

Compassion North America

Administrative and Finance Manual--USA

Version 1, 2016



Objective of this manual

The objective of this manual is to provide a set of rules, policies, procedures, processes and guidelines that would ensure that the administrative and financial practices employed by Compassion North America meet established regulatory standards, administrative, and financial best practices in the industry. This manual also intends to support the organization in adopting administrative practices that support the Values-In-Action culture of the Company, and to steer the behavior and attitudes of employees towards the organization's true north strategic direction.

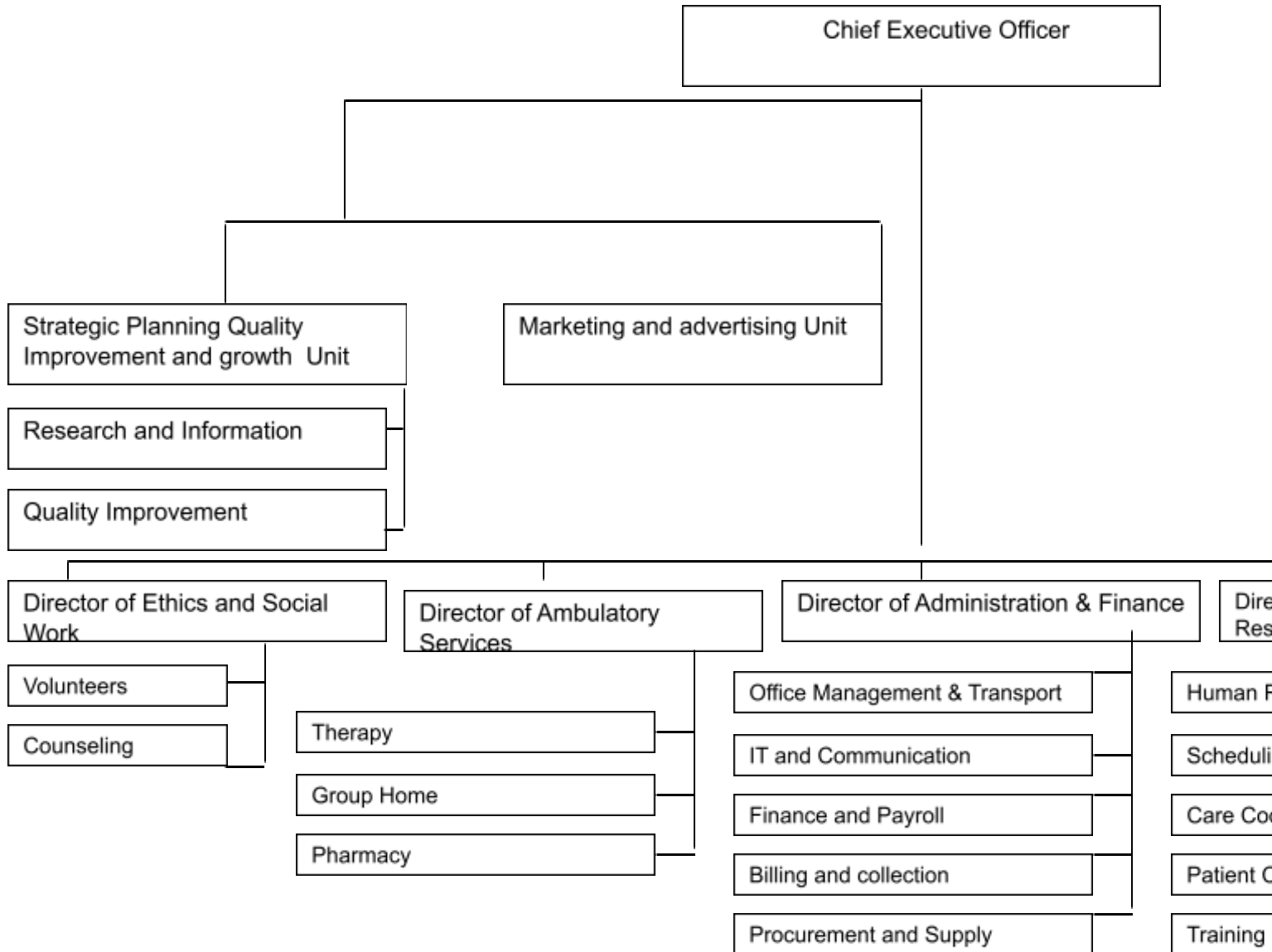
INTRODUCTION

Figure 1. Organogram Compassion North

America Home Health Services

Showing Senior

Executive Positions



Brief Description of Senior Executive Positions

The following key leadership positions have been established for leading and managing the affairs of Compassion North America:

Chief Executive Officer

(1) The Chief Executive Officer is the most Senior Executive of Compassion North America. The primary responsibility of the Chief Executive Officer is to ensure that the strategic objectives, financial plans or targets, and growth targets of the organization are achieved in a legal, ethical, but competitive fashion.

The Chief Executive Officer is responsible for establishing the leadership mechanism for daily, strategic management, and defining the long term branding of the organization to move the organization smoothly towards its objectives. The Chief Executive Officer establishes the vision and the true north aspirations of the organization, directs and motivates staff to accomplish that vision by developing short term tactical plans and long term strategic plans, defining the core business areas, establishing areas of focus, ensuring an appropriate leadership structure exists within the company to coordinate the strategic vision and tactical implementation, and delegates appropriate levels of responsibility to other leaders within the organization. The Chief Executive Officer also ensures that there are sufficient accountability mechanisms to set organization goals, rules, procedures and processes, and hold staff accountable for planning and executing activities and meeting quality targets, while doing their work according to the established rules, standards, processes, and guidelines.

The organogram or organizational structure (Figure 1. Organogram Compassion North America Home Health Services) presented above, outlines the key areas of focus, the senior executive positions, which have been identified for the operations of Companion North America.

Directors and Role of Directors

(2) Directors assist the Chief Executive Office to run the organization in the specific area delegated to them according to the directives provided by the Chief Executive Officer for their areas of focus.

At the moment four Director positions : Director of Ethics and Social Work, Director of Ambulatory Services, Director of Administration and Finance, and Director of Nursing and Human Resources assist to provide leadership for the areas of responsibility delegated to them by the Chief Executive Officer. For a list of the areas of focus assigned to each director please refer to Figure 1. The Chief Executive Officer may create additional positions at any time he/she considers it necessary and beneficial for the effective management of the organization.

Management Philosophy

The Chief Executive officer uses a committee structure to coordinate leadership, provide direction, and ensure effective leadership in selected areas of focus within the organization. The number of committees that may be established by the Chief Executive Officer is not fixed, but additional committees may be established whenever the Chief Executive Office determines that they are necessary. At the moment the following committees are in use:

- (1) Policy and Finance Committee, reviews, approves, controls changes, and manages configuration of standards organizational plans, policies, rules, processes, standards, and other organizational process assets. This committee is chaired by the Chief Executive Officer.
- (2) Discipline Committee, establishes policies, handles investigations, decides, and implements penalties for all misconduct. This committee is Chaired by the Director of Social Work Ethics and Spiritual Affairs.
- (3) Celebrations Committee, handles all approved celebrations or community branding events. This committee is chaired by any staff member appointed by the Chief Executive Officer.
- (4) Board of Directors, this committee provides a forum where departmental plans and reports are reviewed, day to day implementation activities are brainstormed by the Chief Executive Officer and

all directors, cross departmental collaboration is discussed, funding issues or expenditures are streamlined, action plans for organizational coordination are established, additional technical and financial requirements required by any department are requested, examined, and approved before implementation by individual directors or departments. The Board of Directors is chaired by the Chief Executive Officer.

- (5) Performance Bonus Awards and Recognition Committee assists the Chief Executive officer to identify, recognize, and reward outstanding performance and contribution to Compassion North America by individuals, teams, or the organization as a whole. The goal of this committee is to motivate other staff members to emulate the rewarded behaviors and performance level and encourage the rewarded staff to, and improve, their contribution. This Committee is Chaired by the Director of Nursing and Human Resources.

In addition to these committees, task forces may be established at any time by individual committees to conduct more in-depth investigations and reviews to support the successful implementation of specific tasks that the committee is engaged in, by providing technical input, assessment, analysis or complete a specific project activity.

Administrative and Human Resources Manual

Quality of Information

Information used for decision making during the administrative and financial operation of Compassion North America should meet the following qualities: accuracy, timeliness, completeness, relevance, and reliability.

In ensuring that these requirements are met by any report or information prepared to support decision making without causing inertia, administrative and finance staff should use a common sense yardstick to ensure that these qualities are applied in a balanced way and the information generated thereby is available in a timely manner to support decision making processes and other organizational needs.

Fiduciary responsibilities of the Department of Administration and Finance

The Department of Administration and Finance has the following fiduciary responsibilities:

- To implement this manual, including enforcing the form and manner of financial records and the accounting system of the company provided herein.
- To perform internal audits and ensure compliance with this manual and any administrative policies related thereto.
- To issue any orders or directives to the concerned parties to take actions to comply with this manual, whenever a deviation is observed.
- To manage routine operations within the cash limit budgeted and available to administration, at any point in time.
- To manage within the revenue earned and/or allocated by the Policy and Finance Committee, and any other capital resources available.
- To ensure that the practices used for general administration, bookkeeping, budget preparation, and financial reporting comply with applicable legislation, Canada Revenue agency guidelines, generally accepted accounting principles (GAAP) , industry best practices and any other applicable professional standards.
- To direct any officer receiving, managing, or disbursing money belonging to the business to keep the books, records, and accounts prescribed in this manual, or that it may consider necessary.
- To ensure that any activity on which expenditure is disbursed represents value-added to the business, as demonstrated by specific measures.
- To ensure smooth, uninterrupted, and high quality business operations.
- To develop a uniform set of administrative instructions, rules, procedures, systems, processes, forms, and communication assets that can be uniformly applied to routine and common administrative issues, tasks, and functions.
- To ensure all administrative policies, rules, processes and procedures are well defined, clear, simple, and complied with in managing the business.
- To promptly process and pay wages, salaries, and suppliers invoices.
- To achieve high accounts receivable performance by adopting successful tactics, processes, and other mechanisms.
- To monitor value added by expenditure disbursements by ensuring that all managers or staff that can authorize expenditure disbursement demonstrate economy, efficiency, and effectiveness in the use of resources.
- To ensure that deviations on routine and well understood expenditures or patterns, such as expected wage rates for new hires, are logically explained by the authorizer concerned.

Fiduciary Responsibilities of Expenditure authorizers

Managers, supervisors or staff members identified by the Policy and Finance Committee as having the authority to authorize expenditures have the responsibility of assisting Compassion North America to achieve financial targets by doing the following:

- Spend within the allocations approved by the Policy and Finance committee.
- Collect, understand and stay abreast with prevailing market conditions, supply, prices, and quality of commonly used supplies, capital asset, and human resources—in their area of expertise to guide their disbursement decisions.
- In collaboration with the Finance Unit provide a monthly report, which includes the financial performance of their unit, department, or section to the Policy and Finance Committee.
- Provide logical justification for routine, and well understood, financial disbursement and allocation patterns such as expected wages, time allocations, services, and prices of commonly used supplies when such expenditures are higher than what is normally paid.

Financial Planning and Control

The Finance Unit is required to coordinate the preparing of operational budgets with the participation of departments, units, and sections.

Attributes of the budget

(1) This Administrative and procurement manual specifies that, in order to be complete, a budget should express in financial terms planned organizational goals, objectives, activities, products/services, inputs, and any other sources of income or expenditures related to or incidental to the operations of Compassion North America. It is required that this budget adequately reflects, shall be related to, and shall clearly communicate the implementation of organizational planned strategies, operational tactics, services, outputs, inputs and desired quality through financial data and information.

The budget should clearly specify the following for each line item:

- Forecast
- Spending limit
- Performance measurement criteria or target
- Planned allocation to departments, units, and sections as applicable.
- Decision making criteria to ensure adequate budget control.

Quarterly Administrative and Financial Planning

(2) Compassion North America's fiscal year shall be divided into four quarters. Quarter one (1) runs from September - November, Quarter two (2) runs from December-February, Quarter three (3) runs from March to May, Quarter four (4) runs from June to August.

Administrative and financial planning cycles implemented by the management of Compassion North America shall be consistent with the quarters provided above.

At the beginning of quarter (1), the financial books would be reconciled and closed for the previous fiscal year by preparing an income statement, balance sheet, cash flow, reconciling all organizational accounts, completing an internal audit, and preparing a report on performance measures approved by the Policy and Finance Committee—for the completed financial year. The Finance Unit would simultaneously coordinate the preparation of the organizational annual budget for the subsequent year (all quarters), specifying what would be achieved in each quarter, by working with all departments, sections, and unit heads.

At the end of each quarter, the Finance Unit shall prepare a financial report for the completed quarter comprising of an income statement, balance sheet, cash flow, financial performance report, and variance report-- for the Board of Director's quarterly planning and review meeting.

After the completion of the Board of Director's quarterly planning and review meeting, the Finance Unit would prepare or modify the budget for the subsequent quarter, with all recommended changes implemented, and circulate an updated budget seven(7) days after the end of the planning and review meeting ends. The completed budget would also be registered with the Policy and Finance Committee for configuration management.

During the quarter, the Finance Unit would work with expenditure authorizers to coordinate, process, and post approved expenditures, keeping standard bookkeeping and accounting practices.

Requirements for quarterly financial reports and budgets

(2a) Compassion North America requires that quarterly financial reports meet the following criteria:

- Is prepared using accrual accounting, and the budget preparation should consider any accruals for goods and services received or provided in the reporting period, for which an invoice was not received and registered in the payment system.
- Should consider pre-payment for any goods or services not yet received or supplied by Compassion North America, which should be removed from the current quarters accounts.
- Should be prepared in collaboration with all staff identified as authorizers by the Board of Directors and any other staff that supervise the generation of revenues, and disbursement of expenditures.

