

II. FINANCE

FINANCE
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II. FINANCE

A. Financial Authority [Board Motion #04-06-17]

1. Purpose / Objective

The following policy defines who has authority to bind The Canadian Kennel Club (CKC) to contracts and expenditures and how purchases and payments will be made.

2. Scope

This policy applies to all CKC staff.

3. Definitions

Electronic Payments – are pre-authorized payments charged to the CKC chequing bank account.

Inventory – includes chips, scanners, wickets, rule books, certificates, and other items for resale.

Office Services expenses – includes repair costs, equipment purchases under \$2,000, office services such as cleaning, kitchen supplies, etc.

Boilerplate Agreements – agreements using a fixed (pre-approved) template and defined parameters.

4. Policy Statement

a) Board

The Board may authorize any expenditure or financial commitment. The approved Board minutes giving express authority, shall constitute the Executive Director's (ED) authority for implementing any financial transaction or commitment authorized by the Board (The By-laws, Section 9.1). Decisions or instructions of individual Board members, or committees are not binding on the ED or staff.

b) Executive Director (The By-laws, Section 14.1)

- i. The ED is responsible for ensuring that all financial transactions are authorized by an appropriate authority and in accordance with The By-laws and policies of the CKC.
- ii. All routine and budgeted expenditures shall be paid by the ED as they become due.
- iii. The ED may authorize any single or continuous financial expenditure which has been provided for in the annual budget, as approved by the Board of Directors. Expenditures not approved in the annual business plan or which may impact more than one year will require board approval and is limited to the amounts indicated in the table below.
- iv. The ED may authorize Revenue agreements for new lines of business as defined in the table below. The financial authorization limits are intended to mitigate any financial risk as far as terms or commitments. The ED is still responsible to report to the Board on issues that may impact the reputation of the CKC or the perception of the organization by its members.

5. Limitations of Expenditure and Capital Authorization (see table below)

	<u>Conditions</u>	<u>Amount</u>	<u>Approval</u>
Expenditures	-Approved in annual budget		Annual Business Plan
	-Not approved in or in excess of annual budget	> \$25,000	CKC Board
Capital Expenditures	-Approved in annual budget		Annual Business Plan
	-Not approved in or in excess of annual budget	\$ >10,000	CKC Board
Inventory (individual purchases or commitments)		> \$100,000	CKC Board
Contracts for services (value over entire term of contract)	-Not approved in or in excess of annual budget	> \$25,000	CKC Board
	-Total contract value	> \$300,000	CKC Board
Lease Commitments (value over entire term of lease)	-Not approved in or in excess of annual budget	> \$25,000	CKC Board
	-All leases with a total value in excess of \$100K should be disclosed to the Board via the annual business plan		
	-Total lease value	> \$300,000	CKC Board
Revenue Agreements			ED with appropriate Legal review and Board disclosure

- i. Invoices shall not be split to circumvent these limits.
- ii. The ED, within the scope of authority as described in The By-laws (Section 14.1 (c)) and herein, may delegate authority in writing to approve specified financial transactions to individuals holding designated positions. The following table summarizes the assigned authority given by the ED to staff holding designated positions, unless otherwise specifically stated by the ED:

	<u>Conditions</u>	<u>Amount</u>	<u>Approval</u>
Expenditures	-Approved in annual budget		Managers with budget responsibility
	-Not approved in annual budget	< \$25,000	ED
	-Not approved in annual budget	> \$25,000	CKC Board
Office Services Expenses	-Approved in annual budget	< \$2,000	Operations Supervisor
	-Approved in annual budget	< \$10,000	Controller
	-Approved in annual budget	> \$10,000	ED
	-Not Approved in annual budget	> \$25,000	CKC Board
Contracts (for services)	-Approved in annual budget	< \$10,000	Managers with budget responsibility
	-Approved in annual budget	< \$25,000	Managers + reviewed by Controller or ED
	-Approved in annual budget	> \$25,000	ED + Controller or Legal counsel review
	-Not approved in or in excess of annual budget	> \$25,000	CKC Board
	-Total contract value	> \$300,000	CKC Board
Lease Commitments	-Approved in annual budget	< \$10,000	Managers with budget responsibility
	-Approved in annual budget	< \$25,000	Controller
	-Approved in annual budget	> \$25,000	Controller & ED
	-Not approved in or in excess of annual budget	> \$25,000	CKC Board
	<i>-All leases with a total value in excess of \$100K should be disclosed to the Board via the annual business plan</i>		
	-Total lease value	> \$300,000	CKC Board
Inventory (new vendor agreements fall under contracts)	-With existing vendor agreements	< \$15,000	Operations Supervisor
	-With existing vendor agreements	< \$25,000	Controller
	-With existing vendor agreements	< \$100,000	ED
	-With or without vendor agreements	> \$100,000	Board
Capital	-Approved in annual budget		Managers with budget responsibility
	-Not Approved in annual budget	< \$10,000	ED
	-Not Approved in annual budget	> \$10,000	Board
Revenue Agreements	-Boilerplate agreements	< \$100,000	Manager of Market Expansion, ED
	-Boilerplate agreements	> \$100,000	Manager of Market Expansion, ED, Legal counsel
	-New agreements	< \$50,000	Mgr. of Market Expansion, ED AND Legal counsel or Controller
	-New agreements	> \$50,000	Mgr. of Market Expansion, ED AND Legal counsel

- iii. Payments may be made by cheque, electronic payment, or use of the CKC corporate credit card. The ED shall have the authority to approve payment on behalf of the CKC. In the absence of the ED, the Director of Membership Services and Registration assumes the responsibilities of the ED. In the absence of both the ED and the Director of Membership Services and Registration, either or both remaining signing officers may assume signing responsibility. Payments in excess of \$10,000, must be co-approved by the Controller [Board Motion #07-03-13]. The following payment approval matrix outlines the approval hierarchy:

<u>Method of Payment</u>	<u>Amount</u>	<u>Authorization</u>
Cheques	< \$10,001 > \$10,000	Executive Director or defined alternate (*) Require signature by ED or his defined alternates AND Controller

<u>Method of Payment</u>	<u>Amount</u>	<u>Authorization</u>
Non-Member Refund Cheques	< \$500 > \$500	Controller Same as Cheques
Electronic Payments		Follow the same requirements as cheques, however, only the ED or the Controller may execute electronic payments
Corporate Credit Card		Use of corporate credit card require pre-authorization using the forms that are available from Head Office upon request and follow the same authorization as cheques.

