECHNOLOGY SECURITY

10.1	<p>By-law or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. <u>The governing body will create either a by-law or policies and procedures</u> respecting, the security of information technology and organizational data.</p>
10.2	<p>Required content - The by-law or policies and procedures referred to in standard 10.1 include</p> <ul style="list-style-type: none"> a. reporting and responding to information technology threats or incidents, b. managing and controlling user access to systems and data, c. change management, d. records management, and e. information security standards.

10.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and-or any policies and procedures referred to in standards 10.1 and 10.2.
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11.0 BUSINESS CONTINUITY & DISASTER RECOVERY PLAN

11.1	Policy / Procedures - Policies and procedures require the preparation and maintenance of a business continuity plan, including a disaster recovery plan.
11.2	Required content - The policies and procedures referred to in standard 11.1 require <ol style="list-style-type: none"> a. contingency plans for the recovery of systems, data, and operations; b. the frequency of testing the recovery plan; c. assignment of roles and responsibilities of personnel within a continuity plan; d. the communication of the plan to all affected persons; and e. the annual review of the plan.
11.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standards 11.1 and 11.2.

12.0 RISK MANAGEMENT STRATEGY & RISK ASSESSMENT

12.1	By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. The governing body will create either a by-law or policies and procedures respecting, a risk management strategy.
12.2	Required content - The by-law or the policies and procedures referred to in standard 12.1 include <ol style="list-style-type: none"> a. the development, review and maintenance of a risk register that records details including the assigned risk owner and risk remediation plan, and b. an annual risk assessment, including the assessment of financial reporting risks and the risk of fraud, based on the strategy referred to in standard 12.1.
12.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and-or any policies and procedures referred to in standards 12.1 and 12.2.

13.0 INSURANCE

13.1	By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. The governing body will create either a by-law or 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.
13.2	Required content - The by-law or the policies and procedures referred to in standard 13.1 include <ol style="list-style-type: none"> a. identification of the material risks of the NPO for which insurance coverage may

	<p>available;</p> <p>b. identification and procurement of appropriate insurance coverage;</p> <p>c. approvals required for insurance coverage; and</p> <p>d. actions required to avoid lapses in coverage.</p>
13.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and-or any policies and procedures referred to in standards 13.1 and 13.2.

14.0 GOVERNING BODY RESPONSIBILITIES

14.1	By-law <u>or Policy</u> - A by-law includes provisions- <u>The governing body will create either a by-law or policies and procedures</u> respecting the minimum responsibilities of each member of the governing body when exercising a power, duty or responsibility relating to the financial management of the NPO.
14.2	Required content - The by-law <u>or the policies and procedures</u> referred to in standard 14.1 requires, at a minimum, members of the governing body to <ol style="list-style-type: none"> act honestly, in good faith and in the best interests of the NPO, exercise the care and diligence and skill that a reasonably prudent individual would exercise in comparable circumstances, act in accordance with the by-laws and any legislation applicable to the NPO, and avoid conflicts of interests and to comply with provisions in the by-law or in the policies and procedures of the NPO for the avoidance and mitigation of those conflicts.
14.3	Implementation – The governing body of the NPO demonstrates that it has implemented the by-law <u>or any policies and procedures</u> referred to in standards 14.1 and 14.2.

15.0 CODE OF CONDUCT

15.1	By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures- <u>The governing body will create either a by-law or policies and procedures</u> respecting: conduct expectations for those engaged in the financial management of the NPO.
15.2	Required content - The by-law or the policies and procedures referred to in standard 15.1 require <ol style="list-style-type: none"> all persons who are making financial recommendations or decisions for the NPO to <ol style="list-style-type: none"> behave in an ethical and transparent manner, and comply with all applicable legal requirements, every employee, committee member and contractor to sign a declaration on an annual basis indicating they understand and agree to comply with the applicable conduct expectations as set out in the by-law or policies and procedures, the declaration referred to in paragraph b. to be retained and safeguarded, and the applicable conduct expectations as set out in the by-laws or in policies and

	procedures to be included in the terms of any applicable employment contracts, appointments to the audit committee, and contracts for service with consultants and contractors.
15.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and or any policies and procedures referred to in standards 15.1 and 15.2.

16.0 CONFLICTS OF INTEREST

16.1	By-law or Policy - A by-law includes provisions <u>The governing body will create either a by-law or policies and procedures</u> respecting the avoidance and mitigation of conflicts of interest.
16.2	Required content - The by-law <u>or the policies and procedures</u> referred to in standard 16.1 <ol style="list-style-type: none"> includes a definition of the private interests of members of the governing body, officers, employees, committee members, contractors, and consultants that could result in a conflict of interest, requires members of the governing body to annually disclose their private interests which could result in a conflict of interest, requires members of the governing body, officers, employees, committee members, contractors and consultants to disclose as soon as practicable any circumstances which could result in an actual or potential conflict of interest, requires the recording, retaining and safeguarding of all conflict of interest disclosures made under paragraph b or c, in a manner that protects the privacy of the persons referenced in the disclosures, specifies restrictions on the acceptance of gifts and benefits by any person referred to in paragraph a that might reasonably be seen to have been offered in order to influence the making of a decision by that person, prohibits 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 specifies how any undisclosed or any alleged but not admitted conflicts of interest of any person referred to in paragraph a are to be addressed.
16.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>or any policies and procedures</u> referred to in standard 16.1 and 16.2.

17.0 WHISTLEBLOWER REPORTING

17.1	By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures <u>The governing body will create either a by-law or policies and procedures</u> respecting, the means by which a person may report any alleged or suspected fraud, misappropriation, irregularity or other misconduct in the financial management of the NPO and how these reports must be considered.
17.2	Required content - The by-law or the policies and procedures referred to in standard 17.1

	<p>include</p> <ol style="list-style-type: none"> a. providing for confidential reporting of misconduct, b. recording, maintaining and safeguarding reported misconduct and any records prepared during the inquiry into or investigation of the misconduct, c. safeguarding the confidentiality of the person who reported the misconduct, d. protecting the person who reported the misconduct from reprisals, e. inquiring into or investigating the reported misconduct, f. providing fair and unbiased treatment of the person against whom a report has been made, g. providing appropriate actions to be taken by the governing body if misconduct has occurred and the recording of these actions, and h. communicating the by-law, policies and procedures referred to in this section to all persons involved in the activities of the NPO, including contractors and committee members.
17.3	Implementation - The governing body of the NPO demonstrates that the NPO has implemented the by-law and or any policies and procedures referred to in standard 17.1 and 17.2.