Finalized Quarterly Financial reports and Budget for the subsequent quarter should be available for all individuals who authorize expenditures and/or collect revenue to view not more than seven working days after the end of the quarterly review and planning meeting.

Routine financial monitoring

(2b) Apart from the required quarterly financial reports and budgets specified heretofore, Compassion North America also requires routine financial monitoring on a monthly basis. Monthly financial reports are to be submitted to the Board of Directors seven (7) working days after the end of the current month, and circulated to all authorizers of expenditures.

These reports should meet the following requirements:

- Monthly financial reports should help individuals who authorize expenditures and generate revenues to understand income and expenditure performance.
- Determine any variances from budget, unanticipated items, and investigate the cause with the help of the Finance unit.

This is done through the preparation of monthly Finance Reports produced by the Finance Unit in collaboration with all expenditure authorizers.

Finance reports are available for all individuals who authorize expenditures and/or collect revenue to view at not more than seven working days after the end of the previous month.

Company accounts specification

The following account specifications would apply to all financial documents and reports produced by the Finance Unit:

Accounting policy

(1) The accounting policy used by Compassion North America shall be in accordance to the generally accepted accounting principles (GAAP) for the private sector.

Accounting procedure

(1) Compassion North America accounting policies use accrual accounting methods. The finance unit should collaborate with expenditure authorizers and individuals generating revenue to account for transactions using organizational procedure for requesting, approving expenditures, disbursing funds, obtaining and filing receipts and related documentation, and recording transactions in the appropriate account of the payment system, report, and statements using the accrual accounting methods.

The finance unit should collaborate with revenue generators to account for transactions involving revenues using organizational procedure for offering services, billing for services, receiving payment and recording in the payment system, generating receipts, tracking accounts receivable or balances on outstanding payments, and properly recording such transactions in the appropriate account, report, and statements using the accrual accounting method.

Basis and format of financial reports and accounts

(1) This finance manual requires that all financial reports should be divided into Two chapters. Chapter one (1) has three sections. Section (1) would present an Executive Summary, Section (2) presents Discussions, Analysis, and recommendations, Section (3) presents summary financial statements.

It is mandatory that annual reports produced at the end of the fiscal year must have the two components prescribed above. However, unless ordered by the Policy and Finance Committee, other routine reports may comprise only of Chapter 1, as specified above.

Chapter two (2), has the following components, which may be expanded by the Department of Administration and Finance as necessary:

- **General Company Account:**

This account contains the revenue and expense schedules and details of all revenue received and expenses by the company and source, for the period covered by the financial report.

- Capital asset acquisition schedules and details.
- Summary of suppliers doing business with Compassion North America, volume of business and value (US Dollars).
- Statement of the remission of taxes, interest, principal, insurance by category, any applicable charges, and fees, including profession, legal, and membership fees.
- Group RRSP account statement. This is an account, where RRSP contribution by staff is held in addition to the 25 percent organizational matching contribution.
- Training and organizational development expenses statement.
- Performance bonus, rewards and recognition expenses statement.
- Retention test account statement. This is an account where the equivalent of half month compensation for all new hires is held and paid to them on the last pay period of their initial contract.
- Celebrations, community support, and company branding statement.

This manual specifies that all financial statements should be prepared according to generally accepted accounting principles (GAAP). The preparers should use the accrual basis of accounting.

Revenue Posting

(1) All revenue earned by Compassion North America should be paid into the General Company account, from which all expenses and allocations to any other company account, supplier, or another party must also be made.

Accounts receivable policy

(1a) This manual specifies that the average collection period for collecting revenue earned, for all services provided by Compassion North America, must not exceed thirty days (30). A threshold of 98 percent of revenue amount collected for all goods and services sold-- is also provided as a collection target, given adequate incentives to design service delivery, marketing, and targeting to achieve this target.

Several payment options should be implemented and provided to the client to ensure convenient payment options including credit card payment, pre-paid checks, electronic fund transfer option, electronic payments and transfer arrangements, and any other option that may be suitable for the individual client, but not on this current list.

Payment schedule for services delivered shall be executed as provided in the service contract signed with the client and entered into the payment system. However, billing must only cover services that were received by the client as supported by time cards, signatures of providers, client or substitute decision maker, and any clinical notes required.

The Finance Unit must ensure that all required billing procedure and requirements for individual client or third party payers are documented in the payment system, and that billing is done accordingly by submitting all required documentation in the format provided--ensuring that additional documentation are complete and accurate, are submitted using the correct procedure, and are submitted at the earliest time possible.

The Finance Unit must also assign each individual client account to a staff member for the purpose of billing and collection of accounts, according to this manual and any performance targets that may be developed by the Finance Unit to ensure compliance.

Billing and Accounts Receivable Process

(1b) This billing and accounts receivable policy requires the Director of Finance and Administration to ensure that adequate systems for recording, controlling, collecting, and reporting accounts receivable are established and maintained.

This accounts receivable system shall be applied to the following account receivable transactions: royalties, payment advances, provision of goods and/or services, lease of company property, transfers from other businesses, shareable and recoverable expenditures (e.g. pursuant to cost sharing agreements), overpayments, and loans, interest and advances.

The following accounts billing and collection process shall be implemented by the Finance Unit for billing for services:

- Finance Unit staff member receives copy of time cards completed by frontline staff or detail on service provided to the client or another detailed record on the amount owed.
- Finance Unit staff member reviews the service detail including pricing on the contract for the client concerned, as recorded in the payment system at setup or the total amount on another recorded transaction generating the accounts receivable.
- Finance Unit staff reviews the procedure of third party payor, or client, for preparing and submitting billing, including required supporting documentation, content, format, and any other requirements—or the applicable standard organizational format, content, and requirement for billing the accounts receivable category.
- Finance Unit staff review documentation to ensure that they are legible, easy to understand, complete, accurate, and in the right format.
- Finance Unit staff prepare a bill including services received, price or rate, billing amount, provider/s, dates, and any other billing requirements of the payor or applicable organizational standard established by the Finance Unit.
- Finance Unit staff applies the required billing procedure, taking note of the average processing days required for payment to be remitted to Compassion North America, and any contact persons for the account at the third party payor or client.

- If the client is an individual payor, Finance Unit staff apply the payment method/s agreed in the contract such as electronic fund transfer, credit card payment, debit card payment, prepaid check, direct deposit, and any other applicable payment arrangement.
- If the payor is a third party, the Finance Unit staff should track the payment processing at the third party payor to ensure that Compassion North America is paid promptly.
- Finance Unit staff should record the date billing was submitted and the date payment is remitted to the account of Compassion North America to facilitate the calculation of the average collection period.
- If any document is returned by the third party payor or client due to any dispute concerning any billing issue or error, the Finance Unit staff should correct the error quickly by coordinating with other staff members to address the issues raised, correct any errors, and make any updates required.
- The Finance Unit should resubmit the bill addressing all the issues raised by a target time period provided by the Finance Unit or Policy and Finance Committee for performing such tasks, based on field experience.
- Finance Unit should invoke any dispute resolution mechanisms to address any outstanding issues with the third party payor or client to resolve further issues.
- If the client is an ongoing caseload and the dispute is over service provided, volumes, categories, and the like issues, Finance Unit should liaise with the Department of Nursing and Human Resources to ensure that changes are applied to the client's service plan to prevent the problem from occurring in the future. The Department of Nursing and Human Resources may decide to continue the service in question as a charity care offering.
- Finance Unit should consider alternative methods to collect the outstanding amount from a client whose third payor refuses to pay, if such arrangement was considered during intake and the client signed for the condition to pay for any service provided for which their third party payor refuses to pay.
- Finance Unit should consider any legal methods to ensure the outstanding bill is collected, employing third party collectors whenever necessary.
- When the Finance Unit exhausts all legal approaches to collect the outstanding amount and fails, the Finance unit should identify such unpaid amounts as service losses to be deducted from revenue earned.
- The Finance Unit should follow the procedure for writing off bad debts provided in this manual, or to be later established by the Policy and Finance Committee.
- The Finance Unit should provide a report on the average collection period, collection performance, bad debts, ongoing collection action, charity care, and variance analysis to be included in the monthly financial report produced by the Finance Unit, highlighting the key issues affecting collection performance, and making recommendations to the Board of Directors for improvement.

Recovery of other accounts receivable items

(1c) Compassion North America requires the Finance Unit to recover money from a person or organization who:

- Has received payment on behalf of the company and has not paid it to the Company account as provided by this manual.
- A person that received money for which the person is accountable and has not duly accounted for it as provided by this manual
- Received money applicable to a purpose and has not applied it to that purpose.

The Finance Unit should consider any legal methods to ensure the outstanding bill is collected, employing third party collectors whenever necessary. When the Finance Unit exhausts all legal approaches to collect the outstanding amount and fails, the Finance unit should identify such unpaid amounts as service losses to be deducted from revenue earned, whenever possible or allowed by Canada Revenue Agency procedure. The Finance Unit should follow the procedure for writing off bad debts provided in this manual, or to be later established by the Policy and Finance Committee.

The Finance Unit should provide a report on the average collection period, collection performance, bad debts, ongoing collection action, to be included in the monthly financial report produced by the Finance Unit, highlighting the key issues affecting collection performance for other accounts receivable items, and make recommendations to the Board of Directors for improvement.

Procedure for Writing Off accounts receivable and bad debts

(1d) When all effort to collect accounts receivable proves futile, the Finance Unit may make an application to the Policy and Finance Committee to write-off the collection item as bad debt. In making such application the Finance Unit should include a report on the effort made so far to collect the said amount, and why they think it is impractical to continue efforts to recover the account in question. The Policy and Finance Committee may approve the request submitted by the Finance Unit or direct the unit to take further actions, if it is not satisfied that sufficient steps were taken to recover the account in question.

If the Policy and Finance Committee approves the request to write off the debt, all collection action would stop, the account would be closed following the procedure for closing accounts, and all records would be archived according to the requirements for maintaining or archiving records provided by this manual or to be established by the department.

Policy for maintaining or archiving financial records

(1) Financial records shall be prepared and properly kept according to the requirements prescribed in this manual or standard record keeping practices available in the industry, whichever is higher.

All inactive financial records, such as those for closed client caseloads, would be archived and kept for a minimum of seven (7) years, or another requirement provided by the operational jurisdiction of the company, which ever is longer, before any consideration of destroying such records is entertained, when necessary.

Policy on Performance Measures

(1) This manual requires the Department of Administration and Finance Unit to develop performance measures, including those already specified in this manual, which can be used to quantify organizational objectives, monitor progress towards organizational objectives, and evaluate the administrative and financial health of the organization. Performance measures ,targets, and criteria for taking action on actual results, based on the established thresholds, shall be prepared and submitted as part of the annual workplanning process prepared by the Department.

Policy on Quality Improvement

(1) This manual requires the Department of Administration and Finance Unit to collaborate with the Quality Improvement Unit to develop a quality improvement plan based on the A3 problem solving approach, which puts in place steps for presenting organizational background, identifying a problem or opportunity affecting a performance measure of concern, analyzing the root causes of the problem or opportunity, developing a plan for improvement, testing the plan of improvement, and adopting and spreading changes that lead to improvement throughout the organization, while obtaining the relevant approvals from the Policy and Finance Committee for implementing such changes.

Requirement to complete Annual Audit

(1) This manual requires that an annual audit of the organization's administrative and financial practices and accounts should be completed for all departments each year. At least once every five years, this manual

requires that an audit should be completed by an external party selected by the Policy and Finance Committee to do so. The annual audit should examine, as part of the issues, compliance of the Department with this manual, adequacy of the financial and administrative practices and standards, examine if managers' decision making is providing value for money(and upholding other fiduciary responsibilities identified in this manual), and any other issues considered by a standard audit activity.

Audit reports should be presented to the Board of Directors, which would assume oversight and establish a timeframe for the implementation of any recommendation provided by the report by the required parties.

When not completed by an external party, annual audits are required to be completed by the Quality Improvement unit in collaboration with the Department of Administration and Finance. To ensure objectivity and accountability, the Quality Improvement Unit would take the lead in annual internal audits. The focus of internal audits is to ensure that changes recommended by external audit have been fully implemented and sustained, and that other areas have not weakened as a result.

Annual audit reports should be tabled to the Board of Directors before the end of the first quarter of the current fiscal year.

Capital Asset Accounting

(1a) Capital assets are goods which are used in the production of other goods and services and are usually not used up in the production process, and have a useful life extending beyond a year. Capital assets are also referred to as fixed assets such as buildings, computers, plant and equipment. Compassion North America would use the amortization method, which allocates the value of a capital asset over its useful life, to account for the use of capital assets for service delivery.

The following terms shall be applicable to capital assets:

- Cost is the amount of consideration paid to acquire the asset and put it into functional use to provide services and/or or improve the capital asset through betterment.
- Disposal refers to sale, destruction, or removal of the asset from service.
- Estimated useful life refers to the lifetime the asset would be used in production.
- Fair value is the amount of consideration that a knowledgeable individual acting in a reasonable manner would be willing to pay for the asset at any point in time during its life time.
- Residual value is the amount of consideration a knowledgeable individual would be willing to pay for the asset at the end of its estimated useful lifetime.
- Salvage value is the amount of consideration that can be obtained for the asset at the end of its calculated or estimated lifetime.
- Gain on disposal is the excess of consideration realized above the recorded book value.
- Service potential is the output or service capacity of a capital asset.
- Repairs and maintenance refers to ongoing activities to maintain a capital asset in operational condition. These activities are required to ensure that the asset would meet its service potential over its lifetime. Repairs and Maintenance costs are recorded as expenses for the operating period in which the activity occurs.
- Work-in-progress is the accumulation of capital costs for partially constructed or developed projects.
- Write down refers to the reduction of the value of a capital asset due to a loss in productivity (no longer able to produce the required quantity) and or quality (e.g. is damaged), when it is no longer able to meet its service potential. A write down should be recorded as an expense in the period it is measured, and is expected to be permanent.