<u>Designated Bank Signing Officers:</u>	<u>Authorization Given:</u>
Executive Director	-cheque signing, bank transfers, corporate credit card
Controller	-cheque signing, bank transfers, corporate credit card
Director of Membership & Registration	-cheque signing (automatic default if ED is absent unless otherwise defined)
Manager of Events	-cheque signing

In situations where employees have to use their personal credit card to make payment, authorization of expenditure follows the same requirements as indicated above.

6. Procedures

- a) Purchase Goods or Services
 - i. Products, Printed Material – sourced by Operations Supervisor
 - ii. Office Supplies – sourced by receptionist
 - iii. Computer equipment – sourced by IT
 - iv. Purchases of goods or services in excess of:
 - \$5,000, should include 2 competitive price quotes
 - \$10,000, should include 3 competitive price quotes

- b) Payment of Invoices

Invoices are approved following the requirements as defined in Section 3 of the Policy Statement above and forwarded to Accounts Payable for processing. Cheques are signed as indicated above. In the event that the ED is absent and payment is approved by an alternate signing officer, those payments will be made available to the ED for review.

- c) **Electronic Payments**
This form of payment is usually utilized for ongoing services where cost is relatively known. Setting up of automatic payments requires the approval of the ED and the Controller. The form used to document approval of automatic payments is available from Head Office upon request.

7. **Responsibilities**

- a) **Managers** – ensure compliance with this policy.
- b) **Controller** – reviews all invoices to ensure coding is accurate and to ensure compliance with this policy.
- c) **Executive Director** – responsible to ensure CKC complies with this policy and is consistent with The By-laws and Board Motions.

8. **Policy Review Frequency**

- a) This policy will be reviewed every three years unless otherwise required.

B. Expenses and Allowances

1. **Board and Committee Expense and Travel Policy [Board Motion #04-09-18]**

a) **Purpose / Objective**

The purpose of this policy is to provide the Board of Directors, Committee Members and Council Members, guidelines for the type of expenses that can be incurred in performing their duties, and to provide a process for reimbursement for these expenses.

b) **Scope**

This policy applies to members of the CKC Board and all CKC Committee and Council Members.

c) **Definitions**

Committees and Councils - as defined in Chapter X of the CKC Policy and Procedures Manual.

Per Diem - A fixed amount paid to Board or Committee members when attending their respective meetings in person. This amount is an average approximation of the daily costs incurred for accommodations, parking, and meals.

Allowance - An annual budget amount made available to CKC Board Members for expenses incurred while travelling on CKC business to represent the geographic area they represent (Zone) or used for the purpose of carrying out their assigned duties and responsibilities as Board members.

d) Policy

Board of Directors incur expenses to support their Zone members and to travel to Board meetings. Committee members incur expenses to travel to Committee meetings. CKC will reimburse Board and Committee members, for all expenses that meet the guidelines below and are appropriately supported.

Expenses may not be claimed when a Director or Committee Member attends an approved event if they are participating as a judge, competing at the event, or are in any way earning income or receiving expense reimbursement from another organization.

Council Members do not normally incur travel expenses in performing their volunteer responsibilities. In the rare event that expenses are incurred, they must seek pre-approval. Expenses incurred by Council Members at the request of a Zone Director, may be reimbursed at the discretion of the Zone Director, from their Zone Allowance Budget.

The expense reimbursement for costs incurred when: (1) attending CKC meetings (Per Diems), (2) traveling on Zone business, and (3) carrying out Board member responsibilities (Allowance), are detailed below.

- (1) Per Diems for Board or Committee Members when attending their respective meetings:
 - a) Members of the Board of Directors and Committees shall be paid a per diem when attending their respective meetings.
 - b) There shall be two different per diem rates; one for day trips where a hotel stay is not required, and one for overnight trips (See Appendix 1— Fee Schedule). Directors or Committee members who live less than 50 kilometers from the CKC meeting place will claim the “day trip” rate unless it is determined that their presence is required in evening events and they are required to stay overnight, in which case the “overnight rate” will apply. Finance will require notification from the Board Chair, Committee Chair or CKC liaison, as appropriate, of the local members who will be claiming an “overnight” per diem.
 - c) Per diems will be paid for:
 - The day the individual travels to the meeting.
 - Each day the Board or Committee is in session.
 - The day the individual travels back, if necessary.
 - d) No per diem shall be paid for any additional days without the authorization of the Chair of the Board of Directors or the Executive Director.
 - e) The per diem shall encompass all costs of meals, accommodation, parking, and gratuities and may be expended at the discretion of the member. No receipts are required for expenses covered by the per diem. Other costs such as travel, and other incidentals are reimbursed when supported by receipts.

