

Complete Policy Title: Financial Accountability Policy for Student Organizations that receive Fee Remittances from the University	Policy Number:
Approved by: Associate Vice-President (Students and Learning) and Dean of Students Assistant Vice -President Administration & CFO	Date of Most Recent Approval: <b>November 2013</b>
Date of Original Approval:	Supersedes/Amends Policy dated: <b>Guidelines for Student Societies Annual Financial Reporting Requirements (January 2007)</b> <a href="http://www.mcmaster.ca/bms/pdf/Stud_Soc_Fees.pdf">http://www.mcmaster.ca/bms/pdf/Stud_Soc_Fees.pdf</a>
Responsible Executive: Assistant Vice -President Administration & CFO	Enquiries: <b>Director of Finance (OJN 409)</b> <b>Financial Services- Student Accounts and Cashiers – Gilmour Hall 209</b> <b>Mgr., University Affiliates and Associations(OJN 408)</b>
<b>DISCLAIMER:</b> <i>The authoritative source of this policy is the printed version maintained by the Director of Finance. If there is a discrepancy between the authoritative source and any other version of this document (electronic or otherwise), the authoritative source document shall prevail.</i>	

## Introduction

This policy addresses how mandatory supplementary (non-tuition) fees are set, collected and remitted to independent student organizations. Recognizing that independent student organizations (ISO's) vary in size, range of interest, and level of activity, each has an obligation to:

- Ensure that funds entrusted to them are properly accounted for; and
- Operate in an open and accessible fashion.

## Definitions and abbreviations

**Independent student organization (ISO):** Independent, self-governed student organizations (includes student societies and/or student governments) that represent and are accountable to specific constituencies. Membership in the organization is automatic with registration, and membership fees are compulsory. **For purposes of this Policy, OPIRG is an Independent Student Organization.**

**Direct Fee Recipient:** ISO's that have student organization fees or other fees charged to student accounts that are collected by the University and remitted to student organizations.

**Protocol(s):** A written process agreed to by the University and the student organization that describes the terms of reference, the agreement for collection of fees, the process by which fee increases may be proposed and approved, and the means employed by student organizations to monitor and review the services offered.

**Agreement(s):** Any signed agreements between the University and the student organization.

**Student Organization Fees:** For the purposes of this policy only, refer to mandatory supplementary (non-tuition and non-ancillary) fees which are collected by the University and remitted to student organizations. These fees are approved by the Board of Governors and published each year on the Internet.

**Independent Public Accountant:** is defined by the [Province of Ontario](#) as a person who is licensed as an accountant in Ontario providing an Audit or Review Engagement where the accountant operates independently from the organization being audited or reviewed.

**Review Engagement:** A Review Engagement is a report prepared by a Public Accountant that assesses the plausibility of the information it has received from the organization being reviewed. The Accountant determines the plausibility of the information by asking questions, performing analyses, and discussing the information with the organization. When the Accountant is satisfied that the financial statements are plausible, he/she will issue a Review Engagement Report with the financial statements.

**Audited Financial Statements:** Audited Financial Statements undergo the same process as a Review Engagement, but the Accountant will also perform other procedures and will obtain an understanding of the organization's internal controls. An audit is a more involved process and allows the Accountant to provide a much higher level of assurance that the financial statements are presented in accordance with Generally Accepted Accounting Principles (GAAP).

**Assets:** Assets are either current or fixed (non-current). Current assets are comprised of the cash in the organization's bank account, any financial investment (like a Canada Savings Bond or a short-term investment), accounts receivable and inventory. Fixed (non-current) assets are expected to keep providing benefit for more than one year; televisions, computers and furniture are examples of fixed assets.

**Financial Report(s):** The scope of financial reports varies based on organizational size. For student organizations with expenditures or assets:

**\$400,000+ per accounting year:** financial reports mean the production of fiscal year-end financial statements provided by the Student Organization, and audited by an Independent Public Accountant, appointed for this purpose.

**\$100,000 - \$400,000 per accounting year:** financial reports mean the production of fiscal year-end financial statements provided by the Student Organization. The Student organization will also engage an Independent Public Accountant to perform a Review Engagement on the financial statements.

