***Sample Financial Policy***

*Sample Co-operative Limited*

*Date Approved*

1. **Purpose**

This financial policy shall serve as a guide for the Board and the Finance and Audit Committee on the proper procedures and standards of conduct for managing the finances of the Co-operative.

1. **Audit and Finance Committee**
2. The Audit and Finance Committee shall be formed at the first Board meeting following the AGM.
3. The Committee shall consist of the Treasurer, the Chair, the Executive Director, the Auditor, and at least one other Director.
4. The Committee shall meet no less than four times per year, preferably Quarterly, at least two weeks prior to the regularly scheduled and duly called Board meeting. The Committee may elect to meet more frequently between the end of the fiscal year and the AGM.
5. The Committee shall not have decision-making authority and must provide recommendations to the Board for a final decision.
6. The primary responsibilities of the Committee shall include:
   1. Overseeing monthly financial reports.
   2. Monitoring accounting procedures and the financial health of the Co-operative.
   3. Recommending an Auditor for the Co-operative.
   4. Preparing an annual budget for approval of the members.
   5. Working with the Auditor to audit the Co-operative’s financial statements in a timely manner.
   6. Other duties assigned to the Committee by the Board.
7. **Accounting Procedures**
8. Day-to-day accounting will be the responsibility of the administrative support staff/bookkeeper under the supervision of the Executive Director and will follow generally accepted accounting principles.
9. The Co-operative will use the accrual basis of accounting whereby revenue and expenses are identified at the end of each month. All expenses will be counted as a current-month expense and accrued at the end of the month when books close.
10. Revenue will always be recorded in the month it was earned or pledged.
11. At the end of the fiscal year, all expenses from the 12 months of the fiscal year will be accrued in the year-end financial statements. The year-end books will close no later than 30 days after the end of the fiscal year.
12. Journal entries will be made by the bookkeeper and approved by the Executive Director. Entries may include expenses by staff that are necessary to the operation of the Co-operative. Expenses should receive the approval of the Executive Director prior to their interaction.
13. Bank statements are to be reviewed and reconciled with the accounts by the bookkeeper within one week of receipt. The Executive Director will approve reconciliation once completed.
14. Monthly books close at the end of the month and are filed electronically and on paper within the week following the end of the month. Paper reports must be signed and dated by the Executive Director before being filed.
15. Copies of monthly reports will be shared with the Board of Directors as part of the financial report prior to Board meetings.
16. **Internal Controls**
17. The Treasurer, on behalf of the Finance and Audit Committee and, with approval of the Board of Directors, will provide direction and oversight regarding accounting practices and financial planning for the Co-operative. The Executive Director will ensure the procedures set out in the Financial Policy are carried out by supervising the duties of the bookkeeper whose tasks are governed by the Financial Policy.
18. The Executive Director will provide the Board of Directors with monthly financial reports at board meetings and copies of all financial documents to the Audit and Finance Committee for budgetary purposes and accountability.
19. All employees and the Board of Directors are expected to use good judgement to adhere to ethical standards. All parties are expected to recognize and avoid any conflict of interest. In the event a conflict of interest is identified the Director or employee shall work with the Executive Director and Board Chair to identify an appropriate solution. Directors and employees can complete a disclosure report that identifies any type of conflict of interest they anticipate may or already have occurred.
20. All financial documents are to be stored on password protected computers and in locked filing cabinets.
21. **Financial Planning and Reporting**
22. An annual budget will be prepared by the Audit and Finance Committee annually and presented to the Board of Directors by the Treasurer prior to the start of the fiscal year. The budget will require acceptance of the Board and must be distributed to the membership within 60 days of the AGM for approval at the AGM.
23. The Co-operative will file an Annual Return with the AGENCY within 60 days of the AGM. This will be carried out by the Executive Director using the AGENCY website.
24. At the AGM, an Accountant must be appointed by ordinary resolution of the members to conduct an audit of the Co-operative. The Public Accountant must:
    1. Be a member in good standing of an association or institute of accountants or incorporated under an Act of a provincial legislature.
    2. Meet any qualifications established by a provincial legislature for individuals performing duties under the Non-Profit Act (e.g. provincial licensing).
    3. Be independent of the Organization, its affiliates, directors, or officers.
25. **Revenue**
26. All revenue will be receipted in accordance with standard industry practices.
27. Revenue on products will be categorized using the Co-operative’s Point of Sale system and accrued to the end of each month.
28. If revenue requires a bank deposit, it will be made within one week by a staff member.
29. The Executive Director with approval of the Board will set the goals for the fiscal year. This goal will allow the Finance and Audit Committee to compose an Annual budget.
30. **Expenses**
31. All employees will be remunerated based a salaried arrangement and funds will be disbursed on a bi-weekly schedule and are subject to appropriate deductions (e.g. taxation, benefits contribution, etc.).
32. All expenses related to the operation of the Co-operative will be submitted to the bookkeeper and released upon approval of the Executive Director. Expenses submitted by the Executive Director must receive approval by a Director with signing authority before funds are released. All expense claims will be filed with that month’s financial report.
33. Expenses directly to the Organization for capital expenditures under $5000 can be made directly by the Executive Director or the bookkeeper with approval of the Executive Director. Expenses exceeding $5000 will require approval of the Board of Directors. A bill and receipt will be required and filed with that month’s financial report.
34. All expenses will be individually accounted on monthly financial statements and consolidated on year-end reports, budgets, or audited financial statements using standard accounting practices.
35. Expenses incurred by employees and Directors should be made following consultation with the Executive Director to ensure they are reasonable. The individual is responsible for upholding this process and filing an expense claim; failure to do so may result in non-payment.
36. **Review**
37. The Finance and Audit Committee will draft and submit the Financial Policy to the Board of Directors once per annum prior to the AGM.
38. The Financial Policy will require acceptance, by general resolution, of the Board of Directors at the Board Meeting before the AGM.
39. It will be the responsibility of the Executive Director to oversee the administration of the procedures of the Financial Policy.