(2) Board and Committee Expenses incurred when travelling on Zone business or to CKC meetings and are not included in the per diem:

a) General Guidelines for Expenses

- i. Receipts are required for all expenses being claimed, showing the item detail and taxes, with the exception of meals, mileage, gratuities, and expenses covered under the per diem. Expenses under \$25 dollars, such as parking, will be accepted without a receipt, however, receipts are encouraged. Credit card statements are not sufficient receipts, as they do not detail the taxes.

b) Travel

- i. Travel shall be by the most efficient but cost-effective method of transportation. At all times such travel shall be at economy rates and whenever possible, reservations shall be made sufficiently in advance so as to obtain the lowest possible fare.
 - ii. Mileage shall be claimed in the metric measure of kilometers and at a rate which shall be established from time to time by the ED (see Appendix 1 – Fee Schedule). Mileage shall be calculated using the most direct route between points. Travel to the CKC office or to and from the airport to the claimant's home, shall be based on pre-determined distances, unless approved by the ED (see Appendix 4). If a Board or Committee member uses their car or trailer to travel to a meeting or an event, and the travel cost exceeds the cost of air travel, the lower of the two costs will be claimed, unless prior approval is obtained from the ED.
 - iii. Car rentals, when approved for specific purposes, shall be compact or mid-size vehicles or a standard van only.
 - iv. All travel outside Canada on official Canadian Kennel Club business by any Board member or Staff of The Canadian Kennel Club, must have the prior approval of the Board of Directors. Within thirty (30) days of their return to Canada, any person who traveled outside Canada on official Canadian Kennel Club business, shall provide Head Office with a report that sets out (i) a statement of the business objectives pursued, and (ii) an explanation of the results achieved in relation to the stated purpose and objectives.
- c) Meals when not included in a per diem, or provided at CKC meetings, may be claimed when duties being performed fully encompass a meal period. The amounts claimed for each meal will be based on a meal allowance as specified in the Fee Schedule in Appendix 1. Receipts are not required when claiming a meal allowance. The claimant may choose to submit a lesser amount based on actual cost.
- d) Accommodation when not included in a per diem, shall be a standard room. Claimants are not obliged to share accommodation with other claimants. Meals charged to a hotel statement must be identified as meals and charged to the appropriate category.
- e) Gratuities shall not exceed fifteen percent (15%) of the cost of the meal (unless charged automatically by the vendor), taxi fare etc., exclusive of taxes when easily discerned.

(3) Board Members' Allowances

- a) Each member of the Board of Directors shall be granted a Board member's allowance. Such amount shall be determined by the Board on an annual basis and included in the budget at the time of approval.
- b) The purpose of this allowance shall be to provide each member of the Board with a designated allotment of funds which shall be used for the purpose of carrying out their assigned duties and responsibilities as a member of the Board.
- c) The allowance shall be expended at the sole discretion of the member. Board members will use discretion in utilizing these funds in order to maximize the benefit to their members. At no time are these funds to be used for personal payment or non-CKC business.

Examples of reasonable expenses are:

- Travel & Accommodations while attending Zone events or meetings (see guidelines in number two (2) above).
- Meals while travelling to Zone events or meetings (see guidelines in number two (2) above).
- Office supplies.
- Productivity equipment such as tablets, printers.
- Computer equipment – require the approval of the ED and must be returned to CKC if the Board member serves three (3) or less years.
- Internet and phone bills (pro-rated for CKC related use).
- Zone sponsored activities.
- Reimbursement of Council Members for their expenses while performing their volunteer duties.
- Zone donations and sponsorships such as Junior Handling travel expenses.

A Board member can expense either a tablet or computer, but not both. It is expected that hard copy materials mailed to board members, will no longer be required if a tablet or computer is expensed.

- d) The member may draw down their allowance by submitting their expenses on the standard expense statement form as prescribed under Procedures and adhering to the expense guidelines in Section 2 above.
- e) No claims in excess of the total budgetary allowance will be approved for payment without the express approval of the Board of Directors.

(4) Responsibilities

Board, Committee and Council Members – Comply with policy when submitting expense claims.

Controller – Administer expense claims based on this policy.

Executive Director – Responsible to ensure CKC complies with this policy. Events will arise from time to time, which cannot all be explicitly covered by this policy. It will be the ED's responsibility to assess the need for an exception and approve additional expenses that may not be specifically dealt within this policy. Any such exceptions must be documented with explanations for the deviation.

2. Employee Expense and Travel Policy [Board Motion #05-09-18]

a) Purpose / Objective

The purpose of this policy is to provide CKC staff guidelines for the type of expenses and amounts that can be incurred in performing their duties and process for reimbursement.

b) Scope

This policy applies to all CKC staff and contractors.

c) Policy

Staff shall be reimbursed for expenses which may from time to time be incurred while performing assigned duties. No claims shall be submitted unless sufficient funds have been designated in the current budget for the general purpose of such an expense. All non-budgeted items must first be pre-authorized by the Executive Director (ED) prior to submission.

Examples of employee expenses that may be submitted for reimbursement include:

- i. Meals while travelling or meals during business meetings.
- ii. Employee appreciation expenses - the Social Committee or department managers may incur expenses for the benefit of employees. These expenses cannot exceed budgeted amounts without the approval of the Executive Director and cannot be in violation of Canada Revenue Agency requirements.
- iii. Purchases for goods or services for budget approved expenses from vendors who require immediate payment.
- iv. Expenses incurred at trade shows or traveling to pre-approved board meetings, conferences, or other CKC business meetings.

d) General Guidelines for Expenses

- i. When incurring expenses that involve more than one CKC staff member, the most senior staff member will incur and submit the expense claim for the group.
- ii. Travel shall be by the most efficient but cost-effective method of transportation. At all times such travel shall be at economy rates and whenever possible, reservations shall be made sufficiently in advance so as to obtain the lowest possible fare.
- iii. Mileage shall be claimed in the metric measure of kilometers and at a rate which shall be established from time to time by the Executive Director (see Appendix 1). Mileage shall be calculated using the most direct route between points.
- iv. Meals, when not provided at a meeting or function, may be claimed when traveling on business. The amounts claimed for each meal will be based on a meal allowance as specified in the Fee Schedule in Appendix 1. Receipts are not required when claiming a meal allowance.
- v. Meals may also be claimed if meeting with non-CKC staff or with CKC staff for a specific business purpose or when food is ordered for luncheon meetings or for staff working late at night. In these circumstances, actual receipts are required along with the purpose of the meeting and the participants.
- vi. Gratuities shall not exceed fifteen percent (15%) of the cost of the meal (unless charged automatically by the vendor), taxi fare etc., exclusive of taxes when easily discerned.