18.0 ORGANIZATION CHART

18.1	Policy / Procedures - Policies and procedures require the preparation and maintenance of a current organization chart.
18.2	Required content - The policies or procedures referred to in standard 18.1 require <ol style="list-style-type: none"> a. the organization chart to include all governance, management and administrative systems of the NPO and their linkages, b. the organization chart to include all governance, management and administrative positions at each level of the NPO including <ol style="list-style-type: none"> i. the governing body, audit committee and all other committees of the governing body, and the officers and employees of the NPO, and ii. the principal lines of authority and responsibility between the governing body, the committees, officers and employees, and c. access to the organization chart to be provided to all persons affected by it.
18.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standards 18.1 and 18.2.

19.0 FINANCIAL MANAGEMENT SYSTEM REVIEW

19.1	Policy / Procedures - Policies and procedures require the annual review of the financial management system of the NPO.
19.2	Required content - The policies and procedures referred to in standard 19.1 require <ol style="list-style-type: none"> a. the collection, recording and analysis of concerns and comments respecting the financial management system of the NPO, b. review of the by-laws of the NPO, including the assessment of their effectiveness

	<p>in establishing sound financial administration and the identification of any changes to the by-laws that may better serve that objective,</p> <p>c. the individuals responsible for the management and operation of the financial management system of the NPO to review,</p> <ol style="list-style-type: none"> i. the control environment and control activities of the NPO, ii. any external and internal assessment results, iii. identified process improvement opportunities, and <p>d. a report to the audit committee and governing body on the results of the annual review and resolution of any issues identified.</p>
19.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 19.1 and 19.2.

20.0 MANUAL JOURNAL ENTRIES

20.1	Policy / Procedures - Policies and procedures require the periodic independent review of manual journal entries to determine their validity and accuracy.
20.2	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 20.1.

DIVISION 2: HUMAN RESOURCE MANAGEMENT

21.0 HUMAN RESOURCE POLICIES

21.1.	By-law or Policy - A by-law includes provisions- <u>The governing body will create either a by-law or policies and procedures</u> respecting the preparation and maintenance of human resource management policies that comply with all applicable legislation.
21.2	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>or any policies and procedures</u> referred to in standard 21.1.

22.0 JOB DESCRIPTIONS

22.1	By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures- <u>The governing body will create either a by-law or policies and procedures</u> respecting, the maintenance of current job descriptions clearly describing the functions, responsibilities and authorities for all positions or roles involved in the operation and management of the financial management system and all its related processes.
22.2	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>and/or</u> any policies and procedures referred to in standard 22.1.

23.0 APPOINTMENT OF EXECUTIVE DIRECTOR

23.1	By-law or Policy - A by-law requires <u>The governing body will create either a by-law or policies and procedures respecting</u> the appointment of an executive director who reports directly to the governing body.
23.2	Required content - The by-law <u>or the policies and procedures</u> referred to in standard 23.1 requires the executive director <ul style="list-style-type: none"> a. to oversee, supervise and direct the activities of all officers and employees of the NPO, b. to oversee and administer the contracts of the NPO, c. to identify, assess, monitor and report on financial reporting risks and risk of fraud, and d. to monitor and report on the effectiveness of mitigating controls for the risks referred to in paragraph iii. Taking into consideration the cost of implementing those controls.
23.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>or any policies and procedures</u> referred to in standards 23.1 and 23.2.
23.4	Permitted positions - For purposes of standard 23.0 <ul style="list-style-type: none"> a. the responsibilities of the executive director may be performed by more than one person so long as each person reports directly to the governing body, and b. the executive director position and the finance director position referred to in standard 24.0 may be held by the same person.

24.0 APPOINTMENT OF FINANCE DIRECTOR

24.1	By-law or Policy - A by-law requires includes provisions <u>The governing body will create either a by-law or policies and procedures</u> respecting; the appointment of a finance director who reports directly to the executive director.
24.2	Required content - The by-law <u>or the policies and procedures</u> referred to in standard 24.1 requires the finance director <ul style="list-style-type: none"> a. to ensure the financial accounting systems, policies, procedures and internal controls are appropriately designed and operating effectively; b. to administer and maintain all charts of accounts of the NPO; c. to prepare the annual budgets and multi-year financial plans of the NPO; d. to prepare the financial statements of the NPO; e. to prepare the financial components of reports to the governing body and financial information required by the governing body or the audit committee; f. to actively monitor compliance with any agreements and funding arrangements entered into by the NPO; g. to administer and supervise the preparation and maintenance of financial records and the financial management reporting systems; h. to actively monitor compliance with the legal obligations of the NPO and any

	<p>policies and procedures of the NPO respecting its financial management;</p> <ul style="list-style-type: none"> i. to evaluate the financial management systems of the NPO and recommend improvements; j. to develop and recommend procedures for the safeguarding of assets and ensure approved procedures are followed; and k. to develop and recommend procedures for identifying and mitigating financial reporting risks and risk of fraud and to ensure approved procedures are followed.
24.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>or the policies and procedures</u> referred to in standards 24.1 and 24.2.

25.0 PERSONNEL RECORDS

25.1	Policy / Procedures - Policies and procedures require the maintenance of personnel records for officers, employees, contractors and consultants involved in the operation and management of the financial management system of the NPO and all its related processes.
25.2	Required content - The policies and procedures referred to in standard 25.1 require: <ul style="list-style-type: none"> a. the maintenance of current records of the skills, experience, qualifications, competencies and training of the personnel referred to in standard 25.1, and b. the creation, retention, safeguarding and maintenance of appropriate confidentiality of the records referred to in paragraph a.
25.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standards 25.1 and 25.2.

26.0 BACKGROUND CHECKS

26.1	Policy / Procedures - Policies and procedures provide for background checks and employment reference checks prior to the hiring of new employees or contractors.
26.2	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 26.1.