**Less than \$100,000 per accounting year:** financial report means the production of a report that follows a format similar to the template provided in appendix B.

## Purpose

This policy provides direction to independent student organizations regarding the expectations of the University when fees are collected on behalf of student organizations and remitted to those organizations.

## Scope

This policy applies to:

- Independent Student organizations that are Direct Fee Recipients.

*Appendix A: Student organizations subject to this policy* are listed in the Appendix. The appendix will be reviewed and updated periodically; however, being absent from the appendix does not exempt an organization from compliance with this policy.

Exceptions to this policy may be requested by a student organization, citing a clear rationale for the exception. Exceptions may be granted by the responsible University executive.

## Policy

### Proposed Fee Increases / New Fee Requests

Student organization(s) who wish to have an increase in fees or propose a new fee, must submit a proposal to the Director of Finance (or delegate) by the date set out by the University Fees Committee, and no later than January 31<sup>st</sup> of each year. Proposal will be considered for implementation for the following academic year. Fees will not be changed unless a proposal is made from the student organization.

#### *Faculty Consultation*

If the Student organization is associated with a faculty, consultation on the proposed change of fees with the faculty's Director of Administration is recommended.

#### *Proposal Must Follow Protocol*

In order for a fee proposal to be considered, the student organization must demonstrate that it followed the agreed to process to seek internal approval, in accordance with the fee protocol and/or the student organization's by-laws.

#### *Review and Approvals Process*

A proposal that meets the above criteria will be reviewed by, and if approved, referred to, the University's Fees Committee, Budget Committee and Finance Committee, before being recommended to the University's Board of Governors. If for any reason the fees are not approved by a particular committee, the ISO will be asked for more additional information before the next meeting. If approved, the fees will be assessed on the students' accounts in the next academic year. If not approved the organization will have the right to bring an appeal to the Fees Committee and the Fees Committee's decision will be binding.

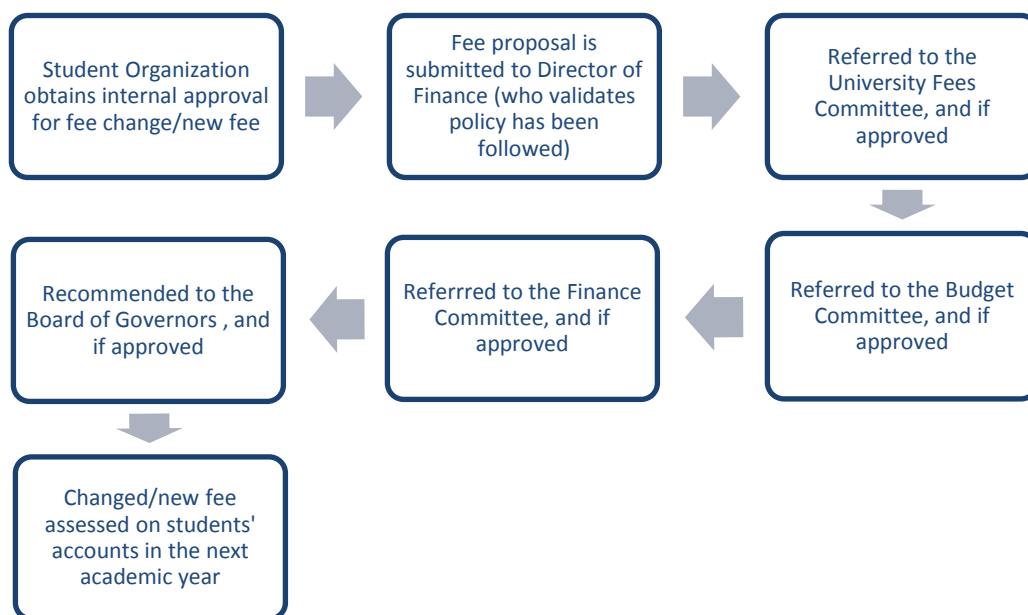


Figure 1 - graphic representation of fee approval process

### Documents Required prior to Fee Remittance

Remittance of student organization fees will be within 2 weeks after the Student Organization has submitted the following documentation to the Director of Finance (or designate):

- a) A list of the officers and directors of the student organization, and; if the organization is provincially or federally incorporated, a copy of the corporate filing submitted to the provincial or federal government.
- b) Contact information for each of the officers and directors of the student organization.
- c) A budget, approved by the organization as provided in their by-laws or policies (an unapproved budget may be submitted at the discretion of the Director of Finance).
- d) An original signed version of the student organization's financial report(s) for the prior accounting year, with confirmation that these reports have been posted on the organization's website.