- vii. Car rentals, when approved for specific purposes, shall be compact or mid-size vehicles or a standard van only.
 - viii. Receipts are required for all expenses being claimed, showing the item detail and taxes, with the exception of mileage, gratuities and any lost meal receipts under twenty-five dollars (\$25.00), or the meal allowance if applicable. Credit card statements are not sufficient receipts.
- e) Responsibilities
- Employees – Comply with policy when submitting expense claims.
- Controller – Administer expense claims based on this policy.
- Executive Director – Responsible to ensure CKC complies with this policy.

C. Financial Statements

1. The annual financial statements of CKC, with an explanatory note, shall be printed and published in the Official Publication and/or posted electronically on the members' section of the CKC web site and sufficient copies of the statements shall be printed for distribution at the Annual General Meeting.
2. When each monthly statement is furnished to members of the Board and Audit Committee by the Executive Director, it shall include detailed income and expenses in relation to the budget as well as a short synopsis.

D. Banking and Investments

1. Banking and custodial arrangements shall be by resolution of the Board of Directors. The resolution is to include: the type of accounts maintained; investment policies to outline the type and level of investment assets allowable; and signing officers with specified limits.
2. The prime consideration for the investment of the Club's funds is the protection of capital and the selection of maturities to optimize returns while meeting cash flow requirements. Therefore, as a matter of policy, the following is the criteria for financial investments.
3. Bonds, debentures and other evidence of indebtedness guaranteed by the Federal government or its agencies, or the government of any province of Canada, or by any municipal corporation of Canada.
4. Deposit receipts, deposit notes, certificates of deposit, acceptances or similar instruments issued, endorsed or guaranteed by any scheduled A or B Bank or their wholly owned subsidiaries, or trust companies registered under the Loan and Trust Corporations Act, with a minimum rating of "R1 middle" by the Dominion Bond Rating Service.
5. The Board of Directors shall be notified immediately of any disposal of the Club's assets or investments over \$100,000.

E. Foreign Currency

1. Non-residents of Canada are to remit in Canadian dollars. Discounted cheques or money orders in foreign currency will not be accepted.

F. Fraud Policy [Board Motion #03-06-17]

1. Purpose / Objective

The corporate fraud policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against The Canadian Kennel Club (CKC). It is the intent of the CKC to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development and monitoring of controls and conduct of investigations.

2. Policy Statement

As CKC is a not for profit organization, all stakeholders share the costs associated with misappropriations or any other type of internal or external fraudulent activity. In addition to the financial implications of fraud, CKC's reputation and credibility with stakeholders and the public can be negatively impacted.

It is for these reasons that CKC does not tolerate fraud and is committed to the development, implementation, and regular review of fraud prevention, detection, and response strategies. As an employer, CKC has a responsibility to ensure that employees and managers understand this policy and act accordingly when fraud is suspected. Contravention of this policy may lead to discipline up to and including termination of employment or the termination of a contract for services, and may lead to prosecution.

CKC values the integrity of staff and recognizes that they have a key role to play in the prevention, investigation, and reporting of fraud. Employees must be vigilant at all times and are required to report any concerns they may have at the earliest opportunity in accordance with the procedures below. CKC is committed to creating and maintaining an honest, open, and well-intentioned working environment.

Retaliation is prohibited against anyone who has reported a suspicious incident in good faith or has participated in an investigation under this Policy. Retaliation may result in disciplinary action. Reasonable measures shall be taken to maintain confidentiality and to protect, to the extent possible, the identity of the employee(s) reporting suspected offenses under this Policy. The rules of procedural fairness govern all activities under the investigation process. Employees must act in good faith and on the basis of reasonable belief in reporting alleged fraudulent activity. All persons involved in a reported situation are responsible for respecting the reputation of individuals. Employees reporting suspicious incidents under this Policy must treat the matter as confidential and not discuss it with anyone other than the person to whom they have reported the incident or the investigator(s).

3. Scope

This policy applies to any irregularity, or suspected irregularity, involving employees as well as directors, committee members, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties with a business relationship with CKC.

Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the Company.

4. Definition

Fraud – The use of deception with the intent of obtaining an advantage, avoiding an obligation, or causing a loss to another party. Examples of fraud include, but are not limited to:

- Misappropriation of funds, supplies, or other assets.
- Impropriety in the handling or reporting of money or financial transactions.
- Disclosing confidential and proprietary information to outside parties.
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the organization.
- Creating of fictitious vendors or customers for billing.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment.
- Conspiring with others to commit a fraudulent act.

5. Procedures

- a) CKC will ensure that employees, contractors, directors, and committee members are aware of the fraud reporting procedures, which are available from Head Office upon request, and are actively encouraged to report suspected fraud through the appropriate channels.
- b) Where appropriate, the Controller has the primary responsibility for coordinating the investigation of suspected fraudulent acts as defined in the policy. The Controller will issue reports to the Executive Director and to the Board of Directors through the Audit Committee.
- c) Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management, as will final decisions on disposition of the case.