27.0 HIRING OF EMPLOYEES

27.1	By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. The governing body will create either a by-law or policies and procedures respecting, the hiring of employees involved in the operation and management of the financial management system of the NPO, and all its related processes.
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27.2	<p>Required content - The by-law or policies and procedures referred to in standard 27.1 include requirements to ensure</p> <ol style="list-style-type: none"> the person hired has the skills, experience, qualifications and competencies required for the position being filled, and fair and impartial hiring practices, e.g. consistent selection criteria, consistent evaluation of applicants, effective use of rating processes and reference checks and hiring on merit.
27.3	<p>Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and-or any policies and procedures referred to in standards 27.1 and 27.2.</p>

28.0 HIRING OF CONSULTANTS / CONTRACTORS

28.1	<p>By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. The governing body will create either a by-law or policies and procedures respecting, the retaining of consultants and contractors involved in the operation and management of the financial management system of the NPO, and all its related processes to ensure that a consultant or contractor retained has the skills, experience, qualifications and competencies required for the role being performed.</p>
28.2	<p>Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and-or any policies and procedures referred to in standard 28.1.</p>

29.0 EMPLOYEE DISCIPLINE & DISMISSAL

29.1	<p>Policy / Procedures - Policies and procedures include provisions respecting the discipline and dismissal, with or without cause, of employees, including requirements for keeping records of corrective and disciplinary actions taken and how applicable employment laws have been complied with.</p>
29.2	<p>Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 29.1.</p>

30.0 NEW EMPLOYEE ORIENTATION

30.1	<p>Policy / Procedures - Policies and procedures provide for the orientation and training requirements for employees based on their new roles and assigned responsibilities.</p>
30.2	<p>Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 30.1.</p>

31.0 EMPLOYEE TRAINING

31.1	Policy / Procedures - Policies and procedures include on-going training or professional development requirements for employees based on their roles and assigned responsibilities and the performance management plan referred to in standard 32.0.
31.2	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 31.1.

32.0 PERFORMANCE MANAGEMENT

32.1	Policy / Procedures - Policies and procedures include provisions respecting employee performance management.
32.2	Required content - The policies and procedures referred to in standard 32.1 require <ol style="list-style-type: none"> performance measures appropriate for the roles and responsibilities of every employee to be established and used in the annual performance evaluation referred to in paragraph b, and an annual performance management and evaluation process for all employees, including the preparation of a performance management plan for each employee.
32.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standards 32.1 and 32.2.

33.0 EMPLOYEE ENGAGEMENT AND RETENTION

33.1	Policy / Procedures - Policies and procedures require a strategy for ensuring that employees remain engaged in their work and committed to the objectives of the NPO.
33.2	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 33.1.

34.0 SUCCESSION PLANNING

34.1	Policy / Procedures - Policies and procedures require the preparation and annual maintenance of a succession plan for key management personnel.
34.2	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 34.1.

DIVISION 3: PLANNING, REPORTING & OVERSIGHT

35.0 AUDIT COMMITTEE

35.1	By-law or Policy - A by-law provides for <u>The governing body will create either a by-law or policies and procedures respecting</u> the establishment, membership and functions of an audit committee.
35.2	<p>Required content - The by-law <u>or the policies and procedures</u> referred to in standard 35.1</p> <ol style="list-style-type: none"> a. requires the audit committee to report to the governing body with advice and recommendations to support the governing body's decision-making process, b. specifies a process for the appointment, removal and replacement of members of the audit committee, c. requires the appointment of a specified number of members to the audit committee, d. specifies the eligibility requirements for members of the audit committee including requiring <ol style="list-style-type: none"> i. a majority of the members to have financial competency, and ii. all members to be independent, e. requires that only persons eligible to be members of the audit committee may be appointed as members, f. requires the appointment of a chairperson and a vice-chairperson of the audit committee, g. requires records to be retained of the appointment of the members of the audit committee and their terms of office, h. specifies any financial administration functions and responsibilities that the governing body considers would benefit from the audit committee's involvement, i. specifies the quorum requirements, j. specifies the voting rules, k. specifies objectives or requested outcomes, l. specifies meeting and reporting obligations, m. permits the audit committee to make a report or recommendation to the governing body on any financial administration matter that is not otherwise specified to be its responsibility under the by-law, and n. requires documented terms of reference for the audit committee that include the by-law requirements established in this standard 35.2.
35.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>or policies and procedures</u> referred to in standards 35.1 and 35.2.

36.0 RETENTION OF MEETING RECORDS

36.1	By-law or Policy - A by-law requires <u>The governing body will create either a by-law or policies and procedures respecting</u> the retention of records related to meetings of the
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	audit committee and governing body meetings, including agendas, minutes and records of decisions.
36.2	Required content – The by-law <u>or the policies and procedures</u> referred to in standard 36.1 requires that the period for retention of records is the longer of seven years, or an applicable retention period required by law.
36.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>or any policies and procedures</u> referred to in standard 36.1.

37.0 INTEGRATED PLANNING & BUDGETING

37.1	Policy / Procedures - Policies and procedures require an integrated planning and budgeting process, including the relationships between <ol style="list-style-type: none"> the strategic plan referred to in standard 38.0, the annual budget referred to in standard 39.0, the multi-year financial plan referred to in standard 40.0, and the tangible capital asset life-cycle management plan referred to in standard 67.0.
37.2	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 37.1.

38.0 STRATEGIC PLAN

38.1	By-law or Policy - A by-law requires <u>The governing body will create either a by-law or policies and procedures respecting</u> the preparation of a strategic plan for the NPO for purposes of informing financial and organizational decision-making.
38.2	Required content - The by-law <u>or the policies and procedures</u> referred to in standard 38.1 requires <ol style="list-style-type: none"> 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 review of the strategic plan on a regular, periodic basis and revision of the strategic plan as necessary.
38.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>or any policies and procedures</u> referred to in standards 38.1 and 38.2.

39.0 ANNUAL BUDGET

39.1	By-law or Policy - A by-law requires <u>The governing body will create either a by-law or policies and procedures respecting</u> the preparation of an annual budget for each fiscal year.
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39.2	Required content - The by-law <u>or the policies and procedures</u> referred to in standard 39.1 requires <ol style="list-style-type: none"> the approval by the governing body of an annual budget of the NPO for the following fiscal year no later than the last day of the current fiscal year, the approval by the governing body of any changes to the annual budget, and the management of and any limitations on budget deficits.
39.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>or any policies and procedures</u> referred to in standards 39.1 and 39.2.