Threshold to determine Capital Assets:

(1b) The threshold or minimum cost to determine what can be accounted for as a capital asset shall be the same as that allowed by Canada Revenue Agency at any point in time, for any asset that meets the definition of capital asset provided in this policy manual.

Straight Line Method used to calculate depreciation

(1c) This manual recommends that the straight line method be used to calculate the amortization allocation for all capital assets owned by Compassion North America.

Accounting for amortization account transactions

(1d) Compassion North America requires that the increase to the contra account depreciation, which is equal to the calculated amortization for the period in question, on the balance sheet for the financial statements prepared for the current period be transferred and recorded on the income statement as an amortization expense line item for the purpose of calculating net income before interest and taxes.

Compassion North America requires that the value of depreciation account increase deducted from the Income Statement be added to the Cash Account of the balance sheet for the same period.

Compassion North America requires that the value of amortization amount calculated using the straight line method and allocated for the current period be added to the contra account depreciation, when preparing the balance sheet for the current reporting period.

IRS guidelines and GAAP to be used

(1e) Despite the requirements provided in the previous section, this manual requires that assets classified by Compassion North America as capital assets as well as the calculation, allocation, and accounting for capital asset expenses and accounts should comply with GAAP standards and IRS guidelines or administrative directives on the subject.

Accounting for Repairs and Maintenance

(1) Compassion North America specifies that when accounting for repairs and maintenance for a capital asset that is already in use, actual expenses receipted for or invoiced during the reporting period the work was done should be used.

If the asset is to be acquired, or has been acquired for a new business operation, but its repairs and maintenance costs based on historical data from the operation of similar assets used within the organization are well known, analogous estimation technique should be used to estimate repairs and maintenance costs when preparing budgets or associated financial statements.

If a new type of asset is to be acquired, or has been acquired for a new or existing business operation, but its repairs and maintenance cost is not understood or there is no available historical data on similar assets within the organization, estimate repairs and maintenance costs at 3 percent of the asset book value for the purpose of estimating such expenses when preparing budgets or associated financial statements.

Procurement and Supply System required

(1) This policy manual requires that the Department of Administration and Finance should establish a procurement and supply system to deal with planning, procuring, managing, distributing, and reporting on all supplies, logistics, and equipment used by Compassion North America for its operations.

This policy manual requires that one of the components of the procurement and supply system should be a requisition feature, which allows staff members or managers to order the required supplies to power frontline and office operations.

Inventory Accounting

(1a) Inventories represent items that are purchased or produced and are not immediately consumed. They are recorded as an asset until they are issued for consumption or sale, at which time they are expensed. There are two main types of inventories: Inventories held for consumption or use and inventories held for resale.

Policy On Inventory Accounting

(1b) Compassion North America accounting policy follows the procedure of recording inventory as an asset on the balance sheet and recording its use or consumption on the income statement or other financial reports as an expense.

(1c) Responsibilities of the Departments and Units

1. Departments and Units should acquire and manage inventories to provide effective, efficient and economical program delivery; establish and maintain accounting systems to collect, record and report information on their inventories; and establish and maintain adequate internal control systems to ensure the accuracy and reliability of inventory information and reports.
2. Inventories should be assigned to the appropriate categories based on their nature and characteristics.
3. Compassion North America requires that inventories be recorded at cost.
4. The cost of inventory includes the purchase price of the inventory items and other acquisition costs such as shipping and handling charges, insurance costs, and duties
5. The cost of each item in the inventory should be identified on an item-by-item basis, unit of measure, and any standard quantities in the unit of measure, whenever applicable.
6. Inventories must be disbursed based on the FIFO principle, or first in first out.
7. Inventories held for consumption or use should be written down when a reduction in the value of their service potential can be measured and the reduction is expected to be permanent.
8. Inventories held for resale should be written down when their net realizable value is less than their cost and the reduction is expected to be permanent.
9. Write downs and disposals should be approved by the Policy and Finance Committee.
10. Write downs and disposals should be accounted for in the current period when the action occurs.
11. No inventory shall be held until they become obsolete.
12. Inventories should be included in the preparation of budget and other financial plans and estimates, which should also specify lean inventory strategies and plans to reduce inventory held, reduce inventory management costs, and eliminate waste by implementing just-in-time inventory strategies and policies, to ensure that operations are not disrupted.
13. Inventory levels and management strategy implementation should be reported to the monthly Board of Directors meeting.

Inventory accounting procedure

(1d) The change in inventory account is used to adjust the inventory balance without affecting spending control. Balances in this account are included in the statement of operations. All adjustments to inventory are recorded through the change in inventory account including the following:

Increases in inventory: the initial recording of new inventory and purchases.

Decreases in inventory: inventory usage, inventory returns, and write-downs.

Inventory Tracking System

(1e) Compassion North America requires that source documents, receipts, and files supporting inventory transactions should be kept for internal and external audit and review.

Compassion North America also requires that an inventory ledger, which can be an electronic file, substantiates and consolidates the information held in source documents supporting inventory transactions, receipts, and files should also be kept.

Exception to the Inventory Accounting Policy

(1f) The following inventory categories are excluded from this policy. All items in these categories should be expensed when purchased:

• Office supplies (pens, paper, pencils, post-its); • institutional supplies (food, medicine, linens and health clinic supplies).

Pre-paid Expenses Accounting

(1) A prepaid expense is a payment, other than for inventory or capital assets, before the criteria for expense recognition have been met (i.e., before receipt of goods or services). The payment is expected to yield economic benefits over one or more future periods.

Compassion North America requires accounting records to be kept on prepaid expenses. Records on prepaid expenses must be kept as non financial assets, and their subsequent use must be expensed, as provided by professional standards, as they occur.

Authorizing Payments from Company Accounts

(1) This manual requires all payments be made out of a budgeted activity account to be requisitioned up to the budgeted threshold. The Finance Unit may review budgeted thresholds, increasing or decreasing budgeted thresholds for activities, based on the outcomes of Quarterly planning and review meetings.

This manual prescribes that requisitions for payment must be made in any manner or by any method that this manual prescribes.

A requisition for payment may involve an electronic approval of a payment request such as by email or signing an invoice or electronic approval within a payment system. An individual or officer, identified as an authorizing signatory by the Policy and Finance Committee, should submit a requisition for payment.

No payment is to be made out of a budgeted activity account unless an authorizing signatory or the Chief Executive Officer provides that, goods and/or services are received, payment is in accordance with the contract, payment is according to an approved routine organizational practice, and is reasonable, or the payee is eligible for or entitled to the payment.

An authorizing signatory, in exercising authority to charge a budgeted activity line, must certify the lawfulness, propriety and accuracy of the proposed payment and the allocation of the related charges. Also, no requisition for a payment out of a budgeted activity is to be authorized that: would not be a lawful and proper charge, would result in an expense in excess of the budgeted line, or would reduce the balance available in the total budget so that that it would not be sufficient to meet the commitments chargeable against it.

Wherein there is not a sufficient allocation on a budgeted activity line to cover the payment of a lawful and reasonable charge, the authorizing officer should apply to the Policy and Finance Committee or the Chief Executive Officer directly, in emergency situations, to provide the additional allocation and to approve the charge, before payment can be processed.

Petty Cash Account

(1) This policy manual requires that a petty cash fund be provided to key officers identified by the Policy and Finance Committee of a fixed amount to be used for minor disbursement including parking, supplies, office beverage, official entertainment or business lunches.

In approving a Petty Cash Account for an authorizing Officer, the Policy and Finance Committee should consider the following:

- The need for the petty cash fund.
- Whether the level of the fund is appropriate for the fund's usage.
- Whether the procedures for operating the petty cash account meet the requirements of the authorizing payments sections.

- The size should be large enough to ensure operational requirements are met and yet small enough to reduce the risk of abuse or theft.
- Excessive or frivolous petty cash fund levels should not be approved by the Policy and Finance Committee to compensate for slow processing of reimbursements.
- Reimbursement frequency should be established by the Policy and Finance committee. This manual recommends that monthly reimbursement of the petty cash funds be considered.

In addition, the following should be put in place by the Finance Unit for petty cash:

- A petty cash fund is assigned to an employee, who is the custodian of the cash in the unit requiring petty cash. The money does not belong to the custodian. The custodian is charged with the duty to safeguard the petty cash fund. The custodian must also ensure the integrity of all transactions of the petty cash fund.
- Cash is safeguarded and protected against loss.
- Petty cash funds are used for appropriate purchases or an item (less than 100 dollars value).
- Petty cash disbursements are accurately recorded on a timely basis and adequate supporting documentation and proper authorization is provided according to the requirement in this manual, from an authorizing officer.
- Petty cash is reconciled at month-end and year-end and are counted daily.
- Petty cash records, receipts and reconciliations are periodically reviewed by a supervisor. Records should be kept of this verification.
- Cash is periodically verified and confirmed by a supervisor. Record should be kept of this check.
- When a custodian leaves Compassion North America, the petty cash fund issued to the custodian should be transferred to another custodian after counting it and reconciling all documentation or the petty cash should be collected and deposited to the General Account.
- Reconciliation should be ongoing at all times. The cash on hand plus the reimbursements in process should equal the amount of the petty cash fund. The custodian must reconcile the petty cash fund every month and at year-end.
- The year-end reconciliation must be verified by the authorizing officer, for their unit, and sent to the Finance Unit and Policy and Finance Committee.
- Cash is returned to the General Company Accounts, when the petty cash fund approved for a unit is no longer needed.

Payroll Payments and Pay Stubs

(1a) Salaries, wages, benefits and other staff entitlements would be paid on a bi-weekly basis on the first working day of the new pay period (Monday), for the previous pay period, by direct deposit to the personal bank account provided by the employee to human resources during onboarding.

The Finance Unit is responsible for establishing a central payroll system for processing all wages, salaries, benefits and other entitlements. The Finance Unit is responsible to ensure that appropriate processes and controls over the processing and review of payroll data are in place. The Finance Unit also provides key controls in payroll processing such as staffing lists, separation reports/updates, wage and salary audits, and financial reports for the review of payroll data.

The following controls over payroll processing are required:

- Published staff schedules for the payment period for frontline staff.
- Duly completed and signed time cards, by the client and provider, for all frontline staff.
- A proper segregation of duties.
- Review and approval of non routine payment such as vacation pay, performance bonuses, and paid sick leave prior to payment. This review should include the reasonableness of the amount and the

identification of unusual items. Any unsatisfactory items or charges are to be investigated with a record of the outcome of the review maintained in the payroll system as an explanatory note for the unusual item. Authorizers are also required to sign off receipt of monthly financial reports, automatic email receipts are accepted as signature, providing further evidence that expenditure authorizers reviewed financial reports and the explanation on unusual items.

Finance Unit staff serving as Payroll officer/s are responsible for ensuring that:

- Where applicable, time cards for all paid hours were completed and duly signed by staff concerned and clients for all hours paid.
- Checking to ensure that wages and salaries paid are accurately calculated for all verified hours worked.
- Ensuring that actual signed time card reports of service provided are used to calculate wages, and not published staff schedules.
- Ensure that the necessary reconciliations are done, between published schedules and time card reports , by liaising with the appropriate staff to obtain any clarifications necessary, when processing payment.
- That all supporting documentation on services delivered required for third party payors or clients was completed, are accurate, and fulfill the terms of any existing contract.
- Payroll disbursement reports include only the names of current and active employees of Compassion North America who have fulfilled all attendance requirements.
- After payment is approved, process direct deposits into the respective bank account of staff members.

Calculating Gross Pay

(1b) When calculating gross pay the following eligible benefits should be considered by payroll staff, these benefits are further elucidated by the human resource manual, which must be consulted to ensure consistency of policy application. When setting up the payroll account of an individual staff member, payroll staff should take note of all eligible benefits that adjust the normal wage rate or salary applicable to a specific staff member to ensure the correct calculation of payment due to each staff member.

The following benefits are eligible for adjusting a wage rate, based on a staff member's contract and actual hours worked.

- Night differential at the established rate as reviewed by the Policy and Finance committee or provided in the human resource manual, which ever is most recent (applies for all on this list).
- Holiday differential.
- Weekend differential.
- Overtime pay.
- 25% employer contribution to staff group RRSP payment.
- Performance bonus, when announced by the Chief executive Officer.
- Training grant.
- Travel allowance, which may be applied for and approved on a case by case basis or as part of the regular contract of a staff member for some positions as provided in the Human Resource Manual.
- Paid sick leave.
- Vacation pay.
- Any other adjustment that is not on this list but provided by the Human Resources Policy Manual or approved by the Policy and Finance Committee at a later date.

Payroll to issue Pay Stubs

(1c) Pay stubs shall be provided to all employees, which outline details on the payment made including, to a minimum: Gross pay amount, details on all eligible deductions such as employment insurance , Federal and State tax withholdings, Pension Plan contribution, Group Registered Retirement Savings Plan contribution,

employer RRSP contribution and tax withholding, retention test withholding or payment (as applicable), health insurance premium and/or supplemental health insurance premium, and net income/pay.

Payroll to conduct Quality Improvement

(1d)The Quality Improvement Unit, in collaboration with the Finance Unit, would perform regular bi monthly sample based quality assurance audits of the payroll payments, to verify that payments comply with this manual and applicable regulation, are reasonable, and charged against budgeted activities/accounts. These bi-monthly quality assurance audits would be presented to the Board of Directors, together with any recommendations to improve performance.

The Board of Directors shall make further recommendations and policy changes, as relevant, to improve performance and would instruct and enforce the implementation of performance improvement recommendations by the Finance or Payroll Unit.

Payment of wages and salary to new hires

(1e)The Finance Unit shall implement the retention test policy adopted by the Department of Nursing and Human resources. All new hires would experience retention of wages and salary equivalent to half period gross pay over the minimum amount or thresh hold for the first month of hire. As provided by the human resource policy, this retention test amount would be kept in a separate interest bearing account and returned to the employee plus any interest accumulated on the last pay period of their initial contract.