6. Responsibilities

- a) Management is responsible for implementing and maintaining a system of internal controls for the detection and prevention of fraud, misappropriations, and other irregularities. Specific controls which are important to the prevention and detection of fraud include:
 - Segregation of duties (to the extent possible)
 - Regular and timely accounting reconciliations
 - Physical safeguards over money and property
 - Effective supervision
- b) Controller has the primary responsibility for coordinating the investigation of suspected fraudulent acts where appropriate.
- c) Employees are expected to act in an honest and ethical manner, comply with legal requirements, protect the reputation of the CKC, and report any suspected fraud to their manager or directly to a member of the HR group (Special Projects Manager, Controller, Executive Director) if for any reason the employee feels that reporting the incident through his/her direct manager would be inappropriate.

7. Monitoring

The Audit Committee is responsible for the review and update of this policy. The Audit Committee shall monitor the effectiveness of the Policy; by coordinating periodic reviews, to ensure that the organization has appropriate antifraud programs and controls in place to identify potential fraud and to ensure that investigations are undertaken, if fraud is detected.

G. Annual CKC Veterinarian Student Bursary [Board Motion #49-06-15, #24-03-16]

1. Each year, starting in 2016, a deserving student from one of the five (5) veterinary colleges in Canada shall receive the Annual CKC Veterinarian Student Bursary in the amount of \$1,000.00 to continue his or her education in the field of veterinary medicine.
2. For the purpose of this policy, the five (5) veterinary colleges in Canada are considered to be Guelph, Montreal, Saskatoon, Charlottetown and Calgary.
3. Beginning in 2016 the Annual CKC Veterinarian Student Bursary will be awarded on the following rotational basis: Guelph, Montreal, Saskatoon, Charlottetown and Calgary.
4. Head Office will research the contacts for each of the veterinary colleges and will collaborate with the Zone Director to contact the veterinary colleges to implement the program.
5. Selection criteria for the student will be determined by the veterinary college.
6. The date and presentation of the bursary to the student shall be at the discretion of the veterinary college provided it is awarded in the same calendar year that it is offered.

H. AUDIT COMMITTEE [Board Motion #03-05-19]

1. Objectives

- a) To assist the Board in meeting its responsibilities, the Audit Committee (the "Committee") shall:
 - 1) Ensure the adequacy and effectiveness of financial reporting by reviewing and recommending approval to the Board of Directors of all financial statements, accounting policies, external audits and material information presented with the financial statements.
 - 2) Act as a communication link between the Board, external auditors and management.
 - 3) Assist with deliberations required for the fulfillment of the Board's mandate and those specific responsibilities and duties assigned to the Committee; however, unless specifically stated otherwise, the Committee shall act in an advisory capacity only, making recommendations to the Board for a decision.

2. Duties and Responsibilities

- a) In discharging its obligations, the Board has specific responsibilities that it delegates to committees of the Board which do not, in any way, limit or comprehensively define its overall responsibility for stewardship. The Committee shall have the following duties and responsibilities:

1) External Audit

Auditor Selection and Services

- i. Initiate external auditor selection process, including recommending approval to the Board of Directors for the Terms of Reference and Request for Proposals for selection of external auditors, when required.
- ii. Evaluate prospective auditing firms for external auditor appointments.
- iii. Recommend to the Board of Directors the audit firm for the appointment of external auditor.
- iv. Annually assess the independence of the external auditor as outlined in the Rules of Professional Conduct of the Chartered Professional Accountants.
- v. Review and recommend to the Board of Directors the non-audit services to be provided by the external auditors and specify in advance what non-audit services require approval before they commence. For example, the Committee needs to consider threats to the external auditor's independence, the nature of the non-audit services, whether the external auditor is the most suitable supplier of non-audit services, and the fees for the non-audit services relative to the audit fee.

2) Audit Process

- i. In conjunction with management, approve the annual audit plan and engagement letter from the external auditor.
- ii. Provide for information purposes the annual audit plan and engagement letter to the Board of Directors.
- iii. Review the formal representation letter provided by management to the external auditors.
- iv. Meet at least annually with the external auditor, without management present, to get the external auditor's views on the annual audit including any problems encountered.
- v. Meet at least annually with management, without the external auditor present, to get management's views on the annual audit including any problems encountered.
- vi. Review and recommend to the Board of Directors approval of the audited financial statements and related audit reports.
- vii. Monitor the external auditor's reports and management letter and ensure action is taken by management where applicable.

3) Financing and Investing

- i. Review quarterly the investments of The Canadian Kennel Club.

4) Planning and Reporting

- i. Monitor the financial health of the organization through a quarterly review of financial statements.
- ii. Review, challenge where necessary, and recommend approval to the Board of Directors the annual operating and capital budgets.
- iii. Review, challenge where necessary, and recommend for approval to the Board of Directors the annual financial statements.
- iv. Review, challenge where necessary, and recommend for approval to the Board of Directors the quarterly financial reports including:
 - a. Year-to-date financial statements;
 - b. Any forecast(s);
 - c. Capital results compared to budget; and
 - d. Program progress reports.
- v. Provide quarterly the minutes of the Committee meetings and quarterly financial statements to the Board of Directors.

5) Accounting Policy

- i. With the assistance of the external auditors, review and challenge where necessary, accounting policies in place. Based on that review, provide a report to the Board of Directors that details changes in accounting policies or significant transactions which impact the financial statements in a significant manner.
- ii. The Committee will ensure that the financial records are maintained by the Executive Director and that in general the financial affairs of the organization are being administered in a manner which is deemed appropriate and within generally accepted accounting principles.