### Fee remittance terms

The University will prepare a cheque(s) in the student organization's name for the fee remittance. Student Organizations that maintain an account to purchase services from the University must be current on any account balances prior to remittance of fees. The University may require a deposit on account or may reduce the remittance by the value of any account balances outstanding at the time of transfer.

Unless there is a different signed agreement in place, the fee for collecting and remitting student organization fees is 1% of the total value of the fees collected, subject to a minimum \$100 charge. The fee will be deducted when fees are remitted.

## **Alignment with University Policies**

Student Organizations shall adopt policies and practices that are consistent with University policies with respect to:

- Transparency in decision making
- Compensation practices
- Identification and management of conflicts of interest
- Gift and hospitality
- Expense and procurement processing

## **Additional obligation of Organizations which fund clubs or other sub-organizations**

Student organizations that disburse funds to another entity (e.g. MSU club) must have procedures in place to ensure that the funds are utilized for their intended purposes.

## **Document retention, and appropriate bookkeeping and business practices**

Student Organizations are required to:

- Keep all bank statements and receipts for all expenditures in accordance with provincial or federal government retention requirements or for at least seven years if the organization is unincorporated.
- Maintain current accounting of their expenditures and financial obligations, and not make expenditures that exceed their current assets.
- Maintain a list of the organization's assets, and current value of those assets. This list must be validated by visual inspection of all assets by both the outgoing and incoming organizational leadership teams. These lists are not required to be submitted to Finance. However, should be maintained in the case of an inspection by Internal Audit.
- Operate within appropriate laws and regulations (e.g. issuance of T4s, T4As, and payment of HST if applicable).
- The organization will require that transactions requiring signing authority require the signatures of two of the organization's officers.
- Maintain organized records of all Student Waiver forms for a period of 7 years.

## **Internal Audit**

The University may, at its discretion, request that its Internal Auditors be allowed to review the organization's records to ensure compliance.

## **Breach of Terms**

### **Conditions deemed a breach**

If the University has reason to believe that a student organization is not operating in an open and accessible fashion, not following the terms of its constitution, by-laws, policies or agreements, is in breach of an agreement with the University, or is not conducting its financial affairs in accordance with this policy.

If suspected of financial impropriety, not operating in accordance with the University Policy on Recognition of Student Groups <http://www.mcmaster.ca/policy/Students-AcademicStudies/StudentGroupRecognition.pdf>

### **University issues Notice of Breach**

The AVP (Administration) & CFO or AVP (Students and Learning), as applicable, shall inform the student organization in writing:

- a) That they have reason to believe a breach of this policy has occurred.
- b) The type and nature of the breach
- c) What the student organization is required to do to either demonstrate that a breach has not occurred or to rectify the breach
- d) The timeline by which item (c) must be submitted to the University
- e) The consequences of failing to act in accordance with this notification.

### **Fees withheld pending investigation**

Until the responsible AVP is satisfied that the breach did not occur or has been satisfactorily resolved, fee remittances may be withheld and/or not collected. Once the ISO has reasonably complied with the Notice of Breach, any sanctions imposed by the University will be lifted.

