



EDGE SCHOOL

**FINANCIAL
ACCOUNTABILITY POLICY**

Academics | Athletics | Character

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TITLE: Edge School Financial Accountability Policy

BOARD APPROVAL: September 5, 2024

LEGAL REFERENCES:

- *Alberta Education Funding Manual – Reporting Requirements Section J*
- *Income Tax Act (Canada)*
- *Alberta Private Schools Regulation (AR 127/2022)*
- *Education Grants Regulation (AR120/2008)*

DEFINITIONS:

Conflict of Interest: A conflict of interest is either: a situation in which a person has a private or personal interest sufficient to appear to influence the objective exercise of their official duties; or a situation or activities of a person that are perceived to be or are in conflict with the governing body’s mission or activities. A conflict of interest can involve a situation in which a person is in a position, either real or perceived, to exercise significant influence over another and can derive or be perceived to derive unwarranted benefit from their actions.

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.

Senior Manager: Senior management employee/contractor means an individual employed/engaged by the operator of a funded private school to plan, direct or control the management, administration and operation of the funded private school, this includes a member of the governing body of the operator of a funded private school who is an employee of the operator.

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 employer, which would include the employer’s portion of all health benefit plans, health spending account, gym and/or club memberships, 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 of 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.
5. **Work-related Expenses:** Expenses that are related to an employee either in the form of a benefit (e.g. business phone) or other expenses that may occur in a business setting (e.g. professional dinners with clients or colleagues.)

POLICY:

The Board of The Edge School for Athletes Society (Society/Board or Society Board) recognizes that financial accountability of provincially granted, tuition generated, and any other funds that flow through the operation of the Society is essential to ensure the trust of our stakeholders and the integrity of services that we offer to our students and school community. As such, the Board will put in place protocols which:

- comply with *Private Schools Regulation (AR 127/2022)*;
- which 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 effective practices of other independent schools in Alberta and Canada to ensure transparent and ethical use of all the Society's funds.

Furthermore, the board is committed to revising these protocols in light of any applicable 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.

The board of the Society is committed to ensuring that appropriate **internal controls** are in place, including:

A. Segregation of Duties

No single person should have control over all parts of a transaction. Segregating these duties helps to reduce the organization's risk of fraud and to prevent errors or mistakes. The following principles are part of this policy

- The person who requests an expense should not approve that expense.
- The person who approves an expense should not maintain the accounting records.
- The person who receives payments or opens the mail should not make bank deposits or maintain the accounting records.

B. Capital Assets

The purpose of this part of the policy is to establish the framework for the management and control of the Society's capital assets including identification, acquisition and disposal of capital assets.

The Board will ensure that all fixed assets are managed in accordance with current best practices. This includes safeguarding with appropriate identification, recording, verification of existence and costs.

All Edge School employees are responsible for the protection of the Society's capital assets in their custody and ensure that the assets are used only for authorized School purposes. The Controller, in conjunction with the CEO, is responsible for the acquisition and disposal of all capital assets for the School and for the maintenance and recording of the transactions with regard to capital assets.

C. Reimbursement of Expenses

The purpose of this part of the policy is to outline how employees are reimbursed for work-related expenses. It will address expenses that are paid directly by the employer and expenses that are paid by the employer that are reimbursable.

D. Investments

The Board recognizes the importance of responsible investment practices to optimize returns and to preserve the long-term value of its reserves. This part of the policy outlines the guidelines for investing funds, including the decision-making process, acceptable levels of risk, and considerations for selecting investment options. By adhering to this policy, the Board aims to prudently manage its investments in alignment with Alberta Education guidelines on investments (*Education Act – Investment Regulation 90/2019 2(1)*) and with our mission and values, and to fulfill our fiduciary duties.

By following this Investment Policy, the Board establishes guidelines for the responsible management and investment of its reserves. Prudent investment practices ensure the preservation and growth of the Board's financial assets, supporting its long-term financial sustainability and mission-related activities.