6) Internal Controls and Risk Management Systems

- i. Monitor the effectiveness of the systems of internal controls that identify, assess, manage and monitor financial risks, and other internal control and risk management systems to ensure compliance with accounting policies and procedures of The Canadian Kennel Club; and to ensure compliance with not for profit accounting standards as detailed in the Chartered Professional Accountants Canada Handbook.
- ii. Consider whether the controls established to prevent fraud and illegal acts are adequate and to ensure all cases of fraud/illegal acts are reported to the Committee as outlined by the Fraud Policy.

7) Management Performance

- i. Provide annual input to the Executive Director on the performance of the Controller.
- ii. Review the appointment and exit of the Controller.

8) Other Duties

- i. Review other projects or developments as directed by the Board of Directors.

3. Vacancies

- a) In the event of a vacancy occurring at any time, the Board shall appoint a replacement member as soon as possible.

4. Meetings

- a) If the Chair of the Committee is not present at any meeting of the Committee, the Chair of the meeting shall be chosen by the Committee from members present.
- b) The Chair presiding at any meeting of the Committee shall have a vote in all matters considered by the Committee. In the event of a tie, the matter is referred to the Board as a whole for a decision.
- c) The time and place of meetings of the Committee and the procedures of such meetings will be determined at the first meeting each calendar year by the members of the Committee, provided that:
 - 1) Meetings may be conducted in person or by telephone or other telecommunication device that permits all members participating in the meeting to speak to and hear each other.
 - 2) The Committee will meet at least quarterly and will adopt an annual work plan to ensure that duties listed in the mandate are scheduled and achieved.
 - 3) Both the Executive Director and the Controller will be invited to attend the four (4) quarterly Audit Committee meetings. Other non-members may be invited to attend all or part of any quarterly meeting when appropriate and necessary.
 - 4) Reasonable notice of the time and place of each quarterly meeting will be given in writing or by electronic communication to each member of the Committee prior to the time fixed for such meeting; preferably a minimum of ten (10) days before the meeting.
 - 5) The agenda and associated material will be sent to each member of the Committee prior to the time for such meeting; preferably seven (7) days before the meeting to enable full and proper consideration be given to issues.
 - 6) A meeting of the Committee may be called by the Chair of the Audit Committee, the Chair of the Board, the Executive Director, any two (2) members of the Committee, or by the external auditors.
 - 7) The Committee will at all times have the right to hold an in-camera session at which time non-Committee members (including the Executive Director and the Controller) shall not be present.
 - 8) Outside of the formal meetings, the Chair of the Audit Committee, and to a lesser extent the other committee members, may maintain a dialogue with key individuals involved in governance, including the Chair of the Board, the Executive Director, the Controller, and the external audit lead partner.

d) In-Camera Meetings

- 1) The Committee should hold a separate in-camera session at least once a year with the external auditor.

e) Minutes and Reporting Responsibility

- 1) An outline of material issues addressed by the Committee, and all recommendations, decisions and directives of the Committee will be recorded by the Recording Secretary in the minutes of the meeting.
- 2) A draft copy of the minutes of the meeting will be sent to the Committee for review and approval. Once each of the members has read and approved the minutes, the draft minutes shall be circulated to the Committee, prior to the next Committee meeting. At the next Committee meeting, the draft minutes will be approved as final. Following approval of the minutes at the Committee meeting, the approved minutes will be distributed to the Executive Director and the external auditors.
- 3) The recorded minutes of an in-camera meeting are available only to those present in the meeting. If a decision is made during the in-camera session, that decision will be recorded in the regular Committee minutes as a formal record.
- 4) A report, both verbal and written, of the Committee meeting shall be made by the Chair of the Committee to the Board at the next regular meeting of the Board.
- 5) The Committee shall review and report to the Board annually respecting the discharge of its duties pursuant to the Committee's Terms of Reference.

5. Access to Corporate Records

- a) In performing any of the duties and responsibilities, the Committee shall:
 - 1) Have access, through the Office of the Executive Director, to the kind and frequency of information required by the Committee.
 - 2) Have access, in performing any of its duties and responsibilities, to any and all books and records required for the execution of the Committee's obligations.
 - 3) If it is necessary in the opinion of the Committee, that the Committee obtain the advice and counsel of external advisors, the Committee Chair shall, at the request of the Committee, seek the necessary advice. If there is a cost for the external advice, the cost must be approved by the Board of Directors.

6. Review of Terms of Reference and Evaluation

- a) The Committee shall review at least once in a three (3) year period and report to the Board on the adequacy of the Committee's Terms of Reference.

I. **Excess Income Accumulation** [Board Motion #03-09-18]

1. Purpose / Objective

The purpose of this policy is to provide guidance for accumulating excess income to ensure the ongoing financial viability of The Canadian Kennel Club.

2. Definitions

Unrestricted Retained Earnings – retained earnings that are not committed for specific purposes and therefore available for general use; for example, to purchase capital assets or to cover deficits.

Technology – refers to computer hardware, software and telecom equipment that is capitalized, and may need to be replaced due to technological obsolescence or malfunction.

Computer Hardware – are the physical parts or components of computers, that have a useful life of more than one year, such as monitor, laptops, desktop computers, hard drives, etc.

Software – for purposes of this policy, software will not include the components of the IT system that is renewed annually via software license fees, but only new software that must be purchased for additional automation or functionality or cost for third party consultants to program additional automation or functions.

3. Policy Statement

Sufficient Unrestricted Retained Earnings should be maintained to ensure that the organization will be able to withstand a downturn in memberships or a decrease in demand for registration services or show events, and to allow for refreshment of technology as required.

In order to allow the organization sufficient time to alter its business model in response to downturns in membership or demand for services, sufficient Unrestricted Retained Earnings should be maintained to cover 3-6 months of operating expenses. Sufficient earnings should also be retained to ensure that technology can be refreshed if necessitated by technological obsolescence or malfunction, on average every 4-5 years.