40.0 MULTI-YEAR FINANCIAL PLAN

40.1	By-law or Policy - A by-law requires- <u>The governing body will create either a by-law or policies and procedures respecting</u> the annual preparation of a multi-year financial plan for the NPO for the purpose of informing financial decision-making.
40.2	Required content - The by-law <u>or the policies and procedures</u> referred to in standard 40.1 requires that the multi-year financial plan <ol style="list-style-type: none"> is consistent with and supports the objectives of the strategic plan referred to in standard 38.0, is based on the projections of revenues, expenditures and transfers between accounts, segregated by significant category, includes all required reserves, includes the life-cycle management program for tangible capital assets referred to in standard 67.0, and includes any planned capital asset projects.
40.3	Implementation - The governing body of the NPO demonstrates that is has implemented the by-law <u>or any policies and procedures</u> referred to in standard 40.1 and 40.2.

41.0 INFORMING OR INVOLVING NPO MEMBERS

41.1	By-law or Policy - A by-law includes provisions- <u>The governing body will create either a by-law or policies and procedures</u> respecting the means by which NPO members will be involved in or informed about <ol style="list-style-type: none"> the strategic plan referred to in standard 38.0, the annual budget referred to in standard 39.0, the multi-year financial plan referred to in standard 40.0, and extraordinary expenditures.
41.2	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>or any policies and procedures</u> referred to in standard 41.1.

42.0 QUARTERLY REPORTING

42.1	By-law or Policy - A by-law requires- <u>The governing body will create either a by-law or</u>
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	<u>policies and procedures respecting</u> 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.
42.2	Required content – The by-law <u>or the policies and procedures</u> referred to in standard 42.1 requires the quarterly financial statements and accompanying management reports <ol style="list-style-type: none"> to be prepared by the finance director, to summarize all financial and operating activities of the NPO, to include year-to-date budget-to-actual comparisons and variance explanations, to be 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 to be 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.
42.3	Implementation – The governing body of the NPO demonstrates that it has implemented the by-law <u>or any policies and procedures</u> referred to in standards 42.1 and 42.2.

43.0 APPOINTMENT & DISMISSAL OF AUDITOR

43.1	By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. <u>The governing body will create either a by-law or policies and procedures</u> respecting, the appointment and dismissal of the NPO's auditor.
43.2	Required content - The by-law or the policies and procedures referred to in standard 43.1 <ol style="list-style-type: none"> include a process for determining that a proposed auditor meets requirements of the by-laws, including the minimum qualifications specified in standard 44.0, require that the terms and conditions of the audit be set out in a signed engagement letter in accordance with Canadian generally accepted auditing standards, specify the basis for dismissing the auditor, and include a process for replacing an auditor who has been dismissed or who has resigned.
43.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>and/or</u> any policies and procedures referred to in standards 43.1 and 43.2.

44.0 AUDITOR QUALIFICATIONS

44.1	By-law or Policy - A by-law includes provisions. <u>The governing body will create either a by-law or policies and procedures</u> respecting the minimum qualifications of the NPO's auditor.
44.2	Required content - The by-law <u>or the policies and procedures</u> referred to in standard 44.1 requires that the auditor be <ol style="list-style-type: none"> independent of the NPO, and

	<ul style="list-style-type: none"> b. a public accounting firm or public accountant <ul style="list-style-type: none"> 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 ii. licensed or otherwise authorized to practice public accounting in the province or territory in which the NPO is located.
44.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>or any policies and procedures</u> referred to in standards 44.1 and 44.2.

45.0 ANNUAL FINANCIAL STATEMENT AUDIT

45.1	By-law or Policy - A by-law requires <u>The governing body will create either a by-law or policies and procedures respecting</u> requiring the annual appointment of an auditor to conduct the audit of the NPO's annual financial statements in accordance with Canadian generally accepted auditing standards.
45.2	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>or any policies and procedures</u> referred to in standard 45.1.

46.0 REVIEW AND RESPOND TO MANAGEMENT LETTER

46.1	Policy / Procedures - Policies and procedures require the review and evaluation of any management letter or internal control recommendations provided by the NPO's auditor including management's planned response to each recommendation.
46.2	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 46.1.

47.0 PREPARE AND ISSUE AUDITED FINANCIAL STATEMENTS

47.1	By-law or Policy - A by-law requires <u>The governing body will create either a by-law or policies and procedures respecting</u> the preparation, approval and issuance of the audited annual financial statements.
47.2	Required content – The by-law <u>or the policies and procedures</u> referred to in standard 47.1 requires <ul style="list-style-type: none"> a. the governing body to receive and consider a recommendation from the audit committee on the approval of the annual audited financial statements, b. the governing body to review and approve 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 by-laws, and c. the audited annual financial statements be signed by at least one member of the governing body of the NPO, or as required by any applicable legislation.
47.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>or any policies and procedures</u> referred to in standards 47.1 and 47.2.

48.0 AVAILABILITY OF ANNUAL FINANCIAL STATEMENTS TO MEMBERS

48.1	By-law <u>or</u> Policy - A by-law includes <u>The governing body will create either a by-law or policies and procedures respecting</u> the means by which the audited annual financial statements together with the corresponding signed audit report are to be made available to NPO members.
48.2	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>or any policies and procedures</u> referred to in standard 48.1.

49.0 PREPARE AND FILE STATUTORY RETURNS

49.1	Policy / Procedures - Policies and procedures require the preparation and filing of all annual tax and information returns within applicable legislative deadlines.
49.2	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 49.1.

50.0 REVIEW EXECUTIVE DIRECTOR COMPENSATION

50.1	Policy / Procedures - Policies and procedures require the review and approval at least once a year of the remuneration and expenses of the executive director by the governing body or a committee of it.
50.2	Implementation - The governing body demonstrates that it has implemented the policies and procedures referred to in standard 50.1.