Salary and wages should only be paid to employees with valid contracts, which can be written or verbal, from an individual or officer with sufficient organizational authority for doing so, as provided by human resource policy. If verbal approval is given by such an officer to payroll, it should be recorded by the payroll unit as such. A written contract should be prepared for an individual receiving payment from payroll on the basis of verbal contract at the earliest opportunity. A summary of the list of individuals receiving payment from payroll on the basis of a verbal contract should be included in the monthly financial report to the Policy and Finance Committee.

Exemption amount to Retention Test

(1ea)To avoid undue hardship, no retention test shall be applied to a wage or salary payment amount that is 500 dollars or less, or a net pay of the same value—whichever applies. This minimum amount for the retention test would be reviewed by the Policy and Finance Committee from time to time or on the recommendation of the Director of Nursing and Human resources. The retention test would be applied only to the excess of the minimum amount provided in this policy.

The Policy and Finance Committee also reserves the right to exclude certain types of temporary assignments from the retention test policy such as student placements with Compassion North America. The Policy and Finance Committee may publish a list of updates to exempted positions for retention test, whenever necessary.

Advance Payments

(1a) The Finance Unit may issue advance payment to an individual who is a contractor, board member, partner, potential employee, or staff member under the following conditions:

- Temporary petty cash outside of the duty area, not to exceed 100 dollars.
- Travel and per diem expenses, as invoiced where applicable.
- Business expenses, is limited to the Chief Executive Officer and Directors, total amount not to exceed 500 dollars.
- Relocation of new hires or current staff, fixed amount established by Policy and Finance committee.
- Any other situation approved by the Policy and Finance Committee.

Procedure for Advance Payments

(1b) Advances have to be requisitioned by staff concerned (or on behalf of the individual concerned), approved by their supervisor (where applicable), and should also be approved by the Head of Finance Unit. If the requisition is made on behalf of another individual, the requisition should state so, and explain the circumstances under which the request is being processed on behalf of the other party.

When approving advances, the Head of Finance Unit should ensure that routine operations would not be adversely affected by the approved advance payment and that advances are made against a budgeted activity with sufficient allocation, with proper record keeping, return receipts, and activity reports, as applicable, required from individuals receiving advances to correctly close the file on each advance payment transaction.

This manual requires the Finance Unit to develop a clear process for requisitioning advance payments and to adopt appropriate forms, records, and report formats to be used in implementing the advance payment process.

This manual requires the Finance Unit to collect all excess unused amounts, or amounts which use cannot be adequately verified or accounted for, from a staff member, by demanding return of the remaining cash or deducting directly from the payroll of the staff member/s concerned. The Finance Unit is required to inform the concerned staff member/s that such action or payroll deduction is considered against them if the excess payment advance amount calculated is not returned, providing the amount of cash in question and time period for an appropriate response or settlement.

Advances should be charged to the appropriate balance sheet account, whenever applicable.

Salary and Wage Advances

(1c) For all staff paid on a salary or wage basis, a salary or wage can be paid to them in advance under the following conditions:

- The salary or wage advance is paid to them as part of their entitlement or holiday pay benefit.
- The salary or wage advance is required prior to their vacation.
- The salary or wage advance is required as part of a relocation package.
- The salary or wage advance is required to avoid undue hardship due to sudden unanticipated charges. These cases have to be approved by the staff member's supervisor.
- The salary or wage advance is required to celebrate an important religious or national holiday.
- The salary or wage advance is required as part of any other reason approved by the Policy and Finance Committee.

Payment of claims

(1a) For any item for which an advance payment is eligible, claims can also be made for such items after the fact, or after the event is completed. Claims for reimbursement for eligible expenses have to be requisitioned by staff concerned (or on behalf of the individual concerned), approved by their supervisor (where applicable), and should also be approved by the Head of Finance Unit. If the requisition is made on behalf of another individual, the requisition should state so, and explain the circumstances under which the request is being processed on behalf of the other party.

Procedure for the payment of claims

(1b) When approving claims, the Head of Finance Unit should ensure that routine operations would not be adversely affected by the approved claim payment and that claims are made against a budgeted activity with sufficient allocation, with proper record keeping, return receipts, and activity reports, as applicable, required from individual/s making the claim to correctly process and close the file on a claim submitted.

This manual requires the Finance Unit to develop a clear claim process for requisitioning claim payments and to adopt appropriate forms, records, time period for submitting eligible claims, and report formats to be used in implementing claim processing.

Claims should be charged to the appropriate balance sheet account, whenever applicable.

Quality Improvement of Advance Payments and Claims

(1c) The quality improvement unit, in collaboration with the Finance Unit, should complete a bi-monthly audit of the Advance Payment and Claim process, to ensure compliance with this manual, verify the reasonableness of advance payments and claims, verify that claims and advance payments are for eligible items and are correctly calculated, and provide recommendations to the Board of Directors.

Payment of Performance Bonuses, Grants and awards

(1a) The Chief Executive Officer would make allocations and issue directives to the Performance Bonus, Awards and Recognition committee, during the annual budget preparation process by the Department of Finance and Administration, concerning the distribution of performance bonuses grants and awards.

Allocation of performance bonus amounts, grants, and awards to individuals, units, and departments shall be led by the committee. This manual requires that the Finance Unit must ensure that any bonus, award, or grant issued cannot exceed the total amount remaining in the allocated budget. The Finance unit should advise the committee on remaining balances on the performance bonus, grants and awards allocation, and any adjustments implemented, to guide the decision making of the committee.

Procedure for disbursing performance bonuses, grants and awards

(1b) When the Performance Bonus, Awards and Recognition Committee makes a decision to pay out a bonus, grant, award or another payment to an individual/s, department/s, or units, a notice of payment should be issued to the Finance Unit providing details on the payment approval, which should include:

- Name/s of beneficiary (Individual, department, Unit, or section).
- Amount of payment assigned to each beneficiary.
- Staff Id number where applicable.
- If award is to department, section, or unit, rate of sharing providing any differentials that would apply to Director, managers, supervisors, and staff.
- Provide total amount of payment made.
- Provide balance on the allocated budget to the committee.
- Forward the notice of payment to the Finance Unit.
- Make no announcement prior to the approval of the assigned payment by Head of the Finance Unit.

On receipt of the notice of payment from the Committee, the head of the Finance Unit will do the following:

- Review the notice of payment to ensure that it complies with policy stipulations.
- Ensure that payment of the amount would not disrupt operations or immediate cash flow requirements.
- If operations may be disrupted, identify a suitable time period to review the payment request.
- Reply to the Committee indicating the findings of payment assessment, providing the timeframe for the payment implementation.
- If operations are not adversely affected, issue directives for payment to the Payroll Unit or responsible officer forwarding the committee's original payment schedule.
- Inform the performance Bonus, Awards and Recognition committee that the payment notice is approved, providing the approved amounts to be applied for each individual.

On receiving the approval from the Head of Finance Unit the committee shall do the following:

- Announce the awards, individuals, departments, sections or units in the company's communication system—providing a brief background to the award and distributing that information to all staff and notice boards.

- Write individual letters to recipients providing the amount to expect based on information provided by the Finance Unit.
- Organize a ceremony to distribute the grant to recipients.
- Provide a report to the Finance Unit on the activity on the award, grant, or bonus ceremony.
- Publish the report in the company newsletter and any community channels available, or applicable.

On receiving the report from the committee, the Finance Unit would do the following:

- Make direct deposits according to the report received.
- Inform the committee, that payment has been completed and provide the outstanding balance on the budget line, including any applicable adjustments.

This manual provides that any action that can be taken by the Performance Bonus, Awards, and Recognition Committee, may also be completed by the Policy and Board of Directors or Chief Executive Officer.

Payment of suppliers

(1a) This policy targets to pay suppliers after 30 days, but not more than 60 days, except when a supplier requires to be paid before the supply of goods and services or a contract provision provides otherwise.

Procedure for processing goods and services procured.

(1b) Before payment is issued to any supplier of goods and services, a verification report, signed by an individual knowledgeable about the good and/or service procured, must be submitted to the Finance Unit, which provides that the goods were received as per specification, delivered according to any appropriate contract terms, in the right quantity, packaging, labeling, delivery instructions, meet any other applicable quality specifications, and are fit for use for the purposes determined by the supply contract.

The verification report must also provide the following:

- Date of invoice.
- The date goods and services were received at the delivery site/s provided in the contract.
- The date the supplier submitted the invoice to Compassion North America for payment.

The supplier is also required to submit the following to the Finance unit to facilitate the processing of their payment;

- All signed documents, invoices, receipts, and reports relating to the supply of the goods or service.
- A copy of the supply contract and/or final invoice, as applicable, with a detail breakdown of the item description, quantity, price, and any other costs associated with operationalizing the good or service supplied.
- The total amount for which payment is requested.
- All documents must be signed by the supplier, by an individual with sufficient authority within the supplier organization to do so.
- Provide payment details to setup a direct deposit whenever appropriate, is the preferred mode of payment. However, payment may also be made by cheque to the official name and address of the supplier provided in the contract.

Progress billing

(1c) If the contract or payment would be made over an extended period of time, this manual provides that progress billing can be implemented as part of the contract document.

Any progress billing contract provision should clearly define the milestones at which payment should be made. Any contract for progress billing at established milestones should provide the following:

- A complete description of the measurable features or implementation phase of the product or service at the milestone (for e.g. for a software development project a milestone would be end of software design phase), as provided by the authorizing officer.

- Schedule of agreed payment terms if the good or service has already been received and is in use by Compassion North America.
- The applicable charge and total amount to be disbursed, when the milestone is fully completed.
- Should provide for the provision of a verification report by the appropriate technical officers within Compassion North America, or engaged externally, to certify that all milestone requirements, or schedule was completed or met.
- Should provide that each request for payment at an established payment milestone must follow the Payment of Suppliers and Procedure for Processing Goods and Services Procured policy requirements, which is provided in this manual.

Compassion North America Credit and Debit Card

(1) The Chief Executive Officer, whenever he/she sees fit may instruct the Finance Unit to provide credit and debit cards to the Chief Executive Officer, Directors and certain officers, which can be used for business expenses, travel, other items for which petty cash is used, and certain goods and services. The limit to be applied to each credit and debit card would be established by the Policy and Finance Committee. The use of this card shall be accounted for and monitored as provided in the payment processing provisions in this manual. The Finance Unit must regularly audit monthly receipts issued by the issuing bank on the use of Credit and Debit cards to ensure that charges are eligible and reasonable.

Payment Of Taxes

(1) The Finance Unit is required to establish all applicable tax accounts at the state and federal level, keep it active, and maintain timely and remittances of tax due or collected as provided by regulation.

The Finance Unit should account for and reconcile all goods and services sold on a monthly basis for which payment has been received, calculate the amount of state tax collected using the applicable tax rate, and remit the payment installment following state and/or IRS procedure for doing so, as applicable.

Applicable taxes paid on purchases of goods and/or services by Compassion North America should be appropriately tracked and accounted for and reconciled with applicable taxes collected as provided by IRS procedure. All invoices and receipts must be checked by the Finance Unit to ensure that the right amount of applicable taxes was charged for each purchase or transaction. Any errors must be rectified by the receipt/invoice issuer, by providing a new and correct receipt.

Appropriate records, receipts, and any supporting documentation, should be kept on any applicable tax calculation, transaction, or remittance to state/federal level for accounting and audit purposes. These documents and records must be rechecked by a supervisor to ensure that they are correct, meet IRS requirements and standards for such documentation, and are correctly stored in the office filing system.

Payment for recurrent charges that are fixed

(1a) The payment recurrent charges that are fixed such as rent will follow the following procedure:

- Contracts must be established between the supplier and Compassion North America for all recurrent charges that are fixed to establish the monthly payment amount due.
- Accounts payable for recurrent expenditures that are fixed should be supported by a detailed invoice and any applicable written contract.
- Total amount on invoices must be paid as provided by contract terms.
- All bills for recurrent fixed charges such as rent must be paid as quickly as possible to avoid interest charges.
- Proper receipts must be obtained and filed for all payment, receipts should specify any applicable tax amount, when charged separately.

Payment of charges for recurrent expenditures that are variable

(1b) The payment recurrent charges that are variable such as telephone charges and utilities will follow the following procedure:

- Accounts payable for recurrent charges that are variable should be supported by a detailed billing showing items such as basic charge, rental, supplemental charges, long distance charges, and any applicable additional charges for the specific item.
- Individuals must account for all unusual charges and items such as long distance calls and provide reasonable supporting explanations, is required.
- All bills for recurrent expenditure items such as telephone and other utilities must be paid as quickly as possible to avoid interest charges.
- Proper receipts must be obtained for all payment.
- The Finance Unit may reimburse individuals for variable recurrent charges such as telephone expenses incurred for business purposes. However, such uses must be prior approved by the Policy and Finance Committee on the recommendation of the Finance unit or Directors.

Mail Service Required

(1a) This service manual requires the Department of Administration and Finance to establish a centralized mail room service run by the Office Manager/s, and develop policies and processes for running the service. The procedure established for the mail service should include the sorting of outgoing mail, metering/processing and depositing into the regular USPS or applicable postal system. This central system should also receive and distribute interoffice mail, and postal mail to staff members..

The established mail and messenger service should also be responsible for coordinating all general correspondence with staff members including the mandatory distribution or postage of pay stubs to staff members, postage of appointment letters, newsletters, correspondence with partners, IRS and other Government agencies, and any other communication and information requirements that may arise.

Procedure for establishing mail room service

(1b) This manual requires the Department of Administration and Finance to determine and implement the best postal product option that would serve the needs of Compassion North America, the requirements to implement the selected product, and provide that report to the Policy and Finance Committee. On the approval of the Policy and Finance Committee and allocation of resources, the Department of Finance and Administration should implement the selected mail room service option against the timeframe provided. This manual also requires that the implemented mail room service should be reviewed by Office Managers once every five (5) years, or whenever a strategic plan is being developed, whichever happens earlier. The office manager/s (or their selected representative) are required to submit a report on their assessment of the mail room service to the Policy and Finance Committee, along with their recommendations for improvement.