Historically, CKC's membership numbers and demand for services, go through cycles of contraction and expansion. The organization requires a reasonable amount of time to adjust the business model to respond to these changes, and as such, sufficient excess earnings need to be reserved to ensure the ongoing viability of the club. Similarly, technology is a necessary requirement for the Club to maintain operating efficiency and respond to the need for services. The organization will not have sufficient funds to make such upgrades and renewals in one year and therefore needs to accumulate based on its five (5) year IT renewal forecast.

4. Procedures

As part of its annual business plan process, Management will present to the Board for approval, a five (5) year projection of required Unrestricted Retained Earnings taking into account technology need projections and expected surpluses.

5. Responsibilities

Management: Will update annually the Retained Earnings Requirement Projection (RERP) and present to the Board for approval along with the Annual Business Plan.

Audit Committee: Will review Management's RERP and render an opinion to the Board as to its reasonableness.

Board: Will deliberate Management's proposed RERP and approve annually.

PROCEDURE FN001 – Procedure for Submitting Board or Committee Expenses

Board Motion #04-09-18

1. All claims for expenses and allowances shall be submitted on the appropriate form and expenses should be itemized by day. Separate Expense Claims Forms (ECF) are available for claiming Board or Committee expenses and Board Allowance. See Appendix 2 and 3.
2. Each claim should identify the purpose of the expense claim; i.e., Zone expenses, travel to Board meeting, Committee meeting, etc. If the expense is reimbursing other third parties, the name, contact information and particulars need to be documented.
3. The ECF shall be completed and signed. ECFs may be submitted by mail or scanned (including receipts) and emailed to the Accounts Payable desk. In the future, third party software may be used for the electronic submission of expense claims. The claimant should retain a copy before submitting. A copy of the Expense Statement will not accompany payment, unless Accounts Payable makes changes to the expense claim.
4. Should necessary receipts be missing on a submission, Accounts Payable will notify the claimant and attempt to secure the missing receipts. If the receipts are not received within a reasonable time period, that portion of the claim will be excluded from authorization and deducted from the amount claimed. Such items may be re-submitted on a new form, at a later date with the necessary receipts attached.
5. No claims shall be submitted unless sufficient funds have been designated in the current budget for the general purpose of such an expense. All non-budgeted items must first be pre-authorized by the Executive Director prior to submission.
6. All claims must be submitted to Accounts Payable as soon as is practically possible following the expense being incurred. At no time shall a claimant submit a claim for a period in excess of ninety (90) days. For audit purposes, all final claims for a given calendar year, shall be submitted no later than January 10 of the following year. Claims received after that date shall be charged against the budget amount of the current year. Upon receipt of a claim, Accounts Payable will verify the accuracy of the submission and check the expenses against the current budget designations. Any discrepancy will be noted, and the claim will be adjusted accordingly.
7. Accounts Payable will review the ECF to ensure it follows CKC policy and is accurate, and will forward to the appropriate manager for approval, and then to the Executive Director for final approval and the issuance of payment.
8. When deemed necessary, the Executive Director may request that the Chairperson or Committee or Council Chairperson, verify the amounts being claimed by any individual under their direction or supervision.

PROCEDURE FN002 – Procedure for Submitting Employee Expenses

Board Motion #05-09-18

1. All claims for expenses shall be submitted on the appropriate Expense Claim Form (ECF) (see Appendix 5), itemized by day.
2. The ECF shall be completed, approved by their manager and submitted to Accounts Payable for review and processing. The claimant should retain a copy before submitting the claim. The cheque will not be accompanied by a copy of the Expense Statement unless Finance makes changes to the expense claim.
3. Expense claims must be supported with original receipts (unless claiming the meal allowance), or photocopies of same and can be submitted in hard copy or electronically to Accounts Payable. In the future, third party software may be used for the electronic submission of expense claims.
4. All claims must be submitted to Accounts Payable as soon as is practically possible following the expense being incurred. At no time shall a claimant submit a claim for a period in excess of ninety (90) days. For audit purposes, all final claims for a given calendar year, shall be submitted no later than January 10 of the following year. Claims received after that date, must be approved by the ED and shall be charged against the budget amount of the current year.
5. Accounts Payable reviews the expense claim to ensure it is accurate, compliant with this policy and a budget exists for the amounts claimed. Any errors will be noted, and the claim will be adjusted accordingly. If the claim is not consistent with this policy, the reviewer will highlight the deviations and return the claim to the employee's manager to approve the deviations or adjust the claim. Once the expense claim is adequately supported and approved, a cheque will be issued, attached to the expense claim and submitted to the appropriate cheque reviewer, usually the Executive Director.
6. Once the cheque has been signed, Accounts Payable will forward the payment to the employee.

APPENDIX 1 -- Fee Schedule

Per Diem Rate [Board Motion #21-12-14, 04-09-18]

Day Trip Rate (< 50 kilometers) \$125.00

Overnight Rate (out-of-town members) \$250.00

Board Members Allowances

Directors' Maximum \$6,000.00

Chair (In Addition to Director's Allowance) \$2,000.00

Mileage [Board Motion #22-12-14, 04-09-18]

Per kilometer 52¢

Meals [Board Motion #04-09-18]

Breakfast \$20.00

Lunch \$22.00

Dinner \$58.00

Daily Maximum \$100.00

APPENDIX 2 – CKC BOARD MEMBER ALLOWANCE CLAIM FORM [Board Motion #04-09-18]

Canadian Kennel Club - BOARD MEMBER ALLOWANCE CLAIM

Name:		Account	# of Km	Total Km Cost	Ground & Air Travel	Meals	Accommodations	Other	HST	Total	INPUT TAX CREDIT CALCULATED BY A/P
ZONE:				.50/km							
Purpose	(1)										
DATE	Claim Description			(2)	(3)	(4)	(5)				(6)
2018-03-29	Travel	128-6100-01		\$ -						\$ -	
				\$ -						\$ -	
				\$ -						\$ -	
				\$ -						\$ -	
				\$ -						\$ -	
				\$ -						\$ -	
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				\$ -						\$ -	
				\$ -						\$ -	
				\$ -						\$ -	
Claimant's Address		TOTALS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Postal Code:											
Res. Tel:											
Bus. Tel:											
Claimant's Signature											

Review: _____
A/P Controller

Approval: _____
Executive Director

NOTES:

(1) If the expense includes travel, specify purpose, i.e.. travel to ____ Show.

