

# **The Signallers Club of Canada Inc.**

## **Financial Management Instructions**

### **Aim**

1. The aim of this document is to provide the instructions necessary to govern the financial management operations of the Signallers Club of Canada Inc.

### **Introduction**

2. The financial management policies and procedures used by the Signallers Club of Canada Inc have evolved over many years and have never been recorded in full prior to the publication of these instructions. The Executive Committee hereafter called the Executive, in trying to recall how financial management issues were or should be addressed; had no documented reference to guide their decisions, especially when the Treasurer changed. These financial management instructions have not been written as a By-law of the Corporation because that would require them to be approved by the members by a Special Resolution requiring a two-thirds vote. Rather, they are meant to be a living set of instructions used to govern the financial management issues that the Club faces on a day-to-day basis. The initial version of these instructions shall be approved by the Executive and the members by way of ordinary resolutions. It shall be reviewed and updated by the Treasurer in accordance with By-law No 1 Section 5.02 e. (1) and the updates subsequently approved by the Executive. Updates that change spending authorities or limits must also be approved by an ordinary resolution to members at a members' meeting. These instructions shall also be reviewed for validity and clarity by the Club's auditor at least every other Fiscal Year (FY) in concert with the bi-annual audit of the Club's accounts.

### **General**

3. Definition. A not-for-profit (NFP) corporation as defined in the Club's By-law No 1 means a body corporate and politic, without share capital, for the purpose of carrying on, without pecuniary gain to its members, objects, to which the legislative authority of the Parliament of Canada extends, of a national, patriotic, religious, philanthropic, charitable, scientific, artistic, social, professional or sporting character, or the like objects. Therefore all property and funds of the Club and all profits of or other accretions to the Club shall be used in promoting the objects of the Club and no member shall have any right or claim to any such property, funds, profits or other accretions.
4. Corporate Registration. The Signallers Club of Canada Inc., federal corporation number 177997-4, is a non-charitable, non-soliciting NFP corporation, i.e. one that does not receive public donations and/or government grants in excess of \$10,000 in a single financial year, for as long as its gross annual revenues are less than or equal to \$1 million. The Club's purpose, policies and procedures are described in its Articles of Continuance and By-law No 1. The Club is not required to be incorporated under the Ontario Not-for-profit Corporations Act

(ONCA). The Club must file an annual information return with a fee to Corporations Canada (this can be done online) within the 60 days following the Club's latest incorporation anniversary date of 03 September 2014.

5. Fiscal Year. The Signallers Club of Canada Inc.'s FY shall be from 1 Apr to 31 March.
6. Budget. FY operating budgets shall be prepared by the Treasurer and submitted to the Executive for review and subsequently to the members for their approval at each Spring Annual Meeting.
7. Financial Statements. Year-to-Date (YTD) and other financial statements shall be prepared by the Treasurer as required by the Executive and members. At a minimum the agenda of each Executive and Members' meeting shall include a YTD financial statement.
8. Income Tax. The Club is exempt from paying income tax under Section 149 of the Canada Revenue Agency's (CRA) Income Tax Act; historically the Club has not filed income tax returns because its revenues have always been below the reporting threshold. That was an error because CRA requires, "All corporations—including non-profit organizations, tax-exempt corporations, and inactive corporations—to file a T2 return for every tax year, even if there is no tax payable". This error was rectified in October 2014 when the Club filed its first T2 return. The Club shall file tax returns in accordance with CRA's Corporation Income Tax Guide.

## **Revenue**

9. Revenue. The Club shall function on a revenue neutral not-for-profit basis in support of its objectives i.e. the operating budget shall be planned to closely balance. The Club's revenues shall be derived in the main from membership fees, interest on its investments, unsolicited donations and minor profits that may be generated from its events. Entertainment and other events shall normally be planned to be self-sufficient and therefore to break-even financially however, modest profits may be realized while deficits shall be avoided. The Club may pursue other sources of revenue but only in support of its mandated activities.
10. Reserve. An operating reserve shall be maintained. The Executive shall recommend the amount of the reserve in each FY operating budget for approval by the members at their Annual Meetings. The initial reserve was established in October 2015 from the unencumbered assets resulting from the establishment of the Assets-to-Liability Ratio described herein. The reserve shall normally only be used to support Club projects and major events of interest to the Club and proposed expenditures from the reserve shall be subject to the expenditure approval process and limits also described herein. However, if absolutely necessary, it may be used to offset deficits in the Club's operating budget. This latter practice should be the exception and must be closely scrutinized by the Executive to ensure that the reserve is not frittered away.

