

Financial Accountability Policy and Procedure

The Board of Directors (Board) for Elves Special Needs Society (Elves) recognizes that financial accountability of provincially granted, tuition generated, and any other funds that flow through the operation of Elves' Society is essential to ensure the trust of our stakeholders and the integrity of services that we offer to our program participants and Elves' programs. As such, the Board will put in place protocols which comply with *Private Schools Regulation (AR 127/2022)* and Ministry of Seniors, Community and Social Services contracts, and will follow the accepted accounting standards issued by the Accounting Standards Board and detailed in the appropriate handbook of the Chartered Professional Accountants of Canada, CPA, and reflect the most effective practices of other independent schools in Alberta and Canada to ensure transparent and ethical use of all Society funds. Furthermore, the Board is committed to revising these protocols annually in light of all recommendations flowing from its audited Annual Financial Statements. The Board will ensure that the most recent edition of its *Financial Accountability Policy* is made publicly available before the start of each school year.

Definitions:

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 (AR127/2022)* outlines that FMV must be determined by an accredited appraiser of the Appraisal Institute of Canada. (Section 24(6))

Internal Controls: Internal Controls are policies and procedures put in place to ensure the continued reliability of accounting systems.

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. For example, a school decides to lease property from one of the school's directors. Organizations often seek to secure business arrangements with parties with whom they are familiar or have common interest. While these types of transactions are legal, they could potentially create conflict of interest or lead to situations that are illegal or unethical. Organizations will want to create procedures for approving these transactions so as to safeguard against potential abuses.

Senior Management Contractor means an individual engaged for services by the operator of a funded private school to plan, direct or control the management, administration and operation of the funded private school;

Senior Management Employee means an individual employed by the operator of a funded private school to plan, direct or control the management, administration and operation of the funded private school;

Senior Manager means a senior management employee or a senior management contractor.

Total Compensation: Total compensation is the total amount of the four following types of compensation if applicable:

- 1) Direct Compensation: Base salary and any additional earnings which would include overtime, all types of bonuses, and vehicle allowances.
- 2) Indirect Compensation: Benefits paid by the Society, which would include the employer's portion of all health benefit plans, health spending account, retirement plans, savings plans, vacation pay or paid time off.
- 3) Non-Cash Benefits: These benefits have value and take the form of something other than cash and would include reimbursement for educational programs, provision of a board vehicle, provision all or a portion of board housing/accommodation, personal use of board earned loyalty program rewards. The latter three would be at fair market value, along with any approved personal expenses paid by the board in whole or in part.
- 4) Long-term incentives: Equity-based compensation that usually involves a longer schedule whereby an employee may only qualify after a certain level of performance and/or time.

Policy:

The Board of Directors for Elves Special Needs Society is committed to ensuring that appropriate **internal controls** are in place including,

A. **Segregation of duties** in which the four following areas will be separated:

- a. Authorization or approval
- b. Custody of assets (will be separated from accounting to enable a good audit trail)
- c. Recording transactions, and
- d. Reconciliation/control activity

B. **Capital Assets** – ensuring that all capital assets are properly accounted for by ensuring that there is:

- a. Authorization or approval for expenditure
- b. Authorization or approval for disposal
- c. Verification of title to asset purchased
- d. Periodic (at least annually) audits of fixed asset inventories

- C. The **reimbursement of expenses** – confirming that all expense claims and reimbursements are properly accounted for by ensuring that there is:
 - a. A clearly defined expense reimbursement process
 - b. Original receipts attached to all claims
 - c. Supervisor review and approval prior to submission for payment
 - d. Periodic (at least annually) auditing of a sample of employee reimbursement claims

- D. **Investments** – safeguarding all investments by ensuring that there is:
 - a. A clearly defined investment process document
 - b. Compliance letter confirmations as applicable for external investment advisors
 - c. Verification of title to investments purchased
 - d. Reconciliation of investments to monthly statements

The Board of Directors for Elves Special Needs Society is furthermore committed to ensuring that the **role of its senior program managers, with respect to its financial matters** provide the following:

- A. Regular financial reports to the Board including variance explanations.
- B. Make financial decisions and allocate resources according to the board’s strategic plan, annual budget, mission, and mandate.
- C. Comply with all legislated and regulatory requirements.
- D. Transparency and accountability for all financial transactions.
- E. Appropriate oversight over all financial operations.

With respect to **conflicts of interest**, the Board of Directors for Elves Special Needs Society acknowledges and supports that the employer relationship with employees, volunteers, delegates, students, and third-party services is founded upon trust and commitment to the Board’s mission and activities. Individuals must therefore remain cognizant of the fundamental principles of Board governance, and in particular, those of neutrality and impartiality. 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.

Finally, the Board of Directors of Elves Special Needs Society is committed to ensuring, in **matters relating to the compensation of senior managers** of the funded school, that the total compensation broken down by category for each applicable senior manager, as per *Private Schools Regulation AR 127/2022 Section 22(1)e* must be approved by the Board on an annual basis and whenever any compensation change is proposed. Total compensation must also be differentiated between those amounts grant funded and those amounts funded by other means as outlined in section 27 to 32 of the *Private Schools Regulation AR 127/2022*.