51.0 PREPARE AND PUBLISH ANNUAL REPORT

51.1	By-law or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures <u>The governing body will create either a by-law or policies and procedures</u> respecting, the preparation of an annual report of the NPO.
51.2	Required content - The by-law or policies and procedures referred to in standard 51.1 require <ol style="list-style-type: none"> a. the annual report to include <ol style="list-style-type: none"> i. a description of the strategy being used to achieve the purpose of the NPO, ii. goals and performance measures with comparison to original expectations, iii. risks and opportunities, iv. environmental, social and governance considerations, v. financial highlights, and vi. future outlook, b. publication of the annual report not later than one hundred eighty (180) days after

	the fiscal year-end, or the time specified in the by-law, and c. the means by which the annual report is made available to NPO members.
51.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and-or any policies and procedures referred to in standards 51.1 and 51.2.

DIVISION 4: RECORDING, SAFEGUARDING AND MONITORING ASSETS

52.0 PHYSICAL SECURITY

52.1	Policy / Procedures - Policies and procedures provide for the physical security controls and permissions over access to buildings, premises, information technology systems and moveable assets.
52.2	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 52.1.

53.0 FUNDS AND REVENUES MANAGEMENT

53.1	By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. <u>The governing body will create either a by-law or policies and procedures</u> respecting, the means for effectively managing and controlling all NPO funds and revenues, including internal controls for financial institution accounts and asset management.
53.2	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and-or any policies and procedures referred to in standard 53.1.

54.0 SEGREGATION OF DUTIES

54.1	Policy / Procedures - Policies and procedures require the segregation of duties within the cash process.
54.2	Required content - The policies and procedures referred to in standard 54.1 require different people to a. receive, handle and deposit cash and cash equivalents, and b. record receipts and disbursements in the accounting records or system.
54.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standards 54.1 and 54.2.

55.0 SIGNING AUTHORITY

55.1	Policy / Procedures - Policies and procedures require signing authorities for each of the NPO's financial institution accounts.
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55.2	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 55.1.
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56.0 FINANCIAL INSTITUTION ACCOUNTS

56.1	Policy / Procedures - Policies and procedures provide for the management of the NPO's financial institution accounts.
56.2	Required content - The policies and procedures referred to in standard 56.1 require <ol style="list-style-type: none"> a. all accounts are maintained and used solely for identified purposes, b. current records of all account statements, reconciliations and support for account transactions are retained and available for review at any time, c. all records pertaining to financial institution account authorities are maintained and changes reported to the audit committee, d. written notification, as soon as practicable, to a financial institution of any withdrawal or change to payment or settlement authorities or to any limitations established by the governing body and the retention of a copy of the communication in the NPO's records, e. all cash transactions be handled in a controlled and transparent manner designed to minimize errors, and f. a record be kept of all anticipated recurring deposit and withdrawal transactions.
56.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 56.1 and 56.2.

57.0 ACCOUNT RECONCILIATIONS

57.1	Policy / Procedures - Policies and procedures require the monthly reconciliation and review of general ledger account balances, including financial institution accounts, and any other material asset, equity or fund balance.
57.2	Required content - The policies and procedures referred to in standard 57.1 require <ol style="list-style-type: none"> a. the accounts be reconciled within thirty (30) days of the end of the month, except under documented extenuating circumstances, b. the reconciliations be independently reviewed by a person who is not in a reporting relationship to the person who prepared the reconciliation, and c. any identified reconciliation irregularities in the financial institution accounts are documented and reported by the finance director to the audit committee or the governing body as soon as practicable.
57.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standards 57.1 and 57.2.

58.0 IDENTIFY AND TRACK EXTERNAL RESTRICTIONS

58.1	Policy / Procedures - Policies and procedures require the identification, tracking and recording of all internal and external restrictions over the use of the NPO's funds or assets.
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58.2	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 58.1.
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59.0 RECONCILE DONATIONS, GRANTS, AND CONTRIBUTIONS

59.1	Policy / Procedures - Policies and procedures require the reconciliation of donations, grants and contributions.
59.2	Required content - The policies and procedures referred to in standard 59.1 require that donations, grants and contributions be reconciled within thirty (30) days of the end of each month, except under documented extenuating circumstances.
59.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standards 59.1 and 59.2.

60.0 INVESTMENT STRATEGY

60.1	By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. <u>The governing body will create either a by-law or policies and procedures</u> respecting, an effective investment management strategy for NPO funds.
60.2	Required content - The by-law or policies and procedures referred to in standard 60.1 require <ol style="list-style-type: none"> risk assessments to be performed before investing and any criteria to be met with respect to risk, preservation of capital and liquidity requirements, approvals to be given before investing, reviews to be conducted to determine if the investments meet the requirements of the by-laws and are consistent with the investment management strategy of the NPO, records to be kept and retained of all investment decisions, and compliance with applicable legislation.
60.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law <u>and/or</u> any policies and procedures referred to in standards 60.1 and 60.2.

61.0 MONITOR INVESTMENTS

61.1	Policy / Procedures - Policies and procedures require the periodic review of the performance of an NPO's investments.
61.2	Required content - The policies and procedures referred to in standard 61.1 include review of <ol style="list-style-type: none"> whether the financial return of each investment or investment class has met original projections and expectations,

	<ul style="list-style-type: none"> b. whether the investment risk to the NPO has materially changed since the last review, and c. whether any corrective action is needed to ensure the NPO achieves its investment objectives.
61.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standards 61.1 and 61.2.

62.0 INVESTMENT IN NOT-FOR-PROFIT AND FOR-PROFIT ENTITIES

62.1	Policy / By-law or Policy – Where the NPO has established a separate entity to carry out not-for-profit or for-profit activities or plans to establish a separate entity to carry out not-for-profit or for-profit activities, a by-law includes provisions respecting or requires the governing body to establish policies and procedures the governing body will create either a by-law or policies and procedures respecting, risk management for investments in not-for-profit and for-profit entities.
62.2	Required content - The by-law or <u>the</u> policies and procedures referred to in standard 62.1 require <ul style="list-style-type: none"> a. risk assessments to be performed before establishing a new not-for-profit or for-profit entity and specifying criteria to be met with respect to risk, b. approvals to be given before establishing a new not-for-profit or for-profit entity, c. the establishment of goals and reporting obligations by the NPO for any not-for-profit or for-profit entity it establishes, d. reviews to be conducted to determine if the not-for-profit or for-profit entity is meeting any NPO-established goals and reporting obligations, and e. records to be kept and retained respecting not-for-profit or for-profit entities.
62.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and or any policies and procedures referred to in standard 62.1 and 62.2.