## **Expenditures**

11. Financial Commitments. All financial commitments of the Club shall only be made in support of:

- a. normal business operations such as printing/distribution of newsletters, postage, PO box fee, website expenses, and the like;
- b. advances for Club entertainment events such as BBQs and Dinners;
- c. special events important to the Club such as C&E Reunions;
- d. projects promoting the Signals heritage including but not limited to supporting the Communications and Electronics Branch (C&E) Museum and C&E veterans; and
- e. any other activity or project that the Executive and members deem worthy of the Club's support.

12. Approval Process. Financial commitments shall directly support the Club's objectives and all projected/proposed expenditures shall be submitted by the originator to the Executive through the Treasurer who must certify that the funds are available and the expenses affordable within the Club's Budget or Reserve funds. The Executive can approve expenditures totaling up to \$2,000 to support multiple events or projects during one FY but no single event or project can exceed \$1,000. Proposed expenditures exceeding those amounts must be submitted to the members for their approval. Proposed expenditures can be approved/rejected in any of the following ways:

- a. by the Executive and if necessary by members at a formal meeting and recorded in the minutes of that meeting in accordance with the Club's by-laws;
- b. by achieving consensus amongst the Executive members via email correspondence and/or verbally. In this case the Treasurer shall record the decision when announced by the President. The Treasurer shall maintain a record of those electronically/verbally approved expenditures and report them in the financial report at Executive and Members' meetings; or
- c. as a standing financial commitment identified in these instructions or other governing documents e.g. Life Member memorial tribute donations to the C&E Museum Foundation.

## **Assets**

13. Assets to Liabilities Ratio. Club members approved the establishment and maintenance of an Assets-to-Liabilities Ratio i.e. Liquidity of 3:1 on 26 October 2014. That ratio shall be monitored and reported on by the Treasurer at each Executive and Members' meeting to determine if adjustments are required.
14. Investments. The Club has invested and shall continue to invest in various low-risk financial instruments in order to ensure that it remains financially solvent and to maintain its Assets to Liabilities (Liquidity) Ratio at 3:1. Consequently, if the Club's liabilities change significantly then the Executive shall adjust the Club's investments to maintain the 3:1 liquidity ratio. Currently, the Club's financial institutions issue their T-5 Return on Investment Income forms based on the calendar year which requires the Treasurer to explain the investment income variance from the Club's FY when filing the T2 income tax return.
15. The following low-risk investments are held by the Club as of the latest issue date of these instructions. They may be changed by the Executive as necessary to maintain an efficient, low-risk investment portfolio.
  - a. As a member of the Kingston Community Credit Union (KCCU) the Club owns shares in the KCCU. These appear on the KCCU monthly statement as Equity Shares.
  - b. The Club purchases GICs from KCCU that are listed on the KCCU monthly statement. Depending on the investment chosen, interest may be compounded within the GIC, paid to the chequing account or paid as dividends. Currently interest is paid into the chequing account and treated as interest revenue.
  - c. The Club has one GIC invested at the Bank of Nova Scotia (BNS), Wellington Street Branch with an associated cash account. Note: When this GIC matures in February 2016, these funds will be transferred to the KCCU and reinvested. The BNS account will be closed at that time and these instructions will be updated accordingly.
16. Other Assets. The Club has a very small inventory of non-capital assets including items of dress regalia, framed documents and other memorabilia. Together they have no appreciable value but an inventory shall be conducted and recorded once per FY.

## **Liabilities**

17. Long-term. The only long-term liability currently approved by the members is a \$30 Memorial Tribute per Life Member. When a life membership is purchased, \$30 shall be set aside as a liability to be donated to the C&E Museum Foundation as a memorial tribute on the death of that Life Member. Initially this was paid to the charity listed on the member's obituary however, in the early 2000s the practice evolved to pay these memorial tributes to

the C&E Museum Foundation. The Treasurer shall make the memorial tribute cheques payable to the C&E Branch Museum Foundation and arrange to have them hand-delivered to the Museum. The Treasurer shall normally issue only one cheque per month along with a cover letter that consolidates and provides sufficient information to permit the Museum to issue a letter to the estate or relation of each Life Member in recognition of their donation. The Museum will issue an electronic receipt by email to the Club that cross references it to the cheque and that shall be filed.

18. Funds for payment of these tributes shall be kept in the form of the low-risk investments mentioned earlier under Liabilities however, the tributes shall actually be paid from the Club's general chequing account in order to avoid penalties in breaking GICs. Therefore, to ensure the Club has set aside sufficient funds to meet its liability obligations, a review of Life Member tribute liabilities against investments shall be conducted periodically by the Treasurer and the Club's investment portfolio shall be adjusted accordingly at a time that is in line with the maturity dates of the GICs.
19. Short-term. Other short-term liabilities such as accounts payable and outstanding cheques shall be reported in the financial statements provided to the Executive and members at their meetings.

