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POLICY STATEMENT:

The Canadian Institute of Marine Engineering (the Institute), operating as a Canadian Not for Profit, in the best interest of its members, sets the following policies and procedures. The purpose of this Policy and Procedures Manual is to set sound financial guidelines that promote prudent fiscal management; and to abide by Generally Accepted Accounting Principles (GAAP) and the obligations of reporting under the Canada Not for Profit Corporations Act.

ACCOUNTING GUIDELINES AND INTERNAL CONTROLS:

To ensure that record keeping is in accordance with Generally Accepted Accounting Principles (GAAP) and appropriate internal controls are maintained. The following procedures need to be followed:

1. Standard accounting procedures, in accordance with GAAP, will be utilized for all financial functions.
2. Accounting will be done on the accrual basis.
3. The approved Chart of Accounts will be utilized, reviewed annually and updated as required.
4. Periodic, unannounced, internal audits will be performed by the Treasurer of the National Council to ensure that the stated operating guidelines have been followed.
5. To ensure optimal internal controls, the Institute will separate functional responsibilities as recommended by GAAP, to the extent possible based on staffing resources.
6. The Administrator will maintain financial records in accordance with the record retention policy or as determined by the Canada Revenue Agency.
7. All Accounts Payable records will be stored by fiscal year and alphabetized by vendor.
8. All Accounts Receivable and Payroll records will be stored by fiscal year.

ANNUAL REVIEW ENGAGEMENT / AUDIT:

It is the policy of the Institute to arrange for an annual review / audit of the financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the National Council will be required to communicate directly with the Institute's Administrator and Treasurer upon the completion of their review / audit. In addition, the Administrator and Treasurer are authorized to initiate communication directly with the independent accounting firm.

Reviewed / Audited financial statements, including the reviewer's / auditor's opinion thereon, will be submitted and presented to the National Council by the independent accounting firm at the Institute's Annual General Meeting, after the financial statements have been reviewed and approved by the National Council.

Annual reviews should be done annually, and an audit every 4 years to ensure accuracy in accounting functions and to facilitate positive results. To ensure positive results during this process the National Council will perform internal reviews with the following guidelines:

- The designee appointed by the Treasurer or the Chair of the National Council would conduct the internal audits of accounts receivable, payroll, and accounts payables semi- annually.
- The designee conducting the audit will prepare an audit report and submit the report to the Treasurer and Chair of National Council for review.
- The Administrator will retain the records regarding the results of all internal audits and report inconsistencies or problems along with how they have been addressed to the independent accountant during the annual review / audit.

Interim Procedures - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the Institute's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. Institute staff will do as much as possible in order to provide requested schedules and documents and to otherwise assist the auditors during any interim audit fieldwork that is performed.

Throughout the audit process, it shall be the policy of the Institute to make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

ANNUAL BUDGET:

The annual budget process requires planning and preparation of management and staff. A budget should be designed and prepared to direct the most efficient and prudent use of the Institute's financial and human resources. Guidelines need to be in place so that the budgeting process runs smoothly. The following guidelines represent basic budgeting steps:

1. The Administrator will present an annual budget to the Treasurer one month before the end of the current fiscal year. Once approved by the Treasurer, the budget will be presented to the National Council for review and approval. The budget must be presented to the National Council during its January meeting.
2. The budget will be developed based on historical as well as projected costs for each program. Everyone will provide input into budget development.
3. In the event that the Institute desires to add or expand programs, a budget amendment may be proposed. The Treasurer will recommend to the National Council which must approve all additional programs or program expansions.
4. The purpose of adopting a final budget at the beginning of the Institute's year is to allow time for the accounting department to input the budget into the accounting system and establish appropriate accounting and reporting procedures.

FINANCIAL STATEMENTS:

Standard Financial Statements - Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the organization. Financial

statements may reflect year-to-year historical comparisons or current year budget to actual comparisons.

