

Financial Accountability Policy and Related Procedures

1. The operator of First Steps Elementary Academ, which includes the body responsible for the fiscal and organizational governance (“Operator”), recognizes that financial accountability of provincially granted funds, paid student tuitions, donations and any other funds that flow through the operation of Operator is essential to ensure stakeholder trust and the integrity of services we offer to our students and school community.

2. As such, Operator will put in place protocols which,
 - a. comply with *Private Schools Regulation, Alta Reg 127/2022, as amended from time to time (“Regulation”)*;
 - b. follow the generally accepted accounting standards and principles issued by the Accounting Standards Board and which are detailed in the appropriate handbook of the Chartered Professional Accountants of Canada, CPA; and
 - c. reflect the most effective standard practices and principles generally utilized by other independent schools in Alberta and Canada to ensure consistent, accurate, transparent, and ethical use of all Operator funds.

3. In addition, the Operator is committed to,
 - a. annually revising said protocols in light of any recommendations flowing from its audited Annual Financial Statements; and
 - b. ensuring that the most up to date version of this Policy is made publicly available before the start of each school year.

4. The Operator is committed to ensuring that appropriate **Internal Controls** are in place including, but not limited to:
 - a. **Segregation of duties** in which the four following areas will be separated:
 - i. Authorization or approval
 - ii. Custody of assets (will be separated from accounting to enable a good audit trail)
 - iii. Recording transactions, and
 - iv. Reconciliation/control activity
 - b. **Capital Assets** – ensuring that all capital assets are properly accounted for by ensuring that there is:

- i. Authorization or approval for expenditure
 - ii. Authorization or approval for disposal
 - iii. Verification of title to asset purchased, and
 - iv. Periodic (at least annually) audits of fixed asset inventories
 - c. **Reimbursement of expenses** – confirming that all expense claims and reimbursements are properly accounted for by ensuring that there is:
 - i. A clearly defined expense reimbursement process
 - ii. Original receipts attached to all claims
 - iii. Supervisor review and approval prior to submission for payment, and
 - iv. Periodic (at least annually) auditing of a sample of employee reimbursement claims
 - d. **Investments** – safeguarding all investments by ensuring that there is:
 - i. A clearly defined investment process document
 - ii. Compliance letter confirmations as applicable for external investment advisors
 - iii. Verification of title to investments purchased, and
 - iv. Reconciliation of investments to monthly statements
- 5. The Operator is furthermore committed to ensuring that the **role of its senior managers, with respect to financial matters of the Operator** include:
 - a. Regular financial reports to the Operator including variance explanations;
 - b. Make financial decisions and allocate resources according to the Operator’s strategic plan, annual budget, mission, and mandate;
 - c. Comply with all legislated and regulatory requirements;
 - d. Transparency and accountability for all financial transactions; and
 - e. Appropriate oversight over all financial operations.
- 5. The Operator shall comply with the requirements set out in the *Ministerial Grants Regulation, Alta. Reg. 215/2022*, as amended from time to time.
- 6. The Operator shall also ensure it acts in accordance with the *Regulation*, including but not limited to, sections 20 (financial statements), 21 (budget) and 22 (financial and governance policies) as amended from time to time, and shall develop, maintain and review policies with respect to
 - a. the roles and responsibilities of the Operator, including governance policies and

- school-related administrative policies / procedures;
 - b. the roles and responsibilities of senior managers of the Operator;
 - c. conflicts of interest; and
 - d. matters relating to the compensation of senior managers which are not addressed by this Policy.
7. With respect to **conflicts of interest**, the Operator acknowledges and supports that its employer / employee relationships and its relationship with students, volunteers, delegates, and third-party service providers (collectively, the “Individuals”) is founded upon trust and commitment to the Operator’s mission and activities. Individuals must therefore remain cognizant of the fundamental principles of board governance, and in particular, those of neutrality and impartiality. As a result, Individuals must refrain from undertaking any activities that are perceived to be or are in **conflict of interest** with the governing body’s mission or activities.
8. The Operator shall,
- a. develop, maintain and review policies with respect to **matters relating to the compensation of its senior managers**, as per section 22(1)(e) of the *Regulation* as amended from time, that are not addressed in the *Regulation*; and
 - b. comply with section 27 to 32 of the *Regulation* as amended from time to time (collectively, “Sections 27 to 32”).
9. Appendix “A” - Financial Accountability Procedures forms part of this Policy and sets out financial accountability administrative procedures which are intended to support this Policy.