(2) May include air, taxi, or car rental

(3) Actual expenses incurred or daily meal allowance. Not to exceed \$100/day (Breakfast: \$20, Lunch \$22, Dinner \$58)

(4) Include room cost with taxes only. Meals or parking should be listed under its appropriate column

(5) Specify each expense

(6) A/P will calculate the amount of Input Tax Credit that will be claimed

(7) All Claims must be accompanied by the appropriate backup receipts (originals). If backup is missing, that portion of the claim will not be authorized for payment.

APPENDIX 3 – CKC BOARD or COMMITTEE EXPENSES CLAIM FORM [Board Motion #04-09-18]

Canadian Kennel Club - BOARD or COMMITTEE EXPENSES <i>(not to be used for Zone Allowance claims)</i>										
Name:		Account	Km	Total Km Cost	Ground & Air Travel	Other	Per Diem -Local		\$125	INPUT TAX CREDIT CALCULATED BY A/P
Board	(1)			.50/km			Per Diem -Out of Town	\$250		
Committee	(1)						Pier Diem	HST	Total	
DATE	Claim Description		(2)	(3)	(4)	(5)				(6)
2018-03-29	Travel	128-6100-01		\$ -			\$ -		\$ -	
	Per Diem	128-6100-01					\$ -		\$ -	
									\$ -	
									\$ -	
									\$ -	
									\$ -	
									\$ -	
									\$ -	
									\$ -	
									\$ -	
									\$ -	
									\$ -	
									\$ -	
Claimant's Address				TOTALS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Postal Code:				Review: _____ Manager Liason (if applicable)						
Res. Tel:										
Bus. Tel:										
Claimant's Signature				Review: _____ A/P Controller						
				Approval: _____ Executive Director						

NOTES:

- (1) Indicate if it's a Board Expense or Committee Expense. If Committee Expense, name the Committee
- (2) Travel to CKC office or to airport, based on pre-approved distances
- (3) May include air, taxi, or car rental
- (4) List individually
- (5) Out of town per diem claim must be based on travel >over 50 kms., unless approved by Board or Committee Chair
- (6) A/P will calculate the amount of Input Tax Credit that will be claimed
- (7) All Claims must be accompanied by the appropriate backup receipts (originals). If backup is missing, that portion of the claim will not be authorized for payment.

APPENDIX 4 – Request for Mileage Form (Board and Committees) [Board Motion #04-09-18]

At the September 2018 Board meeting, the Board approved amendments to the Board and Committee Expense and Travel Policy. Some of the key changes include:

- Overnight per diem rate is for members who live 50 kilometers (one way) away from home. Exceptions require approval.
- An additional per diem date has been added for the return trip home, if required.
- Daily meal allowance maximum of \$100 set.
- The kilometer reimbursement rate has been increased from \$.48/km. to \$.52/km.
- Board and Committee members will be asked to submit their standard distance from their home to their home airport and/or from their home to the CKC office, if applicable. This standard kilometer distance will be used to reimburse the members. Exceptions will need to be communicated to CKC finance staff.

Please complete and submit the information below:

Board /Committee Member _____

Home Address _____ Postal Code _____

Home Airport _____

No. of kilometers from home to home airport _____

No. of kilometers from home to CKC office (if applicable) _____

APPENDIX 6 - Fraud Reporting Procedures [Board Motion #03-06-17, 06-12-17]

Initial Report Obligations

When an employee reasonably believes that fraudulent activity has occurred or is going to occur, the employee is required to disclose their concerns, verbally or in writing, to any of the following:

- a) their direct manager
- b) HR group (Special Projects Manager, Controller, Executive Director)
- c) the Audit Committee

A reporting employee is to provide as much relevant, factual information as possible but is not to conduct their own independent investigation.

A reporting employee exercises discretion and maintains confidentiality so as to limit the impact on reputations and to protect the integrity of any investigation that may ensue.

Report Recipient Obligations

The report recipient, is required to escalate the concerns to Human Resources. This must be done, in writing, as soon as possible but no later than five (5) business days of receiving the information from the employee.

Human Resources must ensure that information received directly from an employee is appropriately documented.

The report recipient must communicate to the employee who brought the concern to them that the information has been appropriately escalated. Any additional information, including future actions or decisions resulting from the information, is not to be disclosed to the employee.

Controller Obligations

Where appropriate, the controller will have the primary responsibility for coordinating the investigation of suspected fraudulent acts. All investigations will respect the identification of suspected individuals. The controller will document in a report the investigation procedures followed and the results and present the findings to the Executive Director.

Executive Director Obligations

The Executive Director will notify the Chairman of the Board of Directors and the Audit Committee of reported fraudulent activity and discuss the appropriate course of action taken. If an investigation is initiated, a full report of the investigation, including a final conclusion must be provided to the Audit Committee upon completion of the investigation. A synopsis of the incident will be reported to the Chairman of the Board only.