63.0 LENDING

63.1	By-law /or Policy – Where the NPO has lent funds of the NPO, or plans to lend funds of the NPO, a by-law includes provisions respecting or requires the governing body to establish policies and procedures the governing body will create either a by-law or policies and procedures respecting, effective management of the lending of NPO funds and the collection of funds loaned.
63.2	Required content - The by-law or <u>the</u> policies and procedures referred to in standard 63.1 include <ul style="list-style-type: none"> a. the circumstances, if any, when a loan may be granted, including proper consideration of the risk to the NPO, b. criteria to be met by the borrower for the granting of a loan, c. lending terms and conditions, d. collection of monies and interest owed, e. writing off and forgiveness of debts,

	<ul style="list-style-type: none"> f. requirements to ensure legislative compliance, g. reporting on the loans, and h. records to be kept and retained respecting lending decisions and transactions.
63.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and-or any policies and procedures referred to in standards 63.1 and 63.2.

64.0 TANGIBLE CAPITAL ASSET MANAGEMENT

64.1	By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. <u>The governing body will create either a by-law or policies and procedures</u> respecting, the management and safeguarding of the NPO's tangible capital assets.
64.2	Required content - The by-law or <u>the</u> policies and procedures referred to in standard 64.1 require <ul style="list-style-type: none"> a. all tangible capital assets of the NPO to be recorded in an asset register, and b. implementation of safeguards to preserve the value and longevity of tangible capital assets.
64.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and-or any policies and procedures referred to in standards 64.1 and 64.2.

65.0 TANGIBLE CAPITAL ASSET RESERVE FUND

65.1	By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. <u>The governing body will create either a by-law or policies and procedures</u> respecting, the establishment and use of a reserve fund to help finance the future repair, rehabilitation and replacement of an NPO's tangible capital assets.
65.2	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and-or any policies and procedures referred to in standard 65.1.

66.0 CAPITAL PROJECTS

66.1	By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. <u>The governing body will create either a by-law or policies and procedures</u> respecting, capital projects.
66.2	Required content - The by-law or <u>the</u> policies and procedures referred to in standard 66.1 <ul style="list-style-type: none"> a. specify the applicable capital expenditure approval limits, b. specify the criteria for when a formal capital project plan is required, including any monetary thresholds, c. require that the capital project plan referred to in paragraph b includes all information that is necessary to assist decision-makings to reach an informed decision on the propose capital project, including <ul style="list-style-type: none"> i. financial viability,

	<ul style="list-style-type: none"> ii. project operating requirements, and iii. risk assessment, and d. include processes for the procurement, contract management, risk management and administration of capital projects that are in accordance with generally accepted capital project management standards in the location of the project.
66.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and-or any policies and procedures referred to in standard 66.1 and 66.2.

67.0 TANGIBLE CAPITAL ASSET LIFE-CYCLE MANAGEMENT PLAN

67.1	By-law /or Policy - A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. The governing body will create either a by-law or policies and procedures respecting, a documented life-cycle program that includes regular inspection, planning and oversight of tangible capital assets.
67.2	Required content - The by-law or policies and procedures referred to in standard 67.1 include <ul style="list-style-type: none"> a. the development, maintenance and updating of a register for tangible capital assets, b. the regular, periodic inspection of tangible capital assets, c. for routine maintenance of tangible capital assets, preparation of the following <ul style="list-style-type: none"> i. a plan for annual scheduling of required maintenance for the next fiscal year, ii. short- and long-term forecasting of estimated costs, iii. a budget for required maintenance for the next fiscal year, iv. a report on any deferred maintenance and any resulting risks to the NPO, and d. for tangible capital asset projects, preparation of the following <ul style="list-style-type: none"> i. a plan for annual scheduling of projects for the next fiscal year, ii. short- and long-term forecasting of estimated costs of projects, iii. a budget for projects for the next fiscal year, and e. the annual review by the audit committee of the <ul style="list-style-type: none"> i. contributions made to, and balance of, the tangible capital asset reserve fund, and ii. proposed scheduling and budgets for routine maintenance and tangible capital asset projects.
67.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and-or any policies and procedures referred to in standards 67.1 and 67.2.
67.4	Application – This standard 67.0 applies only to NPOs where all its tangible capital assets have a total value exceeding \$500,000 in original cost.

DIVISION 5: CONTROLS OVER PURCHASING, PAYABLES AND PAYMENTS

68.0 EXPENDITURE MANAGEMENT

68.1	By-law /or Policy – A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. <u>The governing body will create either a by-law or policies and procedures</u> respecting; the means for managing effectively all expenditures, including internal controls respecting the procurement of goods and services.
68.2	Required content – The by-law or the policies and procedures referred to in standard 68.1 <ol style="list-style-type: none"> require that expenditures be made only if and as permitted under the annual budget of the NPO in effect at the time of the expenditure, with such reasonable exceptions to address unforeseen events, and include effective monitoring controls to ensure identification and reporting of any unforeseen or unauthorized expenditures.
68.3	Implementation - The governing body of the NPO demonstrates that it has implemented the by-law and or any policies and procedures referred to in standards 68.1 and 68.2.

69.0 SEGREGATION OF DUTIES

69.1	Policy / Procedures - Policies and procedures require appropriate segregation of duties within the NPO's expenditure cycle to ensure appropriate financial controls from the initiation of a financial commitment up to its actual payment or settlement.
69.2	Required content - The policies and procedures referred to in standard 69.1 include <ol style="list-style-type: none"> all forms of payment require two signatures or two documented approvals before a payment is issued or authorized, and 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.
69.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standards 69.1 and 69.2.

70.0 DELEGATION OF AUTHORITY

70.1	Policy / Procedures - Policies and procedures make provisions for any permitted delegation of authority over <ol style="list-style-type: none"> initiation of a financial commitment, contract or expenditure, approval of a financial commitment, contract, or expenditure, and approval of payment or settlement.
70.2	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 70.1.

71.0 VENDOR MASTER FILE

71.1	Policy / Procedures - Policies and procedures provide for access restrictions, review and approvals required for changes to the NPO's vendor master list.
71.2	Required content - The policies and procedures referred to in standard 71.1 include <ol style="list-style-type: none"> how access is restricted to authorised individuals, what review and approval are required before any new vendors are added, and periodic review to identify and remove or de-activate inactive vendors.
71.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 71.1 and 71.2.