The basic financial statements of the Institute shall include:

1. **Statement of Financial Position (Balance Sheet)** - reflects assets, liabilities and net assets of the organization and classifies assets and liabilities as current or non-current/long-term.
2. **Statement of Activities (Income Statement)** - presents support, revenues, expenses, and other changes in net assets of the organization, by category of net asset (unrestricted, temporarily restricted and permanently restricted)
3. **Statement of Cash Flows (Development Sheet)** - reports the cash inflows and outflows of the organization in three categories: operating activities, investing activities, and financing activities
4. **Statement of Functional Expenses (Summarized by Program Totals)** – presents the expenses of the organization in both a natural, or objective, format and by function (i.e. which program or supporting service was served)

Standard Financial Statements - The objective of the Administrator is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

A standard set of financial statements described in the preceding section shall be produced on a quarterly basis, by the 10th. The quarterly set of financial statements shall be prepared on the accrual method of accounting, including all receivables, accounts payable received by the 10th of the month. All financial statements and supporting schedules shall be reviewed and approved by the Treasurer.

After approval by the Treasurer, a complete set of financial statements shall be prepared and distributed as follows:

1. Chair and Vice Chair of the National Council.
2. National Council.
3. Membership via posting to the website – Members only section.

INSURANCE COVERAGE:

Annually insurance coverage needs to be reviewed to ensure that the Institute maintains adequate coverage for Directors as well as the main event Mari-Tech.

- 1) The Administrator and the insurance broker shall review the insurance policy limits on upon policy renewal.
- 2) The Administrator will report to the insurance broker any purchase of equipment or property which could surpass the limits of current insurance coverage.
- 3) The Administrator and the insurance broker to discuss Director and Officer insurance and general liability insurance coverage a minimum of one time per year.
- 4) The Administrator will prepare a status report on all insurance coverage levels and premium expenses a minimum of one time per year. This information will be presented to the Treasurer.
- 5) The Administrator will work with the insurance broker to ensure that appropriate coverage is negotiated for the event Mari-Tech.

SECURITY

Access to Electronically Stored Accounting Data - It is the policy of the Institute to utilize passwords to restrict access to accounting software and data. Only the Administrator and the Treasurer will have access to the system.

Backups – Backup of the accounting system will be done on a monthly basis. The backup will be stored in a secure cloud based platform and will be tested for corruption on a monthly basis.

RECORD RETENTION

It is the policy of the Institute to retain records as required by law and to destroy them when appropriate. The destruction of records must be approved by the Treasurer and logged into the Institute's Destroyed Records Log. The formal records retention policy of the Institute is as follows:

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| Accounts payable ledgers and schedules | 7 Years |
| Accounts receivable ledgers and schedules | 7 Years |
| Audit reports | Permanent |
| Bank reconciliations | 7 Years |
| Bank Statements (physical copy) | 3 Years |
| Bank Statements (electronic copy) | Permanently |
| Cancelled Checks (physical copy) | 3 Years |
| Cancelled Checks (Electronic Copy) | 3 Years |
| Contracts, mortgages, notes, and leases (expired) | 7 Years |
| Correspondence: | |
| General (Customers, Vendors, etc.) | 2 Years |
| Legal and important matters only | Permanently |
| Deeds, mortgages, and bills of sale | Permanently |
| Depreciation schedules | Permanently |
| Duplicate deposit slips | 2 Years |
| Employment applications | 3 Years |
| Expense analyses/expense distribution schedule | 7 Years |
| Financial statements: | |
| Year end | Permanently |
| Other | Optional |
| General ledgers/year end trial balance | Permanently |
| Insurance policies (expired) | 3 Years |
| Insurance records (policies, claims, etc.) | Permanently |
| Internal audit reports | 3 Years |
| Internal reports | 3 Years |
| Invoices (to customers, from vendors) | 7 Years |
| Minute books of directors, bylaws and charters | Permanently |
| Notes receivable ledgers and schedules | 7 Years |
| Payroll records and summaries | 7 Years |
| Personnel records (terminated) | 7 Years |
| Property records (incl. depreciation schedules) | Permanently |

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| Tax returns and worksheets, examination reports | Permanently |
| Trademark registrations and copyrights | Permanently |
| Training manuals | Permanently |

CASH RECEIPTS AND REVENUE PROCESSING

Processing of Cheques and Cash Received in the Mail

For funds that are received directly, cash receipts are centralized to ensure that the cash received is appropriately recorded and deposited on a timely basis. Mail is opened and cash/cheques received shall be entered into the accounting system by the Administrator. A deposit slip is prepared for the cash/cheques received. Deposits are prepared and taken to the bank. A deposit only card is used to deposit the cash and cheques and a receipt with cheque image is printed and attached to the prepared deposit slip. The receipt and the deposit slip are then scanned and stored electronically by month within the current Fiscal Year financial folder.