E. Role and Compensation of Senior Managers

The Board of the Society is furthermore committed to ensuring that the **role of its senior managers, with respect to its financial matters**, includes the following:

- Presenting regular financial reports to the Board including variance explanations.
- Making financial decisions and allocating resources according to the Board's strategic plan, annual budget, mission, and mandate.
- Complying with all legislated and regulatory requirements.
- Ensuring transparency and accountability for all financial transactions.
- Providing appropriate oversight over all financial operations.

In matters relating to the compensation of senior managers of the funded school, the Board is committed to ensuring that the total compensation (broken down by category) for each applicable senior manager is compliant with the *Private Schools Regulation AR 127/2022 Section 22(1)e* and is approved by the board. For clarity, total compensation must differentiate between amounts that are grant funded and those amounts funded by other means, as outlined in section 27 to 32 of the *Private Schools Regulation AR 127/2022*.

F. Conflicts of Interest

With respect to conflicts of interest, the board of the 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. Board members must declare any conflicts of interest and must recuse themselves from any decisions related to matters where there are conflicts of interest.

PROCEDURES:

SEGREGATION OF DUTIES PROCEDURES

The following three areas are current procedures in the ‘segregation of duties’ part of the policy:

- a. Reconciliations
 - i. The organization’s financial accounts should be reconciled on a regular basis to ensure that all transactions are properly approved, recorded, coded, and documented. Any errors or discrepancies should be researched and addressed in a timely manner.
 - 1. All bank accounts, credit card accounts, and other financial accounts should be reconciled on a monthly basis.
 - 2. The financial institution’s monthly statements should be compared to accounting records and all available supporting documentation, checking for mathematical accuracy and proper categorization of each transaction.
 - 3. Any accounting errors, discrepancies, or omissions should be immediately researched, resolved, and documented.
- b. Authorization and approvals
 - i. Proper authorization and approval must be obtained before a transaction is processed.
 - 1. Transactions may be authorized by signature or electronic approval. In the case of electronic approvals, the approver’s password should never be shared with another person.
 - 2. The approver is responsible for reviewing all supporting documentation and ensuring that the transaction is appropriate, accurate and compliant with all of the organization’s policies, rules, and regulations.
- c. Supporting documentation
 - i. Documentation should be provided to provide clear evidence or support of each transaction.
 - 1. All expenses should include an itemized invoice, purchase order, and/or receipt showing the payee name, date of expense, the amount of the expense, and the purpose of the expense, and remittance information, any taxes should be clearly and separately identified including the registered tax number.
 - 2. All revenues and donations should include a sales receipt or transaction report showing the date of the transaction, the method and amount of payment, and the purpose of the payment, including any donor restrictions.
 - 3. Supporting documentation should be saved to a physical and/or electronic location (such as an on-site file room or cloud-based document storage system) and retained for a predetermined period of time as per government regulations, in effect.

CAPITAL ASSETS PROCEDURES

The following three areas are covered by the ‘capital assets’ part of the policy:

- a. Acquisition of Capital Assets
 - i. Any asset acquisition has to be approved by the Capital Expenditures Committee (Led by the Controller), prior to any commitment to purchase.

- ii. On receipt of all assets over \$1,000, finance will record the asset in the accounting system and make a copy of the invoice for the asset file.
- iii. All assets received by the School via donation are to be reported to Finance for recording into the accounting system.
- iv. All assets received by the School via a “gift-in-kind” donation are to be reported to Finance for recording into the accounting system.
- b. Disposal of Capital Assets
 - i. Fair market value (FMV) of disposal received. Clearly document if disposal value received is significantly different from FMV.
 - ii. Copy of disposal sales receipt given to finance to record in the accounting system.
- c. Recording of Capital Assets
 - i. Include the following details on the invoice/receipt of asset acquisition:
 1. invoice number, date of acquisition
 2. item description
 3. value
 4. taxes, if any, with tax number
 5. approval of person ordering the asset and approval of direct supervisor
 6. identify funds being used to acquire the asset
 7. legal title (if applicable) and financial records are maintained in finance office
 - ii. When equipment or goods identified as obsolete or worn out, finance must be informed in writing prior to disposing the asset.