### **Transition**

This policy will come into effect December 1st, 2014. Student organizations will be required to adhere to this Policy when submitting their 2014/15 Financial Statements. If, the student organization has a December 31<sup>st</sup> year-end, they will be required to adhere to the Policy when submitting their 2014 Financial Statement

### **Related Procedures or Documents**

Appendix A – List of Independent Student Organizations subject to this policy

Appendix B – Sample Financial Reporting Templates for student organizations with expenditures/assets under \$100,000

**Appendix A – Student organizations subject to this policy**

1	Bachelor of Health Sciences Society
2	DeGroot (McMaster) Commerce Society
3	DeGroot MBA Association (MBA)
4	Engineers without Borders - McMaster
5	GSA - Grad Students Assoc.
6	MAPS – McMaster Association of Part-time Students
7	McMaster Engineering Society
8	McMaster Humanities Society
9	McMaster Inter-Residence Council
10	McMaster Medical Students Council
11	McMaster Science Society
12	McMaster Social Science Society
13	McMaster Student Union
14	McMaster Student Midwifery Collective
15	McMaster Undergraduate Nursing Society (MUNSS)
16	Ontario Public Interest Research Group (OPIRG)
17	Society of Arts and Science

**APPENDIX B: Financial Reporting Template**

(for Student Organizations with expenditures or assets less than \$100,000)

**Name of Student Organization**  
**McMaster University**  
**Statement of Income and Expense**  
**Year ended April 30, 20XX**

	Budget (Prior Year)	Actual	Budget (Current Year)
<b>Revenue</b>			
Student Fees	\$XXXX	\$XXXX	\$XXXX
Fund Raising Revenue	\$XXXX	\$XXXX	\$XXXX
Sponsorship	\$XXXX	\$XXXX	\$XXXX
Donations	\$XXXX	\$XXXX	\$XXXX
Interest	\$XXXX	\$XXXX	\$XXXX
Other	\$XXXX	\$XXXX	\$XXXX
<b>Total Revenue</b>	<b>\$XXXXX</b>	<b>\$XXXXX (A)</b>	<b>\$XXXXX</b>
<b>Expenses</b>			
Advertising	\$XXXX	\$XXXX	\$XXXX
Bank Charges	\$XXXX	\$XXXX	\$XXXX
Conferences	\$XXXX	\$XXXX	\$XXXX
Insurance	\$XXXX	\$XXXX	\$XXXX
McMaster University Fees	\$XXXX	\$XXXX	\$XXXX
Meetings	\$XXXX	\$XXXX	\$XXXX
Membership and club support	\$XXXX	\$XXXX	\$XXXX
Office supplies	\$XXXX	\$XXXX	\$XXXX
Professional fees	\$XXXX	\$XXXX	\$XXXX
Rent	\$XXXX	\$XXXX	\$XXXX
Repairs and maintenance	\$XXXX	\$XXXX	\$XXXX
Salaries and benefits	\$XXXX	\$XXXX	\$XXXX
Social	\$XXXX	\$XXXX	\$XXXX
Telephone	\$XXXX	\$XXXX	\$XXXX
Teams	\$XXXX	\$XXXX	\$XXXX
Welcome week	\$XXXX	\$XXXX	\$XXXX
Yearbook	\$XXXX	\$XXXX	\$XXXX
<b>Total Expenses</b>	<b>\$XXXXX</b>	<b>\$XXXXX (B)</b>	<b>\$XXXXX</b>
<b>Excess Income over Expenses for Year (A-B)</b>	<b>\$XXXXX</b>	<b>\$XXXXX (D)</b>	<b>\$XXXXX</b>
<b>Surplus, Beginning of Year</b>	<b>\$XXXX</b>	<b>\$XXXX (E)</b>	<b>\$XXXX</b>
<b>Surplus, End of Year (D+E)</b>	<b>\$XXXX</b>	<b>\$XXXX</b>	<b>\$XXXX</b>
<b>Assets, Beginning of the year</b>	<b>\$XXXX</b>	<b>\$XXXX (F)</b>	<b>\$XXXX</b>
<b>Additions</b>	<b>\$XXXX</b>	<b>\$XXXX (G)</b>	<b>\$XXXX</b>
<b>Dispositions</b>	<b>\$(XXXX)</b>	<b>\$(XXXX) (H)</b>	<b>\$(XXXX)</b>
<b>Assets, End of the year (F+G-H)</b>	<b>\$XXXX</b>	<b>\$XXXX</b>	<b>\$XXXX</b>

Signature of President/Treasurer