Workers' Compensation Board Reporting

(1c) Compassion North America shall yearly, on or before such date as shall be prescribed by the Board, prepare and transmit to the Board a statement of the amount of the wages earned by all the workers during the year then last past or any part thereof specified by the Board and of the amount that the employer estimates the employer will expend for wages during the then current year, and such additional information as the Board may require, both certified to be accurate by the Director of Administration and Finance.

The Finance Unit shall keep in such form and with such detail as may be required for the purposes of meeting Compensation Board requirements a careful and accurate account of all wages paid to the workers and such account shall be produced to the Board and its officers when so required.

The Finance Unit shall inform the Board about any material change in the circumstances, which may affect such issues as the amount of contribution payable by the organization, within 10 days after the change occurs.

Association and membership dues

(1) This manual requires the Chief Executive Officer and Directors to provide recommendations to the Policy and Finance committee concerning membership in technical, professional, business associations, and any other forum that contributes to achieving the mission and strategy of Compassion North America.

The Department of Administration and Finance shall lead all arrangements to pursue membership of associations approved by the Policy and Finance Committee.

As part of the membership of such associations, the CEO may also designate specific status awards provided therein such as the Plane Tree Person Centered Care designation as organizational goals within a defined time frame.

The Finance Unit is required to budget for and pay all technical, professional, and business dues, as a result of membership in such associations, on the schedules for payment provided by the associations.

Payment of Education Grants or student loan repayment assistance

(1) As provided by the Human Resource Manual, Compassion North America may provide education grants to deserving employees because of their performance or loyalty to the business. Compassion North America may make student loan repayment contributions to deserving staff members as a result of their contribution to the success of the business.

Procedure to Award and Pay Education grants and student loan repayment assistance:

1. The Director of Human Resources and Nursing may make recommendation to the Policy and Finance Committee or the Performance Bonus, Awards and recognition to award an education grant to a deserving staff member.
2. Or a supervisor may make a recommendation to the Performance Bonus, Awards and recognition Committee to award a student loan repayment assistance to a deserving staff member or new hire.
3. The Performance Bonus Awards and Recognition Committee or the Policy and Finance Committee deliberates and makes a decision to approve or deny the request, providing a reply in writing to the Director or supervisor on their decision.
4. If the decision is approved, the Policy and Finance Committee or the Performance Bonus, Awards and Recognition Committee would issue a Notice of Intention to Award Education Grant or Repayment Assistance-- to the Director of Administration and Finance, by email or ordinary office mail.
5. The Director of Administration, on receipt of the notice, consults with the head of the Finance Unit, to ensure that there is sufficient allocation on the required budget line and the forecast for subsequent periods covering the schedule of the Education Grant or repayment assistance.
6. If the assessment is acceptable, the Director of Administration and Finance sends a Notice of Approval of Education Grant or Repayment assistance to the committee, copying the staff member/s concerned.
7. If not approved, at this time, Director sends a response to the committee providing a timing of the review of the request.
8. When accepted, the Director of Administration and Finance prepares an Education Grant agreement with the staff member concerned providing the following specifics:

- (a) An undertaking by the selected staff member to work for the company after their training for a specified period of time that is determined and negotiated with the staff member depending on the cost of the education grant or repayment assistance provided.
- (b) Provide a reduced work schedule during training and other accommodations that would assist the staff member in successfully completing the targeted training, where applicable.
- (c) Selected staff member to select an area of specialization, in collaboration with the Director of Nursing and Human Resources, which contributes to the advancement of the staff member within Compassion North America after the successful completion of their training.
- (d) The agreement should also specify the amount allocated to the following categories of education expenses:
- (e) Details on the amount allocated for Tuition, Books, Allowance and any other applicable allocation.
- (f) Details on the payment schedule for the education grant or student loan repayment assistance, which ever is applicable.
- (g) Director of Administration and Finance sends a copy of the contract to the Finance Unit to setup payment for direct deposit and the payment procedure specified in this manual.
- (h) The Finance Unit should apply the applicable taxes to the education grant, student loan repayment assistance, and any leave allowances.

Payments due to deceased persons

(1) Payments due to deceased persons from Compassion North America shall be made to their estate to facilitate disposition of the estate assets by the company.

The following would be required:

1. Payment should be made to the next of kin provided in the deceased individuals records, where applicable, or to a person who has taken responsibility for the estate of the deceased, in that order as applicable.
2. A bond of Indemnity must be completed and signed by the payee.

Financial Control of General Company Account

(1a) The Director of Administration and Finance should ensure that the following financial control policies are implemented for the General Company Account:

- All money received is promptly and appropriately recorded upon receipt.
- All money received or disbursed is appropriately acknowledged by providing or obtaining an acceptable receipt.
- All Company money, including cash or deposits, is adequately protected against loss or theft.
- All money received and expensed is accounted for properly and promptly according to budget and organizational policy and applicable standards for doing so.
- The disposition of money received is appropriately recorded.
- Any Cheques returned due to non-sufficient funds (NSF) are recorded, direct deposits that do not go through, and any similar system glitches should be replaced and re-deposited.
- All money received or expensed should be charged to the correct company account, business or individual account, and adequate information should be provided in doing so.

Receipt, handling and disposition of money

(1b) The following control requirements must be implemented for the receipt, handling and disposition of moneys in the established finance system:

1. Whenever possible, incoming mail should be opened by two persons designated for the purpose. All money received is to be immediately recorded upon receipt. The record should include, at a minimum: the date, the name of the remitter, the amount of the remittance, and the signature of the two people opening the mail.
2. Cheques, money orders and other negotiable instruments are restrictively endorsed immediately upon receipt.
3. Moneys received are acknowledged by issuing official receipts, cash register slips, licenses or certificates when the moneys received are cash, the remitter, pays in person, or the remitter requests a receipt.
4. Invoices, forms or receipts that acknowledge money received must be pre-numbered, issued by authorized employees and recorded, and periodically reviewed to ensure all forms are accounted for.
5. Money is kept secure until proper disposition is made. Access to money is limited to those employees who are responsible for the cash function.
6. Moneys are disposed of by depositing in the bank, transferred to another business (obtain a receipt for cash transfers), or returned to the remitter if received in error or if none of the services were/can be rendered and/or none of the goods were/can be supplied.

(1c) Deposits are made according to the following requirement:

1. On the same day the money is received or latest before 12 midday the next day for money received close to the end of the business day.
2. If any cheque, draft or other negotiable instrument deposited is not honored by the bank, the Finance Unit must take immediate steps to recover the amount from the issuer by reissuing the cheque.
3. As far as possible, clients should be supported to deposit payment to Compassion North America for services provided electronically through credit, debit card processing capabilities, and other electronic fund transfer options available.
4. Documents to account for the receipts are to be properly prepared. The receipts are to be recorded in the accounting system in a timely manner.
5. Payroll direct deposits or other direct deposit payments by the Finance Unit must be entered promptly to the financial system, when applicable. This is required in order to detect and resolve any discrepancies, and to ensure banking timelines for the correction of discrepancies are met.

Receipt and control of money

(1d) The following requirements should be met for providing receipt and control of money

1. All deposits must be stamped by the receiving bank or other financial institution.
2. The record of cash received is to be reconciled to the bank deposit and the accounting records.
3. The finance unit should segregate duties of staff so that employees responsible for accounting for money do not have access to it. Certain duties for receiving money may be delegated to office managers, if this would contribute to this segregation.
4. All transactions entered to the financial system such as journal entries are to be reviewed on the monthly financial report details produced for the Policy and Finance Committee--report on revenues and expenses--on a regular basis for reasonableness and for unusual items such as correcting or reversing entries. Any discrepancies are to be followed up on and resolved on a timely basis.
5. The total revenue received should be allocated into revenue sources, established and approved by the Finance Unit, and the total deposited in the General Company Account.
6. The total accounts receivable should be allocated into revenue sources established by the Finance Unit, and the sources of the payments expected.
7. The Finance Unit should review these rules regularly to ensure that they are adequate, as part of the unit's quality improvement focus, providing recommendations to the Policy and Finance Committee, whenever improvement possibilities are discovered to improve the control of money.

Payment rounding and Remittance Errors

(1e) The following rules would apply to rounding payments and remittance errors:

1. Remittance errors that contain under payments that is less than the cost of postage or 0.88 cents, whichever is lower, may be accepted as correct.
2. Any remittance that contains an overpayment is accepted as correct, the overpayment noted in the financial system, and a refund must be provided if specifically requested, regardless of the amount of over payment involved.
3. Requested overpayments should be paid by issuing a cheque for the amount, if the request is not done in person or the petty cash limit is exceeded.
4. If a request for overpayment that is less than petty cash limit provided in this manual is made in person, the refund may be made in cash and properly receipted by the officer concerned, following the applicable payment approval procedure. Pending the availability of cash, the finance unit may approve a higher amount above the petty cash limit, when possible, after verifying the payment amount concerned at the banking level.

Policy for payments made by cheque

(1f) When setting up payment arrangements where the payor elects to pay by cheque, this policy requires that the payor should be informed about a 25 dollars administrative charge for any payment made by cheque, for services provided, that is returned to the Company because it is non negotiable as a result of insufficient funds, wrong date, or similar reason provided by the receiving bank. This 25 dollars fee would be charged to the client account and should be paid when the cheque is reissued.

This information may also be written on related intake documents, posted at payment points, printed on bills/invoices, verbally provided, and written on receipts.

Despite this policy, an officer of the Finance Department may waive the 25 dollars administrative charge, when the client applies to him or her to do so, or to facilitate faster payment processing.

The Finance Unit officer that receives the returned cheque is also required to:

- The officer must record any non-negotiable cheques that is returned.
- The officer must ensure a replacement is obtained.
- The officer must deposit and record the replacement.

Policy for payment by credit and debit cards

(1g) This manual requires the Finance Unit to acquire and maintain electronic payment processing capabilities by establishing the required contracts with the appropriate electronic payment processing provider, obtain the equipment, and deploy the system to collect payment.

The Director of Administration and Finance may approve the receipts of payments by credit and debit card after ensuring that the following are put in place and maintained by the Finance Unit, and regularly audited in collaboration with the Quality Improvement Unit

- The Finance Unit should ensure that all credit and debit card receipts are properly received, safeguarded, recorded, and deposited immediately.
- The Finance Unit should establish a separate bank account to accept debit/credit card payments, which should be named General Company account (2).
- The Finance Unit should designate an officer/s in charge of accounting for credit/debit card transactions.
- Finance Unit Officer/s in charge of the Credit and Debit card account should record payments received at the gross amount received. The merchant fee paid by the Finance Unit is to be recorded as an expense. It cannot be netted against revenue.
- The Finance Unit officer/s must identify any incremental cost and/or impact on revenue during the budget process.

Policy on new company bank accounts

Whenever considered necessary the Finance Unit may make application to the Policy and Finance Committee to establish a new bank account that is not identified in this manual. In making such application, the Finance Unit is required to provide a reasonable justification for the new account and why the current company accounts are not suitable for the intended use of the new bank account.

The Policy and Finance Committee may grant approval to the Finance Unit to establish a new bank account at any time, when it considers that the justifications provided for doing so are strategic, practical, or reasonable.

All additional bank accounts established in the future would be administered using the rules, procedures, processes, or requirements provided in this manual.

Policy on bank account balances, interest, charges, loan repayment, and dividends

The Finance Unit is responsible for conducting banking activities in an efficient manner that takes into account the fees that they are incurring for the services, and should review those services, fees paid, and consider changes or actions that can minimize bank fees and charges, as part of the quality improvement activity conducted in collaboration with the Quality Improvement Unit.

The following policies shall apply to bank account balances, interest and other bank charges, and disbursement of scheduled loan repayments:

1. The Finance Unit must pay service charges as provided by the financial institution where an account is maintained.
2. The Finance Unit must verify that interest that is charged by the bank or paid to the bank is at rates and conditions agreed to from time to time by Finance Unit.
3. The Finance Unit should ensure that Interest charged by the financial institution is to be billed by the bank on a monthly basis, as supported by a statement of daily balances, to the Finance Unit. Interest on outstanding loans should be charged according to the schedule provided in the loan document.
4. The Finance Unit should ensure that interest paid by banks is to be credited to the appropriate bank account or according to the investment document deposited at the bank.

5. The Finance Unit must ensure that payment of principal on all loans would be according to the schedule provided in the loan document.
6. At the end of the fiscal year and at the end of each quarter provided in this manual, the Finance Unit would prepare a balance sheet and present a report of net bank account balances that would take into consideration all fixed commitments in the next fiscal year or quarter, whichever is applicable, such as principal and interest payment on existing loans and any planned investments for business growth or to improve capacity. The Finance Unit may also recommend to the Chief Executive Officer any amounts that can be distributed to share holders or owners as profit or dividends, after determining such required retained earning additional amount.

Property administration policy

This policy refers to capital assets employed in the production of other goods and services, which includes goods and inventory held for consumption or resale.

Management of Inventory

(1) Property management policy prescribed by this service manual requires that the Department of Administration and Finance determines and maintains optimum inventory levels according to Just-In-Time lean production principles to reduce inventory waste.

When implementing this inventory policy, the design or review should ensure that appropriate inventory records are maintained to meet reporting and internal control requirements. Adequate control and physical security measures should also be in place to prevent waste caused by material loss of inventory due to theft, damage or obsolescence. Periodic inspection of physical quantities compared to inventory records should be conducted by the Quality Improvement Unit, and corrective actions should be taken if material differences or irregularities are detected.

(1a) Requirement for Kanban

To develop appropriate supply quantities for the inventory Kanban levels, the following holding costs should be considered:

- The cost of capital used to acquire the inventory
- The cost of storage , including warehousing costs.
- The cost of inventory shrinkage costs, including the cost of spoilage of perishable goods and loss of value due to obsolescence
- The fixed cost associated with placing an order to acquire inventory.
- Transportation costs for expedited shipping and processing.
- and other relevant costs.