LEGISLATIVE CONNECTIONS:

Education Act, SA 2012, C. E-0.3

Private Schools Regulation, Alta Reg 127/2022

Ministerial Grants Regulation, Alta. Reg 215/2022

Alberta Education Funding Manual - Reporting Requirements Section J

Income Tax Act (Canada)

APPENDIX "A"
FINANCIAL ACCOUNTABILITY PROCEDURES

Definitions

1. **Cardholder:** An individual authorized to hold and use a credit card issued by the Operator.

2. **Fair Market Value:** Fair Market Value (FMV) is the price a product would sell for on the open market assuming both the buyer and seller are reasonably knowledgeable about the asset, are behaving in their own best interests, are free from undue pressure, and are given a reasonable time period for completing the transaction.

The *Private Schools Regulation, Alta Reg 127/2022* as amended from time to time ("*Regulation*") outlines that FMV must be determined by a person who is designated as an accredited appraiser of the Appraisal Institute of Canada (see section 24(6) of the *Regulation, as amended from time to time*).

3. **Internal Controls:** Internal Controls are policies and procedures put in place by the Operator to ensure the continued reliability and efficiency of accounting systems and to ensure the same are compliant with applicable laws and regulations.

4. **Petty Cash:** Petty Cash is an accessible store of money kept by the Operator for expenditure on small items.

5. **Point of Sales:** A Point of Sale, or POS, is the place where the Operator's customer makes a payment for products or services at a school of the Operator. This normally involves digital entry of a transaction into a computer, cash register, or POS terminal.

6. **Purchase Order:** A Purchase Order, or PO, is an official document issued by a buyer committing to pay the seller for the sale of specific products or services to be delivered in the future. The advantage to the buyer is the ability to place an order without immediate payment. From the seller's perspective, a PO is a way to offer buyers credit without risk since the buyer is obligated to pay once the products or services have been delivered.

Each PO has a unique number associated with it that helps both buyer and seller track delivery and payment.

7. **Receivables:** Legally enforceable claims for payment held by the Operator for goods supplied or services rendered. These are generally in the form of invoices issued by the Operator and delivered to a client for payment within an agreed time frame.
8. **Related Party Transaction:** A related-party transaction is a deal or arrangement between two parties who are joined by a pre-existing business relationship or a common interest. As an example, where an Operator decides to lease property from one of the Operator's directors.

Organizations often seek to secure business arrangements with parties with whom they are familiar or have common interest. These types of transactions do not create difficulties/challenges when there is no **conflict of interest, illegality or unethical conduct**.

The Operator will take steps to ensure related-party transactions are properly disclosed, legally sound and ethical, including creating procedures for approving these types of transactions so as to safeguard against potential abuses.

9. **Senior Management employee/contractor:** Senior management employee/contractor means an individual employed/engaged by the Operator to plan, direct or control the management, administration and operation of the Operator's business and includes a member of the governing body of the Operator who is an employee of the Operator. To ensure clarity, for the purpose of compensation at sections 27 to 32 and 34 of the *Regulation*, a "senior management employee" includes a member of the governing body of the Operator who is an employee of the Operator.
10. **Total Compensation:** Total compensation means the 'total compensation' as defined at section 34 of the *Regulation*.

Procedures

1. The operator of First Steps Elementary Academy, which includes the body responsible for the fiscal and organizational governance ("Operator"), is committed to ensuring

transparency and accountability in all of its financial processes. Throughout its processes, the Operator will implement Internal Controls to minimize the opportunity for mismanagement of processes. In general, these controls consist of:

- a. Segregation of duties, or in small organizations, sharing of duties and reviews by co-workers
- b. Controlling access to different parts of the accounting system by password, electronic access logs, and lockouts
- c. Physical audits of assets such as cash, inventory, and capital assets
- d. Standardized documentation such as invoices, receipts, deposits, expense claims
- e. Regular trial balances to identify discrepancies.
- f. Periodic reconciliations, such as a monthly reconciliation of bank statements with the Operator's financial records
- g. Approving authority requirements such as having a supervisor sign off on orders of classroom supplies over a predetermined value
- h. Outlining grant-funded compensation and benefits of managers and staff according to a publicly available set of standards, and
- i. Placing Fair Market Value restrictions on all related party transactions as outlined at section 24 of the *Regulation* as amended from time to time.

2. The following procedures reflect both requirements of the *Regulation* and accounting best practices designed to mitigate many of the risks which provide opportunity for fraud and/or inappropriate use of the Operator's funds. These procedures will be implemented in a manner that best reflects the context of our organization.