#### **Accounting**

20. Accounts. The Club shall utilize at least the following accounts:

- a. a chequing account currently held at the KCCU that requires two signatures to approve. Signing authorities shall be vested in the President, the Vice President and the Treasurer;
- b. a petty cash account currently established at \$400 shall be held by the Treasurer for use as a float at Club events; and
- c. a petty cash account currently established at \$800 shall be provided to the Secretary as an advance to be used to pay day-to-day expenses such as printing, mailing and copying. The Secretary must provide a record of expenditures including receipts to the Treasurer in order to support the expenditure of these funds and to request account top-ups.

21. Record keeping:

- a. Cheque Register. A cheque register shall be used to record the issuance of every cheque. This cheque register shall be reviewed and approved by the Executive at each committee meeting to ensure that all expenditures receive proper approval and that Club monies are being spent on valid Club business. Such approvals shall be recorded in the minutes of the relevant Executive meeting.

- b. Receipts. Receipts shall be held in either electronic or hard copy form. All expenditures shall be supported by a receipt or a signed and dated reference document that clearly reflects why, when to whom money was spent and be cross referenced to each cheque. The Club shall normally issue e-receipts for all monies paid to the Club. E-receipts shall be emailed to the payer and hard-copy receipts shall be picked-up or hand delivered; hard copy receipts shall not normally be mailed.
- c. Events. Revenue and expenditures shall be recorded separately and individually for any events that the Club undertakes. However, accrued financial statements such as YTD statements provided to the Executive or members for review need only reflect the "Net" revenue or "Net" expense depending on whether a profit or loss was realized at the event.
- d. Financial Statements. YTD and other financial statements shall be prepared and presented by the Treasurer for review and/or approval as required by the Executive and members. The Club may, instead of sending copies of the annual financial statements and other documents referred to in subsection 172(1) (Annual Financial Statements) of the NFP Act to the members, publish a notice to its members stating that those financial statements and documents are available at the C&E Museum (in the Club slot) for members to view. Any member may request the Secretary to provide them with a copy free of charge or by prepaid mail.
- e. Backups. The Treasurer shall maintain all Club financial files (paper and electronic) both current and archival, back them up electronically and store the backups in the Club filing cabinet in the C&E Museum. The Treasurer shall, in case of emergency, keep the President and Vice-President aware of their location as well as the location of the Club's deposit books and cheques and of the login passwords to the online banking system(s) that the Club uses.

22. Accounting Practices. The Club shall ensure that it is using best accounting practices and reporting accurately by having its financial records audited at least every second FY by a qualified and independent individual as described at paragraph 23 herein. The Club shall use proven accounting software such as Quicken to maintain its financial records. The following procedures are currently utilized:

- a. All revenue accounts are listed as 400 series accounts and all expense accounts are listed as 500 series accounts.
- b. In order to standardize accounts but also separate annually recurring events (e.g. BBQ, Christmas, Mixed Dinner), a letter designator shall be applied to the new account for each subsequent FY.

- c. Postal Box, Call-em-All (automated calling service) and website expenses are recorded as communication costs.
- d. Deposits are handled as transfers from cash-on-hand to the chequing account. This permits deposits on Quicken to match deposits on bank statements.
- e. Bank statement shall be reconciled with Quicken.
- f. Interest from investments shall be captured monthly as interest income in order to ensure that interest revenue is captured correctly.
- g. Money received is entered in the cash-on-hand portion of Quicken. An e-receipt is issued (excel saved as pdf), emailed to the payer and copied to the Membership Officer if membership fees are involved. A deposit slip is created; money is deposited in the KCCU chequing account and transferred in Quicken from cash-on-hand to the bank account.

23. Auditor. The NFP Act defines a “Public Accountant” as a person who is a member of the Chartered Accountants of Canada, Certified General Accountants or Certified Management Accountants and has an appropriate provincial license to conduct an audit and be independent of the Corporation. In accordance with By-law No 1 Section 1.09 the members of the Club may, by unanimous vote, decide not to appoint a public accountant as defined in the NFP Act. If a public accountant is not appointed, the Club shall engage the services of an auditor who is independent of the Club and its members and whose qualifications are acceptable to the Executive.

CERTIFIED to be the Financial Management Instructions of the Signallers Club of Canada Inc as enacted by the Executive of the Club by resolution on the 7<sup>th</sup> day of October 2015 and approved by the members of the Club by ordinary resolution on the 24th day of April 2016.

Dated as of the 4 day of May 2016.

Jan T Hansen  
 Jan Hansen  
 President

**Record of Updates**

<u>Version</u>	<u>Date</u>
1	24 April 2016