A suitable analytical technique should also be employed to determine optimum Kanban levels to be maintained for each item of supply covering the following:

- Economic order quantity
- Inventory turnover or usage rate, which should be compared to existing historical data on the industry or competitors to demonstrate how well the Compassion North America inventory management system is working.
- Provisions for manufacturing lead times, transportation lead times from suppliers to inventory destination, and any other adjustments required to establish optimum Kanban levels.
- Determination of minimum and maximum Kanban levels and reorder quantity.
- Ordering of inventory to be delivered in small regular batch sizes and packaging based on historical data on usage rates.
- A suitably determined safety stock level, to absorb shocks in the system due to unpredictable circumstances such as inventory spoiling during transportation, transportation delays, or similar unpredictable issues.

(1b) Physical Security

The Department of Administration and Finance should implement physical security measures to safeguard inventory from risks of theft and damage. Measures selected should take into account the nature, quantity, and value of inventory and the costs to implement them.

Management of Capital Assets

(1) This policy refers to capital assets that are goods or assets, other than financial assets, which are used in the production of other goods and services continuously, but not consumed during the production process, and have a life span of over one (1) year.

Accounting and Reporting System to be established

(1a) The Policy and Finance Committee should direct the Department of Administration and Finance to establish and maintain an accounting and reporting system for capital assets acquired by Compassion North America. The Department of Finance and Administration is required to implement the capital asset accounting and reporting system, after approval by the Policy and Finance Committee, which meets the minimum requirements and standards approved by the committee.

The minimum internal controls implemented by the Department of Administration and Finance as part of the capital asset accounting and reporting system must include the following dimensions:

- A procedure for the authorization of capital asset acquisition, construction, development, betterment, or disposal.
- Maintenance of accurate records and any restriction to the use of capital assets that may be reasonable.
- Periodic audit, review, reconciliation of capital asset transaction records, physical inspection of capital assets, capital asset records, and capital asset locations, to ensure proper accounting as prescribed in this manual or the Human Resource Manual.
- Procedures to immediately investigate and report on any discrepancies observed to the Board of Directors.

Management and Administrative Systems

When revenues exceed 5(five) million dollars, the Finance Unit may make application to the Board of Directors to acquire a new financial system, providing the advantages and benefits over the current system used by the organization.

If the Board of Directors accepts the application to acquire a new financial system, the Finance Unit may proceed to acquire the prescribed financial system using the procurement requirements prescribed in this manual. Any new financial system acquired would be reassessed by the Finance Unit periodically to ensure that the system remains adequate to meet the financial management goals, requirements provided in this manual, and to meet the emerging needs and organizational demands.

Requirements for implementing a new financial system

(1)The Department of Administration and Finance should ensure that the following elements are in place when the Finance Unit is implementing a new financial system:

- Testing is mandatory to ensure that the financial system would function as planned when implemented.
- There should be no loss of data, truncation, or other similar error while transitioning to the new system.
- There should be minimal effect on ongoing operations to process financial data, while the new system is being implemented.

Task force for special projects

(1a)This manual prescribes that all projects with significant cost outlays or potential impact on the operations of the company, such as the acquisition of a new financial system, should be designed, developed, and implemented by a task force constituted of company employees established by the Board of Directors.

(1b) Responsibilities of the Board of Directors for special projects

(1a) A Department or Unit proposing a special project will prepare a draft project charter and submit to the Board of Directors as part of its application to the Board of Directors to engage in a special project.

(1b) The Board of Directors would review, suggest modifications, and approve (or disapprove) the project charter for all special projects proposed by any Department, Unit or Section.

(1C) After approval, the Board of Directors would appoint a task force and a project leader to head the task force and the implementation of the project.

(1E) The project leader, would review the project charter making modifications deemed necessary to successfully implement the project charter.

(1F) The project leader would sign the final project charter with the project sponsor approving the funding amount for the work , disbursement of funds, high level key stakeholder requirements, and success criteria.

Responsibilities of the Special Project leader

(1C)The special project leader appointed by the Board of Directors would have the following responsibilities:

- The project leader should ensure that the needs of the key stakeholders are addressed by the design, development, and implementation of the project in a balanced manner.
- The project leader is responsible for the timely and orderly development of the new system, according to the time and cost schedules/amount.
- The project leader should determine the project life cycle components that would be used for the project including assessment, problem identification, root cause analysis, system design, system development ,system testing, data conversion, system implementation, project commissioning, and project closing as relevant.
- The project leader is responsible for establishing the detailed project scope, work breakdown structure, detailed requirements, workplan, project schedules, human resource plan, budget,

monitoring and evaluation plan, implementation plan, and execute the project by applying any other standard project management requirement and processes to successfully execute the project.

- Ensure that key stakeholder interests and concerns are addressed by the project design and that end users participate fully, especially during the design and planning phase of the project.
- Ensure that a sufficient communication plan is available and executed to coordinate information, education, and communication needs for the project.
- The project leader must ensure that the needs of the ultimate users are reconciled and adequately addressed by the product or end result of the project, to be successful in implementing the project.
- Present final project plan, which includes the detailed scope of work, work break down structure, and requirements documentation/ matrix, to the Board of Directors for final approval before project implementation commences.
- Register all approved documentation and plans within the organizations specification management system administered by the change management board within the Policy and Finance Committee.
- Ensure that a change log exists for the project as part of the organizations project management system.
- Design and select an appropriate test technique/s to test a prototype of the product, service, or system to ensure compliance with all applicable requirements in this and any other applicable organizational manual—ensuring that for all applicable manual components the required procedures and records are established. Records on results on tests conducted must also be kept, including any errors encountered and resolved during testing. Testing may cover areas such as the ability of the product or service to calculate and accumulate values correctly, files are updated when transactions are processed, changes to files are saved in the most recent version, accepts and processes corrections, generates control logs and reports are accurate, accumulates cumulative totals from consecutive runs correctly, and can process expected volume of transactions without delays. Human dimensions of testing may involve: supervision of staff, completeness of testing, supervision and review of test results, and control of change requests.
- Make change requests to the change management board, through the change log, for any material changes to the approved documents that may become necessary during testing and implementation.
- Make updates to original designs, documents, and project features for all changes approved by the Change Management Board (and possible retesting) before final implementation.
- Implement the final tested blue print commissioning the final product or service and transferring to operations. If implementation involves a data oriented project the following checks should be done: compare all data in new master files or data bases to existing records in detail, compare transaction counts and control totals for data in critical fields to detect instances where data has been converted to the new system in error, scrutinize the effective date of data conversion to ensure transactions have been converted in a consistent manner, and implement appropriate authorization procedures to ensure no unauthorized data has been added or legitimate data deleted, train users to use all system components, gradually phase out the old system replacing it with the new system , make provisions for file backup when the system is operational, and complete system documentation before implementation.
- Perform project closing tasks defined by the Policy and Finance committee to successfully close the project.

Additional controls for special projects involving finance

- (1a) This manual requires that special projects involving finance should continue to ensure that creating, authorization and entry of transactions and custody of assets are separated. This segregation would ensure that no single employee or group of employees has exclusive control over transactions from initiation to payment for transactions for a financial account or group of accounts.

(1b) The following standards should be implemented to enforce segregation during special projects and ensure accuracy of inputs during data entry:

Requirements to Implement Segregation

(1b1) The following should be implemented to implement segregation:

- Separate data entry functions from custody functions for the assets concerned.
- Segregate data processing and analysis functions from those individuals who use the data for decision making.
- Segregate systems design and programming from operations and data control.
- Control access to financial instruments and critical forms such as blank cheques to those individuals who create transactions.
- Ensure that sufficient history of transaction processing is provided on computer activity logs, which can be used to verify that users comply with prescribed operating procedures.
- The system design should make provisions for a cross checking function performed by supervisors to regularly review important summary reports regularly, should be included in the operating procedure.

Control Requirements to ensure and check for data accuracy

(1b2) The following would be required to meet standards for ensuring accurate data entry and computation, whenever relevant:

- Prescribe procedures for initiating transactions.
- Train and supervise individuals who are responsible for initiating transaction documents.
- Prepare pre-numbered forms to be used for input making sure all input forms are processed during the transaction.
- Documents, forms and other assets used to initiate transactions or process sensitive information must be restricted.
- A second level check must be provided for to check transactions for validity, completed supporting documentation, and approval.
- Data entry error detection handling procedure must be implemented, if electronic data entry is used, by specifying type of data that fields can accept, and other procedures/ requirements, designing the system to throw system warnings or exceptions for the user to correct, review, or change a system detected incorrect entry.
- If batch processing is utilized the control totals generated within the system should be checked against a sample of manually calculated totals to ensure that batches were processed correctly.
- Reports should be checked to ensure that the correct data type specified for the field of concern was entered when entering or processing a document.
- Automated consistency checking should be implemented using batch control totals to check for consistency, when actual values generated from transactions are not logically supported by the values in the batch control totals.
- If batch processing is selected reduce the number that can be included in each batch so that errors can be easily detected and corrected.
- Batches should also be numbered in sequence (1,2,3) for easy detection of processing errors.
- Automate for internal checks for missing document numbers within the software, facilitated by sequential control numbers.
- Control batch processing by making provisions for each batch of transactions to be authorized.
- Implement rules that alert the user if data meet predetermined exclusion criteria such as data ranges.
- Implement provisions for checking data entry for errors by looking up values of data or codes entered and checking them against a lookup table of predetermined acceptable account numbers or codes.

- Incorporate cross-footing (cross-balancing) as an arithmetic accuracy check.
- Incorporate field computability checks, such as a comparison check of different fields within a record, to ensure a valid combination of data or to detect missing data.
- Incorporate file control checks, such as a balancing check of the previous master file and changes to the updated master file.
- Incorporate file completion checks to determine that the application files have been completely processed for both the transaction file and the master file.
- Check the output against the input source document for errors.

Error control standards and correction handling in data processing systems

(1b3) The Department of Administration and Finance is required to establish procedures to ensure that errors within the data and information held by Compassion North America are detected, corrected, and corrections re-entered into the system. This requirement covers manual based systems, electronic systems, or combination systems.

The following guidelines should be enforced, as applicable to the specific system:

- Transactions errors should be detected by implementing balancing, editing and validation routines.
- The listing of type of error descriptions can provide a benchmark to check transactions against to determine ineligible transactions, the reasons for rejection, identification of the ineligible records, and the specific data element in error.
- Detected errors in records should be identified by warnings or error identifiers, which are displayed along with the entire transaction.
- Software design should provide features to display error messages for any transaction that does not meet predetermined critical edit criteria or routines, which causes further processing by the system to cease.
- For other non critical errors, warning messages are displayed for non-critical data that does not meet edit routine requirements, but the data is accepted by the system for further processing.
- Any corrections to data, as a result of error warnings, is resubjected to balancing, edit, and valuation routines previously implemented.
- Error report files should identify all data fields in the concerned error.
- Error report logs contain messages that describe the error condition.
- Error logs/suspense file should be created and stored.
- The transaction that is rejected because it contains an error should be printed in its entirety in the report.
- Each process or transaction should be uniquely identified and mapped with all documents identified, which is involved in each step from the transaction or process initiation step to the final report (and end of process) should be clearly identified. This will assist in implementing a management trail, which can be used to recalculate totals, identify items included in the total, and maintain consistency with the manual filing system maintained in association with the concerned process or transactions in the system, for easy reference.
- Requirement documentation preparation during special projects includes finance and management requirements, during the planning or design phase of a system.
- Proposed reports to be generated by the system are reviewed with users of those reports before final implementation.
- Reconciliation of output control totals back to input control totals.
- Implementation of a post-audit of a statistically valid sample of transactions to confirm that they have been processed accurately.

- Ensure proper and complete documentation by describing user procedures regarding preparation of source documents, data entry, production scheduling and control; procedures for delegation of duties and responsibilities, error correction, report distribution , publish guidelines to understanding reports and preparation of reconciliations, provide updates to such documents through the change process whenever required.
- If the task is completed on a computer system, describe the components of the system and their purposes, explain the nature of each run, identify the input and output forms and any other media encountered within the run, provide operator instructions for successfully executing the run, provide information on any software programmed halts that may be encountered while conducting the run, provide information on how to restart from any halts, provide information on any authorization that the operator may require to implement a required override function, provide recommendations to the change board for changes to the document as required and update the document as applicable.

Building, information system and data security

(1) The following information and data security standards should be implemented for all data and information held by Compassion North America, or if a data or information task or project is contracted out to another party these standards should be required and verified:

- Sensitive data, files, and programs should be identified and protected to the appropriate level of security.
- Firewalls, software and hardware, should be used to restrict access to electronic assets, networks, computers and files by unauthorized external parties.
- Protect the system from viruses, malware, and other malicious software and update continuously.
- A security classification should be implemented for categories of staff and each user account, ensuring that staff without the appropriate classification cannot access certain types of data, based on segregation of duties, regulatory compliance, and scope of practice requirements.
- Update security classification and access privileges when job duties, scope of practice, or job duties change.
- Ensure that only approved personnel can access critical documents and forms, including cheques and forms that initiate critical transactions.
- System security software and related documentation should only be accessed by authorized personnel, sensitive information should be locked when not in use, and stored in adequate storage facilities such as metal cabinets.
- Backup, storage, recovery controls and contingency plans are in place for software systems including manual operations, whenever cost effective.
- Preplanned system outages to conduct preventive maintenance activities, system upgrades, and repairs to prevent breakdowns and work disruptions, communicating to all parties time estimates of the return to normal operations.
- Provide control over compliance to the data access rules established, who has accessed data communication networks, and made changes-- through dial back procedures.
- Commercial insurance protection options.
- Investigation and analysis of alternative management approaches such as out-sourcing, whenever considered as a cost effective alternative and contractor meets the requirements in this manual.
- Building and hardware facilities are monitored and physically protected from unauthorized access and sabotage actions, including restricted access to building, CCTV camera, smoke and moisture detectors, air conditioning, and proper destruction and disposal of confidential waste—This standard includes the development, implementation, review, and balancing of policies to the level considered by administrative assessment of the risk involved .
- Disaster recovery features are implemented as part of the information system by ensuring that information and resources required to resume processing are backed up at off site locations such as client homes and an operational partner's server, which meets the requirements of this manual.
- There is sufficient off-site backup storage of copies of critical systems, data, transactions, files, supplies, documentation and special forms in locations such as client homes and operational partner's server, which can enable users to continue or resume operations quickly in the event of a disaster.
- The Administration and Finance Department has a disaster recovery plan in place, which is periodically tested to document actions that would be taken and procedures to be implemented to speedily restore operations after a disaster.