72.0 EXPENDITURE REQUISITIONS & PROCUREMENT

72.1	Policy / Procedures - Policies and procedures respecting <u>provide for</u> the requisitioning of expenditures and financial commitments.
72.2	Required content – The policies and procedures referred to in standard 72.1 <ol style="list-style-type: none"> specify the persons with authority to approve different categories of expenditures, financial commitments or guarantees and their spending authority limits, specify the budget appropriations and accounts from which certain goods may or must be purchased, specify the process for and conditions under which a formal tendering or request for proposal process is required including threshold criteria, the process and criteria for selection and evaluation of suppliers of goods and services, the documents required to support an expenditure requisition, including requiring that all procurement documents (e.g. requisitions, purchase order, requests for proposals or tender calls) to clearly indicate on their face the details of the goods or services being requested, and require supplied goods and services to be examined or reviewed, as appropriate, to determine their suitability and compliance with any contract or purchase specifications.
72.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standard 72.1 and 72.2.

73.0 EXPENSE REIMBURSEMENTS

73.1	Policy / Procedures - Policies and procedures respecting <u>provide for</u> the reimbursement of expenses incurred by persons acting on behalf of the NPO.
73.2	Required content – The policies and procedures referred to in standard 73.1 include <ol style="list-style-type: none"> the activities which are considered to be carried out on behalf of the NPO, the categories expenses which are reimbursable, including defined limits, the documents required to support a claim for reimbursement of expenses, and

	d. the persons with authority to approve reimbursement of expenses for different categories of claimants
73.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standards 73.1 and 73.2.

74.0 ACCOUNT RECONCILIATIONS

74.1	Policy / Procedures - Policies and procedures require the monthly reconciliation and review of general ledger account balances including <ol style="list-style-type: none"> accounts payable, salaries, wages and payroll remittances, loans, and any other material liabilities, accruals or provisions.
74.2	Required content - The policies and procedures referred to in standard 74.1 require <ol style="list-style-type: none"> accounts to be reconciled within thirty (30) days of the end of the month, except under documented extenuating circumstances, and reconciliations to be independently reviewed by a person who is not in a reporting relationship to the person who prepared the reconciliation.
74.3	Implementation - The governing body of the NPO demonstrates that it has implemented the policies and procedures referred to in standards 74.1 and 74.2.

75.0 BORROWING AND DEBT MANAGEMENT

75.1	By-law /or Policy — A by-law includes provisions respecting, or requires the governing body to establish policies and procedures. <u>The governing body will create either a by-law or policies and procedures</u> respecting the incurr <u>enceing</u> of debt by the NPO, debt management and use of borrowed funds.
75.2	Required content - The by-law or policies and procedures referred to in standard 75.1 include <ol style="list-style-type: none"> the proper consideration of the need for the NPO to incur debt obligations including the evaluation of different potential financing arrangements, the approval of the terms and conditions of debt obligations including any required resolution and membership involvement, the granting of security by the NPO, the granting of guarantees and indemnities by the NPO including any limitations on amounts and any approvals required, the timely payment of debt obligations by the NPO, the monitoring and reconciliation of debt transactions, the reporting of debt obligations in accordance with any requirements of the by-laws and any agreements under which the debt obligations were incurred, and records to be kept and retained of all borrowing decisions and debt transactions.

75.3 Implementation - The governing body of the NPO demonstrates that it has implemented the by-law ~~and-or~~ any policies and procedures referred to in standards 75.1 and 75.2.

PART 2 – FINANCIAL PERFORMANCE STANDARDS

76.0 PURPOSE OF FP STANDARDS

76.1	Purpose of FP Standards – The purpose of these FP Standards is to establish parameters of financial performance and assessment of an NPO by the FMB.
76.2	Cautions – These FP Standards are not intended to provide the basis for assessing whether an NPO is qualified for any particular loan or financing and should not be relied upon for that purpose. The financial information used to determine whether these FP Standards have been complied with is based on both the information reported in an NPO’s annual financial statements prepared in accordance with GAAP and their associated audit reports as well as representations of the NPO’s management. The accuracy of all information submitted by an NPO is the responsibility of the NPO.

77.0 INTERPRETATION OF FP STANDARDS

77.1	Definitions – Unless the context indicates otherwise, in these FP Standards:
	“ amortization expense ” means the amortization expense accounted for on the statement of operations of an NPO representing the allocation of the cost of tangible capital assets over their useful lives;
	“ assets ” means the assets presented on the statement of financial position of an NPO representing economic resources controlled by the NPO as a result of past transactions or events and from which future economic benefits are expected to be obtained;
	“ expenses ” including losses, means the expenses accounted for on the statement of operations of an NPO representing decreases in economic resources, either by way of outflows or reductions of assets or incurrences of liabilities, resulting from the NPO’s ordinary revenue generating or service delivery activities;
	“ intangible assets ” means the intangible assets presented on the statement of financial position of an NPO and represent an identifiable non-monetary asset without physical substance;
	“ interest expense ” means the interest expense accounted for on the statement of operations of an NPO representing the cost incurred by the NPO for borrowed funds;
	“ inventory ” means the inventory assets presented on the statement of financial position of an NPO representing assets held for sale in the ordinary course of business, assets in the process of being made ready for sale, and assets in the form of materials or supplies consumed in production or rendering of services;

	<p>“liabilities” means the liabilities presented on the statement of financial position of an NPO representing 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;</p>
	<p>“non-financial assets” means assets on the statement of financial position of an NPO that are for use in the provision of services and do not normally provide resources to discharge existing liabilities. Non-financial assets are assets that were purchased, constructed, contributed or developed by an NPO and generally includes:</p> <ul style="list-style-type: none"> a. intangible assets, b. inventory, c. prepaid expenses, and d. tangible capital assets,
	<p>“prepaid expenses” means the prepaid expense assets presented on the statement of financial position of an NPO representing expenses paid for in advance of receiving the goods or services in the future;</p>
	<p>“revenues” including gains, means the revenues accounted for on the statement of operations of an NPO representing increases in economic resources, either by way of inflows or enhancements of assets or reductions of liabilities, resulting from the ordinary activities of the NPO;</p>
	<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>
77.2	<p>Application of definitions – Unless the context indicates otherwise, the financial terms used in these FP Standards and not otherwise defined have the same meanings as defined in the source of GAAP applied by an NPO.</p>
77.3	<p>Mandatory provisions – These FP Standards establish requirements which must be complied with by an NPO.</p>