When the member pays their dues by cheque or cash, the Administrator and / or Outreach Coordinator must reconcile with the membership platform by changing the status of the order from “pending” to “success”.

Endorsement of Cheques - It is the policy of the Institute that all checks received that are payable to the Institute shall immediately be restrictively endorsed. The restrictive endorsement shall be a rubber stamp that includes the following information:

1. For Deposit Only.
2. Canadian Institute of Marine Engineering (CIMarE).
3. The bank name.
4. The bank transit and account number of the Institute.

Timeliness of Bank Deposits - It is the policy of the Institute that bank deposits will be made once per week, unless the total amount received for deposit is more than \$5,000. In no event shall deposits be made less frequently than bi-weekly.

Credit Card Processing - The Institute accepts MasterCard and Visa for payment for membership dues through the merchant PayPal. PayPal is connected to the Institutes membership platform to facilitate these types of payment. Utilizing PayPal, reduces the Institute liability regarding the handling of credit card information. Through PayPal the Institute does not receive nor see the credit card number, expiry, CVV or customer data.

The Institute **does not** take credit card information over the phone or via email.

The Institute accepts MasterCard, Visa and American Express for payments related to Mari-Tech through the merchant Stripe. Stripe is connected to the registration and event platform used by our external event planners. Utilizing Stripe reduces the Institute liability regarding the handling of credit card information. Through Stripe the Institute and the event planners **do not** receive nor see the credit card number, expiry, CVV or customer data.

Both PayPal and Stripe merchant statements are reconciled monthly.

E-Transfer Acceptance – The Institute accepts payment of dues via e-transfer to admin@cimare.ca. This account has been set up to automatically deposit into the Institutes bank account. This reduces the liability of inadvertently depositing the funds in the wrong account. The e-transfers are then reconciled to the membership platform through the Administrator and / or Outreach Coordinator having to change the status of the order from “pending” to “success”.

RECONCILIATIONS

Bank Statements - The Administrator will prepare the bank reconciliation and will provide the Treasurer the bank statements and reconciliation statement each month after it's prepared.

The Institutes Credit Card - The Administrator will prepare the credit card reconciliation and will provide the Treasurer the credit card statements, reconciliation statements and invoices for each expense listed on the statement each month after it's prepared.

PayPal Merchant Statements - The Administrator will reconcile the PayPal statements with the order for the membership platform and with the deposits into the bank account to ensure that all membership dues collected through the merchant have been deposited into the Institutes bank account, taking into account the PayPal fees for processing which are recorded on the Institutes income statement.

Stripe Merchant Statements - The Administrator will reconcile the Stripe statements with the order for the registration and event platform and with the deposits into the bank account to ensure that all registrations, exhibitor fees and sponsorship revenue collected through the merchant have been deposited into the Institutes bank account, taking into account the Stripe fees for processing which are recorded on the Institutes income statement.

CASH DISBURSEMENT AND ACCOUNTS PAYABLE

The Institute processes the following types of disbursements:

1. Subscription based.
2. Invoice payments.
3. Cheque requests.

Subscription based purchases – The Institute recognizes that many software platforms are now subscription based. These subscription based purchases will be utilized only when no other option is available. To properly approve a subscription-based order the Administrator must first identify the reason for the subscription, provide the cost of the subscription along with the frequency of payment processing. A properly completed rationale shall contain the following information, at a minimum:

1. Specifications or statement of services required.
2. Vendor name, address, point of contact and phone number.
3. Special conditions (if applicable).
4. Net price per unit, less discount, if any.
5. Total amount of order.
6. National Council or Treasurer Approval signature.
7. Authorized signatures (two signing authorizations for the Institute).

Once the Treasurer and the National Council have approved the subscription, the Administrator will prepare the form for the two authorized signatories which will contain the information above. Once all approvals have been met, the Administrator will use the Institutes corporate credit card to complete the subscription.

This will become part of the reconciliation process for the Institutes corporate credit card.