Quality audit of Special project Responsibilities, data and information standards.

(1) The Quality Improvement Unit is required by this manual to perform a quality assurance audit of the special project responsibilities, data and information standards, building, information system and data security, as part of the unit's routine quality audit function, and make recommendations to the Policy and

Finance Committee and Board of Directors for changes that would lead to an improvement in project execution or compliance with applicable standards, whenever necessary.

Risk Management Policies

The following risk management policies are prescribed to ensure that the integrity of the operations of Compassion North America is beyond reproach.

Policy on Fraud

(1) Compassion North America maintains a zero tolerance policy to any fraudulent transaction, and the Department of Finance and Administration, or the Department where the incident occurred if named in policy, is required to conduct a preliminary investigation into any allegation of fraud and any illegal dealing. The Department is also required to make recommendation to the Disciplinary Committee for any misconduct, for which there are initial indications that a wrong may have been committed, based on the findings of the preliminary investigation.

All employees are expected to maintain the highest standards of honesty and integrity and to act lawfully according to the requirements and standards provided in this manual. Employees are also expected to report immediately any suspected case of fraud or illegal activity that they encounter during their work assignment or they become aware of from ongoing staff discussions and interactions.

Procedure to address fraud

(1a) All suspected cases of fraud referred to the Disciplinary Committee will be investigated in detail using the complaint and investigation policies provided in the organization's service manual or any updates provided by the Policy and Finance Committee thereto. The Discipline Committee would apply sufficient penalties, such as are within its powers to undertake, up to the point of termination of the guilty party, as determined by guidelines and standards developed by the Committee and approved by the Policy and Finance Committee. The committee shall also take the appropriate legal action or advise, depending on the findings of their investigation, to determine if the case of fraud should be reported to the police for further action to recover all losses.

Mandatory Training on Fraud Required

(1b) This policy requires that the Disciplinary Committee should arrange training of staff members on this policy providing examples of illegal activities that should be avoided, and requiring staff members to sit a test to demonstrate their understanding of this policy.

The following minimum examples of fraudulent cases must be covered during this training:

- Illegal access to restricted documents and forms.
- Falsification or alteration of financial records.
- Misuse of company assigned credit and debit cards.
- Stealing of company money such as petty cash.
- Stealing of company property.
- Illegally accessing data and or corrupting data and/or files willfully.
- Fraudulent financial claims such as by falsifying time cards.
- Falsifying signatures and illegally signing financial documents, whether electronic or physical signature.
- Willfully damaging company property.

Procedure to report fraud

(1c) The procedure for reporting fraud shall be the same as that for reporting other incidents. Except for frontline staff working in homecare, all other staff must report incidents to the Director of Administration and Finance. Frontline Staff report incidents to the Director of Nursing and Human Resources.

Policy relating to personal property

(1)The Department of Administration and Finance shall take reasonable steps to secure personal property of staff and clients within the operational environment of the company. Notwithstanding this, the company requires personal responsibility of staff members to ensure that their personal property is safe, by taking actions such as leaving valuable property in safe deposit boxes in their home.

Clients are also required to take reasonable steps to secure their homes and personal property against theft and damage. The company would take appropriate steps to ensure the safety of clients by ensuring that all staff are adequately screened by completing a criminal record background check , dependant abuse check, and requesting and following up on personal and professional references to vet the behavior of all staff before hiring them.

However, the Company would require staff and clients to indemnify Compassion North America from any liability due to theft or damage to personal property. Compassion North America shall take no responsibility for any loss or damage of client or staff property.

This policy requires that staff are informed during hiring of this policy requirement.

This policy requires that clients are informed during intake, and accept, of this policy requirement.

Professional Liability Insurance and Commercial Insurance required

(1) The Department of Administration and Finance should obtain at a minimum professional liability insurance and commercial insurance, which provides coverage to all employees of Compassion North America. The coverage obtained by the company would be such as to protect frontline staff against judgments levied against similar groups throughout Canada or in line with coverage given to similar groups within the homecare industry.

Yearly internal audit required

(1a)This manual requires that a yearly internal audit of the implementation of this manual by the Department of Administration and Finance must be completed and tabled before the Board of Directors and Policy and Finance Committee by the Quality Improvement Unit before the end of the second quarter of each fiscal year.

This annual audit must address the following issues at a minimum:

- Level of achievement of business plans and objectives.
- Efficient and economic use of resources.
- The identification and management of risk by the business.
- Compliance with this manual components especially in areas identified by Policy and Finance Committee as most important.
- Organizational compliance with values in action and fraud policy.
- Emerging risks due to program changes and changes in the operational environment, especially in the area of technology and innovation.

Adjustment of Quarterly Plans

(1b) This manual requires that the internal audit report provided to the Policy and Finance Committee by the Quality Improvement Unit must be used as an input by all Departments to adjust their subsequent quarterly review plans, after the presentation, approval, and acceptance of recommendations of the report by the Policy and Finance Committee, with input from the Board of Directors. Each Department is required to demonstrate, during their presentation in the quarterly review session, that they have taken the audit report into account during their planning.

General Management Policies

Policy on external representation and communication

(1) All communication with a Government agency involving a financial component, which requires the presentation of reports, providing responses, payment of contributions, is a collaborative project, or subject to external monitoring, must be implemented through the Chief Executive Officer's office, until specified otherwise at a later date.

Policy on contracts

(1) This policy shall apply to all manner of contracts entered into between Compassion North America and a party/parties of any nature. This policy requires that to be valid a written or verbal contract has to be entered into by the Chief Executive Officer or Director of Nursing and Human Resources representing Compassion North America and the other party/parties' valid representative/s. This policy remains in effect until further notice.

Compensation of Staff

(1) The Policy and Finance Committee may at a future date identify all office and frontline positions within the Company that it determines as suitable for salary compensation and assign them to salary scales approved by the Policy and Finance Committee. However, this change shall by no means affect ongoing contracts agreed with external parties, which provide for staff to be currently paid on an hourly basis.

Wages, Allowances, Benefits, and other employee related expenses

(1) Wages, allowances, benefits, and other employee related expenses are according to requirements specified in detail in the Human Resource Manual, which further expands on the human resources dimensions of this manual.

Company Vehicle Operation Policy

This policy covers vehicles used in the course of company business of two types: Vehicles that are operated by individuals performing company business and vehicles operated by company transportation unit for distributing supplies and equipment, transportation of clients, other emergency and similar services.

Individual vehicle operation policy

(1) The Chief Executive Office, Directors of Departments, and Managers of Department and Units may be assessed by the Policy and Finance Committee to be eligible for a vehicle allowance for using their privately owned or leased vehicle on company business.

The following standards would be taken into consideration when the Policy and Finance Committee makes such a determination:

Rates of vehicle allowance

(1a) The Chief Executive Officer may be assessed for a vehicle operation allowance of up to a maximum amount of 350 dollars a month by the Policy and Finance Committee, or a leased company owned and maintained vehicle.

(1b) Directors of Departments may be assessed for a vehicle operation allowance up to a maximum amount of 175 dollars a month.

(1c) Managers of Departments and Units may be assessed for a vehicle operating allowance of up to a maximum amount of 75 dollars a month.

The Board of Directors may review these rates on an annual basis and make any necessary adjustments deemed appropriate based on the activity level in the company, inflation, and other changes in the prevailing economic condition in the operational area. Any such changes should be reasonable and the rate prescribed thereby must take into account existing market forces, prevailing market prices, and any other relevant factor that maintains the spirit of this policy. Any such review/s determined by the Board of Directors must be submitted to the Change Board within the Policy and Finance Committee for approval. Approved changes must be updated on the change log, recorded in the organization's configuration management system as an update to the implementation of this policy, and communicated to the Finance Unit for implementation.

Recipients not eligible for Mileage reimbursement

(1d) This policy also specifies that individuals receiving a vehicle operation allowance are not eligible to submit a claim for mileage reimbursement or transportation for within province travel that staff may apply to, or may be calculated as part of the remuneration of certain staff categories, staff members further specified in the human resource manual.

Service Delivery Vehicle Policy

The Board of Directors may approve an application from the Department of Finance and Administration to procure company service delivery vehicle/s, whenever it is determined that it is beneficial for the company to own such vehicle/s or because of a core service transportation requirement that is best met by owning such a vehicle or because a transportation core business service has been added to operations.

Policy standards to operate and maintain service vehicle

(1) At least one individual may be hired whose primary duty is to operate the service vehicle/s.

(2) The Department of Administration and Finance would prepare and implement a detailed policy for use of the service vehicle and submit it to the Policy and Finance Committee for approval. This policy must cover the following standards: a vehicle request procedure, forms for vehicle request, authorization required, vehicle log books (to record all travel and mileage) maintained in the vehicle, fuel and maintenance log book to record all fueling and maintenance transactions, vehicle maintenance service contracts, and vehicle fuelling service contract.

Policy on car allowances

(1) The Board of Directors may approve a car allowance for any employee when it considers that such a decision is beneficial to improve employee morale, company branding, and the visibility and image of the company.

Procedure for requesting and approving a car allowance

(1) A head of the company, department, or section may apply directly to the Board of Directors for a car allowance on their behalf or on behalf of a staff member.

(2) An employee may apply to the head of their Department for a car allowance at any time, providing whatever argument they think justifies their request. All such applications by any employee must be brought to the attention of the Board of Directors by the head of department, unit or section to whom they are submitted.

(3) When evaluating the merit of an employee's request for a car allowance, the Board of Directors is required to consider the following as valid arguments for this benefit:

- The loyalty of the employee to the company, which can be demonstrated by the number of uninterrupted years of employment tenure. The minimum number of years for this justification is six years(6) of uninterrupted service. Employees applying purely on the basis of this merit would be placed in a queue for the benefit to be awarded in order of seniority and time of application.
- Any awards and recognition the employee has received.
- Initiation of quality improvement ideas that have led to significant cost savings or ideas that led to new business or increased business activity for the company.
- Outstanding employee recognized by employee performance evaluation as responsible for high revenue, business activity, or significant cost saving performance.
- An employee symbol whose standing in the community is now associated with the image of the company, and attracts business for the company.

(3) The Board of Directors is required to communicate the decision to provide a car allowance, the total value of the allowance, and the price for the make of car that was used to determine this value to the employee concerned, the requesting Director, and the Finance Unit.

(4) The Finance Unit is responsible for ensuring that the car allowance is setup in the payroll system for the employee concerned.

(5) The car allowance allocated to such an employee is included in their regular pay cheque.

(6) This policy requires that the names of all employee recipients of a car allowance would be published in the company newsletter, website, and by email to all employees of the company providing the justification given by the Board of Directors for providing the car allowance to each employee.

(7) This policy clarifies that this car allowance is different from any mileage claim the employee may be entitled to normally due to their function, and by no means interferes with mileage benefits the employee is entitled to claim, except the head of the company, directors, and managers who already receive a vehicle operating allowance stated in this policy, which applies to them.

(8) This policy clarifies that car allowances are taxable income and would be considered as such. However, employees who use their vehicles for business purposes may apply to IRS or state for a waiver of the tax deduction providing the business expenses claimed on the previous year's tax return and indicating that the usage has not changed. Staff may also claim work related expenses on transportation on their tax return, and keep and submit records of those expenses, such as mileage involved, whenever required by the state or IRS.

Out of Province Travel and other business expenses

Out of operational area travel for business purposes must be planned, included in the operating budget, requested, and approved by officers provided in this manual for doing so.

Travel authorization and claim procedure

(1a) All out of operational area travel has to be authorized by the staff member's supervisor and the head of office, if not in a head quarters location, or the Chief Executive Officer. Staff members are expected to generate a travel request providing the objective of the travel, activities that would be completed, dates of travel, and detailed itinerary, including people that would be contacted during the travel. This travel request must be submitted to their immediate supervisor, for first level approval or any modifications, before submitting to the head of office or Chief Executive Officer for final approval. No out of operational area travel expense claim would be paid without valid authorization as provided for in this manual.

Travel claim procedure

(1b) Employees completing an external travel are also required to submit a travel claim, providing a summary of travel expenses incurred, a travel report in the form and format provided by the Department of Administration and Finance, valid ticket for the mode of travel authorized, and all supporting receipts for expense items before any travel expense claim can be processed by the Finance Unit. Any claim item provided without supporting receipts may not be processed.

Per diem rates for out of operations area travel

(1a) Staff traveling out of operational area on official business are entitled to per diem to cover accommodation, meal expenses, transportation and any approved business expenses.

Department of Administration and Finance to book tickets

(1b) This policy requires that all transportation for external travel be booked and tickets purchased by the Department of Administration and Finance, whenever possible and practical on submission of a valid travel authorization by an employee.

Procedure for fixing per diem rates

(1c) The Policy and Finance Committee shall fix per diem rates, including all items included in the calculation of the rate, at the beginning of each fiscal year, taking into consideration different economic zones of interest such as large metropolitan cities zone (New York, Toronto, Ottawa, Montreal, Quebec, Washington, Chicago), Smaller cities zone (Des Moines, Bowie, Orlando, Cedar Rapids), Towns and counties zone (Waterloo, London Ontario, Niagara), as determined to be relevant by the Strategic Planning and Growth Unit and Finance Unit.

Training and Conference Expenses

Senior executives

(1a) The Chief Executive Officer and Directors, and any other individual that may be recommended by the Board of Directors may attend conferences or other training events at their discretion up to the maximum limit provided in this manual for business expenses by these individuals or 300 dollars.