REIMBURSEMENT OF EXPENSES PROCEDURES

The following two areas are covered by the ‘reimbursement of expenses’ part of the policy:

- a. Eligible and Ineligible expenses
 - i. The following expenses are typically eligible for full or partial reimbursement
 1. Travel expenses that are incurred during an approved business trip. These include accommodations, transportation, medical expenses (ex. vaccines), local transportation, meals
 2. These expenses must be done in the most reasonably affordable way possible.
 - ii. The following expenses are not typically eligible for reimbursement. This is not an exhaustive list. Employees must seek approval for any reimbursable expenses before they are incurred. Expenses may be capped and any expenses in excess of approved amounts will be covered by the employee themselves.
 1. Expenses incurred by spouses or others who accompany employees on their travels
 2. Unauthorized service upgrades (business class, hotel room upgrades)
 3. Personal services (massage, etc)
 4. Personal purchases
 5. Lost property
 6. Alcohol
 7. Unauthorized business meetings
 8. Fines incurred while driving
 9. Personal trips
- b. The reimbursement process
 - i. Ask for your manager’s approval prior to incurring the expense.
 - ii. Submit a reimbursement claim, with receipts and bills, within one week of the occurrence.
 - iii. The employee’s supervisor is responsible for approving reimbursement claims. Expenses approved by the supervisor will receive reimbursement within one month.

- iv. Any excessive expenses will be investigated. In case of falsified or exaggerated claims, disciplinary action may be taken.
- v. For work-related trips
 - 1. Document any expenses that our company hasn't directly arranged for (e.g. taxi fares.) Please ask for bills and receipts whenever you can.

INVESTMENT PROCEDURES

The following six areas will be covered by the 'investments' part of the policy:

- a. Investment Objectives
 - i. The primary objectives of our investment strategy are:
 - 1. Preservation of Capital: Ensure the safety and preservation of the funds invested.
 - 2. Liquidity: Maintain a level of liquidity to meet our short-term cash flow needs.
 - 3. Return on Investment: Seek reasonable and appropriate returns that support our financial sustainability and mission-related activities.
 - 4. Risk Management: Manage investment risks in a prudent and diversified manner.
- b. Investment Decision Making
 - i. The authority and responsibility for investment decision-making will be assigned to the Controller and CEO, in consultation with the board.
 - ii. The investment decision-makers will possess the necessary expertise, qualifications, and experience to fulfill their roles effectively.
 - iii. Investment decision-making should be consistent with the organization's mission, risk tolerance, financial objectives, and legal and regulatory requirements.
- c. Acceptable Level of Risk
 - i. The organization's risk tolerance will be assessed and determined by the Controller and CEO, in consultation with the board.
 - ii. Risk tolerance will consider factors such as the organization's financial situation, time horizon, and spending needs.
 - iii. The investment strategy should reflect an appropriate balance between potential returns and acceptable levels of risk, in line with the organization's risk tolerance.
- d. Diversification and Asset Allocation
 - i. The investment portfolio will be structured to achieve appropriate diversification to manage risk and optimize returns.
 - ii. Asset allocation decisions will be based on considerations such as the organization's risk profile, financial objectives, time horizon, and market conditions.
 - iii. The investment portfolio may include (as per the Alberta Education Act), bonds, debentures, trust certificates, guaranteed investment certificates or receipts, certificates of deposit, deposit receipts, bills, notes and mortgages of real estate or leaseholds and rights or interests in respect of a security.
- e. Due Diligence and Investment Selection
 - i. Investment options will be selected through a rigorous due diligence process that considers factors such as investment performance, fees, risk profile, alignment with the organization's mission, and legal and ethical considerations.
 - ii. External investment managers or advisors may be engaged based on their expertise and ability to meet the organization's investment objectives.
 - iii. Periodic reviews and assessments will be conducted to evaluate the performance and ongoing suitability of investment options and managers.

- f. Investment Monitoring and Reporting
 - i. The investment portfolio will be regularly monitored to assess performance, risk, and compliance with the Investment Policy.
 - ii. The investment monitoring process will include periodic reviews, evaluation of investment managers, and adjustment of the investment strategy as needed.



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