Invoice Payments – For the majority of purchases by the Institute an invoice will be provided by a supplier. This is particularly the case for the Mari-Tech Event. The Administrator will then record the invoice in the accounting software and continue to process a payment by following these steps:

1. The invoice is submitted by the supplier to the Administrator. If the invoice is related to the Mari-Tech event, the invoice **must** come from the event planner with their approval that this is a required expense and is captured in the Mari-Tech Budget.
2. The Administrator will then obtain the appropriate approval to process the invoice. If the Invoice is operational, the approval will come from the Treasurer. If the invoice is Mari-Tech related the approval will come from the Chair of the Mari-Tech committee.
3. Once approval has been received the Administrator will process payment. Payments are made in one of three ways:
 - i. Cheque processing
 - ii. E-transfer payments
 - iii. Electronic Funds Transfer

Cheque Processing – All cheques written require the two signature, depending on the bank account. For the National Council and Mari-Tech bank accounts the two signature are the Administrator and one other. For the Branch bank accounts it is any two of the three identified authorized signers, one of which is the Administrator. At the branch level the Administrator is only used if one of the other Branch authorized signers is not available. When paying an invoice by cheque, the Administrator will:

1. Physically write the cheque completing all parts of the stub and cheque including:
 - i. The date
 - ii. Amount written both numerically and long form
 - iii. Payable to the supplier
 - iv. Invoice number recorded on the description line.
2. Record the cheque details in the accounting software.
3. Obtain the secondary signature.
4. Mail the Cheque.

E-transfer payments – The Institute recognizes that for modern convenience, some payments may be made via e-transfer. These include, however not limited to, payments to subcontractors, National Council expenses re-imbursements and scholarship awards. When processing a payment by e-transfer, the Administrator will:

1. Complete an e-transfer payment form that details:
 - i. The date of the transfer
 - ii. The amount being transferred
 - iii. The recipient's name and email address
 - iv. The invoice number
 - v. The reason for the transfer
2. Obtain the secondary signature on the e-transfer payment form.
3. Process the e-transfer.
4. PDF the confirmation provided by the bank.
5. Record the payment details in the accounting software.
6. Save electronically the invoice, approval, e-transfer payment form and bank confirmation.

Electronic Funds Transfer - The Institute recognizes that for modern convenience, some payments may be made via electronic funds transfer. These include, however not limited to, payments to larger payments to the event planners, venues, audio visual supplies, insurance, and other Mari-Tech

suppliers. When processing a payment by electronic funds transfer, the Administrator will:

1. Complete an electronic funds transfer payment form that details:
 - i. The date of the transfer
 - ii. The amount being transferred
 - iii. The suppliers name and address
 - iv. The invoice number
2. Obtain the secondary signature on the electronic funds transfer payment form.
3. Process the electronic funds transfer.
4. Record the payment details in the accounting software.
5. PDF the confirmation provided by the bank.
6. Save electronically the invoice, approval, electronic funds transfer payment form and bank confirmation.

NET ASSET CLASSIFICATION

All income received by the Institute is classified as “unrestricted” with the exception of Special Endowments received from past members requesting that these funds be permanently restricted for specific purposes.

Mari-Tech Surplus – The Institute hosts an annual industry event known as Mari-Tech. This event is hosted across the country and from time to time will partner with another industry not for profit for mutual benefit. The surplus from the event is to be split between any industry partners that we have a current Memorandum of Understanding with, the hosting Branch and the National Council.

Industry Partner Memorandum of Understanding - from time to time, the Institute will partner with an industry partner to co-organize Mari-Tech. The details of responsibilities is outlined in the memorandum of understanding along with a shared percentage of the surplus. In the event that Mari-Tech **does not** generate a surplus, the partnering organization will share the loss at the same percentage rate as outlined in the memorandum of understanding.

Hosting Branch – As Mari-Tech occurs within a region of one of the 7 Institute Branches, that Branch will share in the surplus of the event. The amount to be provided to the Branch is equivalent to the operational funds required, based on the budgets provided, between hosting the event. Currently this timeline is every 7 years. Unless otherwise supported with an approved budget, this equates topping up the Branch account to \$25,000. If the surplus of the Mari-Tech is less than the required top up amount, the National Council will approve a one-time transfer from National to the Branch to ensure the Branch has the required operating funds.

National Council – The remaining surplus will be transferred to the National Council bank account. The National Council will then decide on the best use of the funds which can include, but not limited to, topping up the Scholarship Investment Account, expanding operational infrastructure, assigning to a special project or placing in reserve for a Mari-Tech loss contingency.