Other employees

(1b) Any other employee or officer that is not mentioned in this policy is required to apply for authorization to their supervisor to attend a conference or training event, except for routine mandatory training that is paid for and organized by the company. Supervisors can only approve a paid training or conference that was included in the annual or quarterly budget, as part of the staff development plan, a specific requirement to improve the performance of the staff concerned, or any other valid reason.

Routine Mandatory Training

The Department of Nursing and Human resources is required to plan, organize, implement, and evaluate routine mandatory training to assist staff members in acquiring new skills, keep abreast with the latest development in their area of operation, acquire sufficient skills in the available technology that can improve their performance, and develop sufficient implementation plans for incorporating learning and new tools into the daily work of staff.

Holiday Party or Celebration Policy

(1a) The Policy and Finance committee may prescribe certain days of the year, national holidays, and planned milestones established and achieved by the company for a celebratory banquet or party.

Policy Implementation

(1b) This policy requires that the Chief Executive Officer should establish a Celebrations Committee for the planning, budgeting, and implementation of company sponsored banquets, making arrangements for company tables at external banquets, participation in parades, community celebrations and sport meets, and any such other like celebrations that the company may decide to hold or is invited or desires to participate in, based on the decision of the Celebrations Committee, or recommendations of other stakeholders within the company, to provide visibility, recognition, improve morale and branding of the company within the community.

Company meal and snack policy

(1a) A department or unit holding a company approved training or event may apply for prior approval to provide a company sponsored meal if the event may extend beyond the normal meal time of the employees in attendance, it is determined that such a provision is important to get work done and increase the chances of success of the meeting, or it is consistent with the company culture of providing an excellent work

environment whenever employees are called together for an event attended by more than five people or lasting for more than two consecutive hours.

Procedure for providing company meal or snack

(1b) A staff member organizing a company approved event for which they determine that a company sponsored meal may be applicable according to this policy, may apply to their Director or immediate supervisor for approval to provide a company sponsored meal during the event. Whenever meals may be paid for directly from a Director's business expenses account this should be done. Meals and snacks may also be paid for out of petty cash. Whatever method of payment is selected, appropriate approval, receipts, and bookkeeping practices consistent with accounting for payments provided in this policy manual are required.

Stocking of items and director's role

(1c) This policy provides for the stocking of small quantities of snack by departments, sections, and units to meet routine refreshment needs for preplanned company events where it is estimated by agenda planning that the meeting may extend beyond two hours.

Directors of Departments are responsible to ensure that this policy is not abused, and that the frequency of meetings that meet these criteria in their Department is reasonable, the meetings are not repetitive, show progress, and real results for the company.

Role of policy and Finance Committee

(1d) The Policy and Finance committee is required to prescribe a maximum monthly amount that may be spent by each department on this company meal and snack policy at the start of the fiscal year. In determining this maximum amount, the committee may consider the best practice for this policy in other businesses, the number of staff in the department, the activity level in the department, and the core business designation of the department. Core business areas must be provided a proportionately higher allocation than non core business or support area.

Purchase of appliances for office use

(1e) To facilitate the implementation of the meal policy this manual specifies that suitable appliances may be purchased by the Department of Administration and Finance for office use. The cost of items such as microwaves, coffee makers, kettles, refrigerators, and microwaves selected should be reasonable. Whenever applicable these appliances should be placed in common areas such as meeting and break rooms, where all staff have the possibility of using them.

Parking tickets/meters and similar small business expense charges

(1a) Parking tickets and similar small business expenses would be paid for from petty cash or director's business expenses provided for in this policy whenever appropriate. Staff members attending to company business who need to incur such small business expenses on such service as part of the job they are doing may also provide a claim for a reimbursement from petty cash or the Finance Unit, whichever is applicable or practical.

Eligibility procedure for staff

(1b) To be eligible prior approval for the task for which the claim arose must have been granted before incurring the expense. Authorizations of a task for which a claim is generated after the fact may not be reimbursed unless an acceptable explanation is provided to the Director of the Department as to why it was not possible to obtain prior approval. The Director is required to state in a notice or email of approval that the explanation for a claim arising from an unauthorized task is acceptable, before a payment of the claim can be made by any payment source. The director's approval is required, along with a valid receipt, as part of the documents required to meet the payment standards established by this manual.

The following provide acceptable arguments that may be considered when submitting a request for authorizing a claim for approved or unapproved tasks to a director:

- The ticket or claim was incurred as a result of the staff member engaged in approved or unapproved company business or task, which met the standard to be approved if it was submitted in advance.
- It was not possible to anticipate the task from which the claim arose, which occurred in the normal course of business operations, and had to be attended to.
- The conditions under which the ticket or claim was incurred was unavoidable, is expected for the area where the business activity was conducted, it was incurred due to an emergency situation, or like reasonable reason.

Role of directors and managers

(1c) In performing their role to review claim amounts at the second level, the Directors must regularly review records and approved managers must check to ensure that each claim amount is reasonable and appropriate for the explanation provided by the staff member, before approving them.

Exceptions

(1d) This policy by no means covers any claims arising from or incremental to eligible claims from issues such as speed limit violations, seat belt violations, driving under the influence, driving on a suspended license, and other similar avoidable violations of the law that can be ascribed to personal responsibility.

The Policy and Finance Committee may prescribe an additional list of specific exceptions to clarify the implementation of this policy.

Procurement Policy

(1) The procurement policy of Compassion North America shall be consistent with the applicable competition laws prevailing in the operational area.

Procurement standards

Procurement implementation would be according to the following requirements:

(1a) Bulk purchasing of items may be undertaken whenever this method provides price or rate advantages for the company on commonly used items for service delivery.

(1b) All purchases above 10,000 dollars and within 25,000 to 75,000 dollars or over must be done through a competitive bidding process, which may involve all or part of the following process depending on the total bid value involved: the collection of requirements, preparation of a bid, preparation of bid evaluation criteria and targeted pricing, holding of bid information conferences, incorporation of comments from potential bidders into bid documents, prepare procurement acceptance criteria, publishing of bid in appropriate fora, collection of bids, holding bid evaluation meetings, evaluating and scoring bids based on pre-established criteria, awarding bid to successful bidder, preparation and signing of contract, monitoring of contract implementation, transportation/delivery and receipt of good and service, inspection of good and service, technical verification of goods and services for meeting predetermined acceptance criteria, implementation and updates of any changes required, payment scheduling and criteria for payment, payment for goods and services and closing completed procurement.

(1c) The Procurement and Supply Unit is required to prepare a detailed Procurement Policy on the implementation of each item identified in (1b) or any other applicable procurement standard required in the industry, that may be omitted in this manual, and submit the detailed procurement Policy to the Policy and Finance Committee for approval. The submitted Procurement Policy must comply with this manual, as a minimum requirement, and any changes thereto. The Procurement and Supply Unit would implement all company procurement on the basis of the Procurement and Supply Policy approved by the Policy and Finance Committee and the requirements set forth in this manual.

(1c) For ease of implementation of procurement, and to ensure that the process does not cause business inertia, procurement of items (items where grade, quality and price is well understood) less than 25, 000 dollars value may be purchased by requiring that at least three different invoices from three different suppliers or sources are obtained by the Procurement and Supply Unit for purchasing a related list of items or service.

(1d) The procurement and Supply Unit may maintain a list of suppliers, and in the implementation of the lean inventory strategy provided in this manual, and is allowed by this policy to established preferred contracts with selected suppliers that consider deferred payment and ongoing relationships, which accept to participate in lean supply chain management for a supply list of selected common items, for which the supplier offers the best price for grade based on their submitted invoice and Compassion North America's lean inventory strategy specifications.

Leasing of Capital goods

The leasing of capital goods for service delivery or administrative purposes would be subject to the following policy requirements:

(1) This policy requires that whenever an infrequently used capital item is required for work purposes, the Department should consider acquiring and using that equipment on a lease basis. Such a capital item would be treated as a variable cost for accounting purposes. The monthly leasing cost must be appropriately apportioned according to acceptable accounting standards for doing so to the caseload/s concerned.

(2) Hire purchase or lease to own procurement strategies may also be used to purchase more expensive capital goods that are used on a more frequent basis, which frequent use makes it uneconomical to hold them on a lease basis, but their down payment costs may also negatively affect company cash flow, or other

similar reasons. Hire purchase of equipment above 25,000 dollars would be subject to the procurement policy for equipment of such value

(3) A NPV analysis and cost/ benefit analysis must be done as part of the process for selecting the most appropriate leasing or procurement method for an asset, using the cost of ownership as a benchmark for comparison.

Transportation policy for goods

The Procurement and Supply Unit would evaluate and select the most appropriate transportation method for all incoming supplies or supplies that the Unit is distributing.

The Procurement Unit is required to do the following for incoming procurement:

- Arrange the transportation of goods and services using the most cost effective route, shipping terms (FOB origin or Free on Board Destination) and strategy to distribute the good or service to the end user client or location, taking note of the price difference involved in the type of shipping term, distribution method, and speed of distribution combination required.
- Review all charges for the selected strategy to ensure that they are the best price option and are correct given the required combination.
- Ensure that the procedures for the reporting, return, and replacement of damaged goods, incorrect items, and other procurement problems that affect fitness for use are agreed to with the supplier and courier, as applicable.
- On receipt of goods at desired location inspect the waybill for a breakdown of items shipped, quantities, and compare to expected items and quantities on the purchase invoice to ensure that they match.
- Inspect the goods received, by checking and counting, and initiate agreed procedures to return damaged, incorrect, or malfunctioning goods.
- Initiate procedures to report lost/missing/incorrect/malfunctioning goods and arrange replacement.
- Sign shipping documents after all corrections and returns are implemented, for all goods accepted and received, whenever practical.
- Prepare waybill to ship back unaccepted/ damaged/returned items to supplier, if it is not practical for the same courier or delivery transport to take rejected equipment and supplies back to the supplier, or according to agreed procedure for returns.
- Review the invoice for incorrect charges, reconciling it with transportation documents, agreed charges for items, returned items, replaced items, and approve transportation charges, depending on the shipping terms selected during procurement.

The Procurement Unit is required to do the following for the distribution of supplies within the company or to client homes:

- Arrange the transportation of goods and services using the most cost effective route, shipping terms, and strategy to distribute the good or service to the end user client or location, based on available approved requisition from end users or planned distribution, when ever the option to distribute goods straight to the end user location was not selected during procurement.
- Review all charges for the selected strategy for distributing to end users to ensure that they are the best price option and are correct.
- Ensure that the procedures for the reporting, return, and replacement of damaged goods, incorrect items, and other procurement problems that affect fitness for use are understood by end users.
- Require end users to inspect the goods received, by checking and counting, and initiate agreed procedures to return damaged, incorrect, or malfunctioning goods to the Procurement Unit, or arrange for pickup by unit or courier bringing replacement.

- Initiate procedures to report lost/missing/incorrect/malfunctioning goods and arrange replacement from Procurement Unit.
- End users required to sign shipping documents after checking, accepting, and receiving goods, whenever practical.

.Holiday gifts and greeting card policy

The Board of Directors may approve the purchase and the distribution of monetary gift cards and greeting cards to employees, partners, and other stakeholders during specific times of the year, from departmental budgets. Monetary gift cards may only be provided to employees and the Policy and Finance Committee may specify the gift card amount that can be allocated for each employee in a fiscal year.

The Department of Administration may also budget for and purchase greeting cards for distribution to clients, staff members, and other applicable stakeholders at appropriate times of the year.

The Department of Administration and Finance would prepare in advance the list of stakeholders that may be considered for greeting cards in order of priority. Office managers within the Department would be responsible for overseeing gift card and greeting card distribution.

Payment for Committees members

This manual specifies that committee members that are employees of the company may not be paid for the work they do on a committee or task force, to which they are appointed by the Chief executive Officer or a Director, since committees are an operational or leadership mechanism used by the Chief Executive Officer to effectively manage the company with the participation of staff members. Therefore, the work a staff member does on a committee is considered as part of their regular duty within the company. However, the experience of an individual serving on a committees and making notable contribution must be favorably considered for increasingly responsible and paid positions within the company, whenever such vacancies or opportunities arise that the individual is interested in pursuing.

Nonetheless, if the individual is an hourly wage employee that works on a shift basis, any work done on a committee outside of their regular shift hours may be paid at an appropriate per diem rate to be determined by the Policy and Finance Committee for such employees.

Policy on Death of Employee

The Department of Administration and Finance is required by this manual to develop a detailed policy concerning company involvement in the burial arrangement or process for an employee that dies while employed by Compassion North America. The Department would submit this policy to the Policy and Finance Committee for approval, which shall become an update to this manual for the Policy on Death of Employee.

Corporate Taxes

The Finance Unit would calculate and pay any Corporate Taxes that may be applicable to the business at a time and deadline stipulated by the IRS or State for doing so. The Finance Unit must consider all applicable deductions and withholdings from income earned including prior years losses, eligible investments, existing tax breaks, and any like provisions acceptable to the IRS or State, when determining the taxable Corporate net income and corporate tax rate that would apply to the company, following the rules, procedures, and reporting requirements established by the IRS or State.

The Finance Unit must investigate and understand successful, legitimate, and useful strategies used by similar corporations to keep corporate taxes as low as possible. The Finance Unit must also investigate and understand its own options for keeping corporate taxes low, based on the peculiarities of the healthcare market, to come up with successful tactics or identify existing opportunities that can be pursued to keep corporate taxes as low as possible.

Review of this manual

(1a) This manual should be reviewed and updated by the Department of Administration and Finance whenever a new strategic planning process results in a new company strategy document, to align organizational rules, procedures, processes, and tools with the new strategic direction by identifying material changes to this manual and company practices that could support reorientation of the company culture towards the new strategy requirements and true north.

Procedure for review

(1b) All recommended updates to this manual identified by the Department of Administration and Finance must be registered in the change log of the company and should be approved by the change board within the Policy and Finance Committee. Changes to this manual must also be updated in the organization's configuration management system before their implementation by the Department of Administration and Finance begins.