78.0 FINANCIAL INFORMATION

78.1	<p>Financial information – An NPO demonstrates compliance with the FP Standards using information taken from the following</p> <ul style="list-style-type: none"> a. its five most recent annual financial statements, with the most recent annual financial statements having a financial year-end which is not more than sixteen (16) months before the date of issuance of a compliance opinion, b. a signed report from an auditor for each of the annual financial statements referred to in paragraph a, and c. any additional documentation submitted by the NPO as required to support and clarify the NPO’s request for review of its financial performance.
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79.0 FISCAL GROWTH RATIO (“FGR”)

79.1	<p>Purpose of FGR - The purpose of the FGR is to measure an NPO’s ability to sustain and grow its financial capacity.</p>
79.2	<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>
79.3	<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_x: Total revenue in year “X” TR_{x-1}: 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>
79.4	<p>Thresholds - The NPO demonstrates that its average FGR for the period under review is not lower than -5.0%</p>

80.0 OPERATING MARGIN RATIO (“OMR”)

80.1	<p>Purpose of OMR - The purpose of the OMR is to measure an NPO’s ability to sustain fiscal balance.</p>
80.2	<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 of 0 or greater indicates that sufficient revenue is generated to meet expenses. A ratio less than 0 would indicate that an NPO is spending beyond its revenue base and thus, exerting stress on its financial capacity.</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.
80.3	<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 TE: Total expenses during the period under review</p>
80.4	Thresholds - The NPO demonstrates that its average OMR for the period under review is not lower than -5.0%.

81.0 ASSET MAINTENANCE RATIO (“AMR”)

81.1	Application of AMR – Standard 81.0 applies only to NPOs where all its tangible capital assets have a total value exceeding \$500,000 in original cost.
81.2	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.
81.3	<p>Description of AMR - The AMR measures an NPO’s total tangible capital expenditures (other than for land) relative to an NPO’s total amortization cost, expressed as a percentage.</p> <p>The AMR is an indicator of the willingness of an NPO to maintain the current level of investment in capital assets and provides a measure of an NPO’s ability to execute a tangible capital assets maintenance plan.</p> <p>An AMR greater than or equal to 100% indicates the overall asset base is increasing, or being replenished, at a rate equal to, or higher than, the consumption of assets.</p> <p>An AMR of less than 100% over extended years can create fiscal stress in the future. Delayed maintenance or replacement of capital assets may result in outdated assets which affect an NPO’s ability to provide programs or services.</p>
81.4	<p>Measure of AMR – The AMR for the period under review is measured using the following calculation</p> $TTCE$

<hr/> <h2 style="margin: 0;">TAE</h2>	
<p>TTCE: Total tangible capital asset expenditures during the period under review TAE: Total amortization expense during the period under review</p>	
81.5	Thresholds - The NPO demonstrates that its average AMR for the period under review is not lower than 100.0%

82.0 NET DEBT RATIO (“NDR”)

82.1	Purpose of NDR - The purpose of the NDR is to measure an NPO’s ability to manage its overall level of debt.
82.2	<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 an NPO, which could lead to long-term sustainability concerns. A decreasing NDR indicates an NPO’s capacity to incur more debt is strengthening.</p>
82.3	<p>Measure of NDR – The NDR in a given year is measured using the following calculation:</p> $\frac{(TL_x - (TA_x - \underline{TNFA_x}))}{TR_x}$ <p style="text-align: center;"> <hr/> <h3 style="margin: 0;">TR_x</h3> </p> <p>TL_x: Total liabilities in year ‘X’ TA_x: Total assets in year ‘X’ TNFA_x: Total non-financial assets in year ‘X’ TR_x: 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,</p>

	and 0.1, for the years from most recent to least recent, respectively.
82.4	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%.

83.0 INTEREST EXPENSE RATIO (“IER”)

83.1	Purpose of IER - The purpose of the IER is to measure as NPO’s ability to manage its overall level of debt.
83.2	Description of IER - The IER measures the size of an NPO’s interest expense burden in relation to annual revenue.
83.3	<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>
83.4	Thresholds - The NPO demonstrates that its average IER Ratio for the period under review does not exceed 5.0%.

84.0 NORMALIZATION ADJUSTMENTS

84.1	<p>Adjustments for extraordinary events or circumstances – If, in the opinion of the FMB, an NPO’s ability or inability to satisfy a threshold described in the FP Standards resulted from the inclusion of an extraordinary event or from the impact of extraordinary circumstances, the FMB may in its discretion and in order to better evaluate the NPO’s financial performance,</p> <ol style="list-style-type: none"> reclassify a balance or financial transaction included in the NPO’s financial statements related to the event or circumstance, and adjust, add or remove an amount attributable to the event or circumstance from the calculation of a ratio contained within the FP Standards. <p>An extraordinary event must be both unusual and infrequent. Unusual events are highly</p>
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	<p>abnormal and unrelated to the ordinary and typical activities of an NPO. Infrequent events are reasonably expected not to recur going forward. Extraordinary circumstances also include circumstances beyond an NPO's control that normal prudence and experience could not foresee, anticipate or provide for.</p>
84.2	<p>Historical comparability adjustments – If, in the opinion of the FMB, an NPO's ability or inability to satisfy a threshold described in the FP Standards resulted from historical differences in accounting policy, bookkeeping procedure, or financial statement presentation, the FMB may, in its discretion,</p> <ol style="list-style-type: none"> a. reclassify a balance or financial transaction included in the NPO's financial statements, and b. adjust, add or remove a balance or financial transaction from the calculation of a ratio contained within the FP Standards.
84.3	<p>Accounting policy adjustments - If, in the opinion of the FMB, an NPO's ability or inability to satisfy a threshold described in the FP Standards resulted from the application of an accounting policy where multiple interpretations are permitted under GAAP, the FMB may, in its discretion,</p> <ol style="list-style-type: none"> a. reclassify a balance or financial transaction included in the NPO's financial statements, and b. adjust, add or remove a balance or financial transaction from the calculation of a ratio contained within the FP Standards.



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