1. **Invoicing of Receivables**

- 1.1. All invoices issued by the Operator will include:
 - 1.1.1. A detailed description of goods or services being provided by the Operator.
 - 1.1.2. Terms of payment.

2. **Receiving Payments via Point of Sales, Cheques, Cash**

- 2.1. Authorized users of POS terminals will be provided with unique passwords or access codes. Not utilized at this time.
 - 2.2. Cash counts and trial balances will be conducted on a regular basis (e.g. cash counts at beginning and end of day).
 - 2.3. Receipts will be issued for all payments and, where payment is made against an invoice, the receipt will reference the invoice.
 - 2.4. The Operator will develop standardized documents for recording of daily receipts.
 - 2.5. The Operator will develop procedures for the secure storage of cash, credit card information, receipts, and other transaction documents.

3. **Deposits**

- 3.1. Detailed documentation will be maintained for all deposits, comparing a list of all cheques and cash receipts to the bank deposit.
 - 3.2. Deposits will be made by the principal.

4. Unpaid Invoices

- 4.1. The Operator will develop a progressive procedure for managing overdue accounts, which may include rewards for timely payments, gentle reminders, interest on overdue accounts, or use of pre-collection and collection agencies. Parents are reminded of overdue payments by email or written invoice.
- 4.2. The Operator will develop an authorization process for forgiving, reducing, or writing off bad debts.

5. Bookkeeping

- 5.1. All individuals who have access to the bookkeeping software utilized by the Operator will access this software through secure, individually unique passwords.
- 5.2. Bookkeeping duties are contracted out.
- 5.3. The Operator's budget is the basis for all bookkeeping entries. It will be developed and approved by the Operator.

6. Payroll

- 6.1. Annual payroll amounts along with any changes to payroll, including bonuses, if any, will be approved by the Operator.
- 6.2. The Operator will regularly monitor payroll records for month-to-month variations.
- 6.3. The Operator will utilize direct payroll deposits whenever possible.

7. Purchases of Supplies and Services

- 7.1. The Operator will develop a Purchase Order system for any purchases made on credit or account.
- 7.2. Detailed invoices will be required from all providers.

8. Expense Claims

- 8.1. The Operator will develop and utilize a standardized expense claim form.
- 8.2. All claimed expenses must be supported by receipts or documents and signed off on by the principal.
- 8.3. The Operator will set limits on allowable expenses. Classroom expenses are not to exceed \$20.00/month.
- 8.4. All expense claims require an authorization signature by the principal.
- 8.5. Cash and cash equivalents, such as gift cards are not considered as acceptable expense claim items.
- 8.6. The Board has granted a limit of \$10,000.00 as the principal's spending limit without prior approval.

9. Credit Cards

- 9.1. The principal is the sole hard holder.
- 9.2. All credit card receipts must be submitted on a regular basis to the employee's supervisor.
- 9.3. Cardholders will take steps to safeguard their card numbers and PINs.
- 9.4. Cardholders will not allow their card information to be stored online or with a

vendor.

- 9.5. Credit cards must be surrendered upon leave, termination of employment, or at the request of the user's supervisor.

10. Petty Cash

- 10.1. Receipts will be required for all Petty Cash payouts.
- 10.2. The Operator will ensure that the individual responsible for approving the claim and the individual paying the claim are not the same.
- 10.3. Petty Cash will be reconciled on a regular basis.

11. Leases, Rents and Mortgages

- 11.1. All leases, rents and mortgages are to be included in the annual budget approved by the Operator.
- 11.2. All anticipated related-party transactions are to be reported both in the budget notes and on the Operator's audited financial statements, including a description of the transaction, the amounts, and any contractual obligations with the transaction.

12. Inventory Control

- 12.1. The Operator will regularly take inventory of physical assets such as textbooks, computers, furniture, and vehicles.

13. Approvals and Accountabilities

- 13.1. Non-payroll electronic funds transfer or cheques will require the authorization of two non-related signatory officers. The principal provides the Board for approval, at monthly board meetings, a print out of all e-transfers.
- 13.2. Signatory officers will be appointed by the Operator and their signatory powers will cease at the discretion of the Operator or when they leave their positions with the Operator. The required signatures are the Board Chair and the current Principal.

14. Charities Receipting (For Operators who are registered charities)

- 14.1. The Operator will follow the rules set out in the *Income Tax Act (Canada)* and the guidelines established by the Canada Revenue Agency, CRA.
- 14.2. The Operator will retain copies of all receipts issued and will maintain thorough records of all donations received.
- 14.3. Subject to legislation and CRA guidelines, the Operator will use gifts for the purposes intended by the donor.
- 14.4. The Operator will only issue receipts for donations of "property" as defined in the above references and not for services.
- 14.5. Receipts will not be issued for the portion of any donation that provides an advantage to the donor (e.g. a donor who pays an entry to a fundraising golf tournament can only be provided with a receipt for the portion the entry above the cost of the green fees, meal, and any "gifts" received).

15. Reporting

- 15.1. The Operator will follow the recommended *CPA Handbook* guidelines for not-for-profit financial reporting to the Operator (and society or shareholders as therein set

out) and report on:

- 15.1.1. The budget for each coming school year.
- 15.1.2. The audited financial statement, AFS, for the year completed.
- 15.1.3. Internal in-year reports on actual results compared to budget and to previous years, explaining any discrepancies:
 - 15.1.3.1. Statements of Financial Position (Balance Sheet).
 - 15.1.3.2. Statements of Operations (Income and expenditures).

16. Audited Financial Statements

- 16.1. The Operator will conduct and make publicly available an annual independent audit as per the accountability requirements of Alberta Education.
- 16.2. The Operator's annual audit will follow the Canadian Auditing Standards as found in the *CPA Canada Handbook*.
- 16.3. The Operator's annual audit will list all related-party transactions and describe the amounts and contractual obligations with each transaction.

17. Roles and Responsibilities of the Operator and Managers

- 17.1. Governing Bodies – The Operator will outline its roles and responsibilities with respect to financial matters. These may include, but are not limited to:
 - 17.1.1. Approving the annual budget for the upcoming school year
 - 17.1.2. Annually appointing an auditor
 - 17.1.3. Reviewing, signing, and submitting to the minister the AFS and copies of the auditor's recommendations respecting the operator's Internal Controls and accounting procedures
 - 17.1.4. Regularly reviewing in-year reports on actual results compared to budget and previous years' results and explaining discrepancies. These reports may include a *Statement of Financial Position* (Balance Sheet) and a *Statement of Operations* (Income and Expenditures)
 - 17.1.5. In light of auditor's recommendations, annually approving the Operator's updated *Financial Accountability Policy*
- 17.2. **Senior Managers.** The Operator will outline the roles and responsibilities of its senior manager(s) with respect to financial matters. These may include, but are not limited to:
 - 17.2.1. Implementing financial management policies established by the Operator
 - 17.2.2. Ensuring that the Operator has access to all financial documents required for them to carry out their roles and responsibilities, including:
 - 17.2.2.1. Draft Budgets
 - 17.2.2.2. Audited Financial Statements
 - 17.2.2.3. Periodic *Statements of Financial Position*
 - 17.2.2.4. Periodic *Statements of Operations*
 - 17.2.3. Annually making available to stakeholders the Operator's updated *Financial Accountability Policy*

18. Related Party Transactions.

The Operator will develop procedures in respect to transactions involving real or personal property or engaging in services with a related party for the purposes of managing, administering, or operating the Operator's business. These procedures must align with section 24 of the *Regulation* as amended from time to time and transactions involving property and the engagement of services are happening at Fair Market Value as determined by an accredited appraiser of the Appraisal Institute of Canada.

19. Compensation of Senior Management Employees.

The Operator will develop procedures to ensure compliance with Sections 27 to 32 of the *Regulation* (as amended from time to time) regarding the limits on the grant-funded portion of base salary, bonuses, allowances and incentives, benefits, and severance pay of senior management employees or contractors.

20. Investments. Where the Operator has surplus operational or gifted funds to invest, the Operator will develop procedures to best protect these assets and further the Operator's mission and mandate. Such procedures might attempt to:

- 20.1. Protect the value of initial assets invested
- 20.2. Grow assets to increase their value

- 20.3 Maintain access to invested funds
- 20.3. Restrict those funds that may be “endowed” from potential use as operational funds, and
- 20.4. Outline the use of investment professionals in advisory or investment management roles.

21. **Additional Procedures.** While the above procedures outline regulatory and promising practices for the most common financial processes for the Operator, the list is by no means exhaustive. The Operator reserves the right to undertake more complex business practices involving planned giving and the implementation of ancillary operations, all of which support its mission and mandate. In that event the Operator will endeavor to seek the advice of accounting and legal professionals to ensure that our practices meet the highest standards of accountability.

RESPONSIBLE FOR:				
APPLIES TO:				
VERSION	DATE	WRITTEN BY	APPROVED BY	CHANGES
1.0.0	November 2023	Lynne Harris/Board		