

GUARD DIRECTIVE 006
REGIMENTAL FINANCIAL POLICY

- References. A. *National Defence Act* Sections 2, 37, and 38.
B. A-PS-110-001/AG-002 *Moral and Welfare Programs in the Canadian Forces*, dated 23 March 2007.
C. 1150-1 (PPCLI Guard) Briefing Note to the President of the PPCLI Regimental Guard, dated 28 July 16
D. Investment Policy Statement, 19 Oct 06

Approved 29 Jan 17

INTRODUCTION

1. The Regiment's effectiveness in meeting its Mission, Vision and Objectives is dependent upon its financial strength, defined as the ability to organize and manage its financial assets efficiently and effectively. This strength aids the Regiment in supporting its units, members and veterans.

PURPOSE AND SCOPE

2. Purpose. This Directive sets out the policy within which the Regiment will structure and manage its financial affairs. The Directive aims at ensuring that the financial needs of the Regiment are met in an effective and efficient manner and that the governance structures and standards of accountability are of the highest order.
3. Application. This policy Directive applies to all serving elements of the Regiment and to those financial undertakings involving both serving and retired components. The PPCLI Association and the PPCLI Foundation are autonomous incorporated entities and their funds are separate from those of the serving component. In any joint undertakings involving these entities it is expected that the principles and guidelines contained in this Directive be applied.
4. This Directive is effective upon approval. It shall be evaluated after five years or as directed otherwise by the Regimental Guard to ensure its continued relevance and effectiveness.
5. Scope. This Directive is intended to enable the REC to establish, provide governance for, and report on financial structures under its auspices. Constraints, where these are identified, are the legal and prudent limitations necessary for effective and efficient management of the Regiment's resources and the attainment of its objectives. The scope of the directive includes:
- a. Guiding Principles. The guiding principles lay down the framework for the governance and management of the Regiment's finances.
 - b. Financial Structures. The creation and maintenance in good order of a financial framework of charitable and non-charitable funds and accounts in accordance with the relevant laws, orders and regulations as issued by the Department of National Defence, the Canadian Armed Forces, Treasury Board, Industry Canada, the Canada Revenue Agency and provincial governments.
 - c. Governance Guideline. Direction and guidance on governance, reporting and audit.
 - d. Financial Management Guidelines. Guidelines for raising, investing and expending funds and other assets required to enable the various elements of the Regiment to achieve their objectives.

GUIDING PRINCIPLES

6. The following guiding principles apply to all aspects of the serving component's financial structures, governance and management:
- a. Linkage to Regimental Objectives. The financial objectives of the Regiment do not exist in isolation. They are, and must continue to be, closely linked with the Regiment's Mission, Vision and Objectives as outlined in Chapter 1 of the Regimental Manual. Annex A of this Directive illustrates how financial activities relate to specific objectives. Requests for funds or the establishment of new funds or projects must demonstrate that a relationship exists between these objectives and the proposals at issue.
 - b. Respect for Law, Policy, Rules and Regulations. The financial affairs of the Regiment will respect the precedence of law. The Regiment will adhere to the legislation, regulation, policy, orders and instructions issued by a regulating authority under whose authority the activity is being conducted. Where legislation or regulations conflict with this Directive, they shall have precedence.
 - b. Prudence. This Directive governs the use of Non-Public and charitable monies contributed by or raised by the Regiment's soldiers, veterans and supporters. These monies are held in trust and must be handled with the utmost care and diligence. All spending decisions will be guided by the requirement to ensure that our soldiers' money is managed wisely and used to promote the interests of the Regiment and our soldiers.
 - c. Ethical Conduct. The Regiment has a well-deserved reputation for inspired leadership and service. The Regiment's financial affairs must be conducted in a manner that protects and reinforces the Regiment's reputation.
 - d. Preservation of Assets. Regimental funds should aim at preserving the assets of the Regiment on behalf of all members of the Regimental family. This includes their distribution in the unlikely event a unit or the Regiment is removed from the order of battle. Assets of the Regiment are defined as property of Princess Patricia's Canadian Light Infantry donated to, loaned to, purchased or otherwise acquired by the serving component of the Regiment and shall include cash, bonds, life insurance policies, or residual interest in property or equitable interest in a trust, and without limitations, medals, uniforms, information, data, goods and chattels of historic value and importance connected with, or relating to the Regiment, whether they be held as Non-Public Property under the National Defence Act or otherwise.
 - e. Openness and Transparency. The Regiment and its financial institutions must be open and transparent in the conduct of its financial affairs.
 - f. Separation of Interests. Under no circumstance are the Regiment's funds or volunteer activities to be used to support the private or business interests or personal benefit of any member of the Regiment or the Canadian Armed Forces, serving or retired.

FINANCIAL STRUCTURES

7. The Regimental Guard is the senior Regimental entity and is responsible for the development and

promulgation of Regimental policies.

8. The Regimental Executive Committee (REC) is responsible for the detailed management of Regimental affairs and the implementation of policies approved by the Regimental Guard. It assists the Regimental Guard in the development of policies and is specifically charged with the development and implementation of financial policies, management of financial affairs, and the conduct of fundraising.

9. Organizational Principles. The Regiment's financial structure will be established and managed to attain the financial objectives set in Regimental Objectives as outlined in Annex A to Chapter 1 of the Regimental Manual. In doing so, the following organizational principles should be observed:

- a. Separate structures will be established to facilitate accountability to groups of stakeholders and to provide focus. Overlap between funds should be avoided;
- b. When it is advantageous to seek not-for-profit corporate status federally or provincially, the REC shall seek the authority of the Regimental Guard to do so, outlining the advantages and disadvantages of such action and furnishing the key elements of required documentation for approval;
- c. The essence of the Regimental financial structure is mutual trust and moral accountability to the broader Regimental Family rather than direct control; therefore, structures will emphasize the delegation of authority to such boards of trustees and directors to manage the funds for which they are responsible;
- d. Establishment of any fund as a not-for-profit corporate entity, with or without charitable status, should be within federal law unless there are compelling arguments for acting at the provincial level;
- e. Incorporation should be sought when it is essential for the achievement of the objectives of any fund or account;
- f. Charitable status will normally be sought for any fund that is not a trading account and which pursues activities that qualify for treatment as a charity under the Income Tax Act. Fund and account structures must clearly define the boundaries between charitable and non-charitable monies and activities; and
- g. Accounts or funds established by the serving component shall conform to the regulations issued by the Department of National Defence and the Canadian Forces for non-public property (NPP) as authorized in the National Defence Act where this is required by the nature of the fund or activity.

10. Serving Component Current Fund Structure. The Regimental Fund is a Non-Public Property (NPP) entity, as defined by Section 2 of the *National Defence Act*.¹ However, there are activities that the Regiment

¹ Section 2 reads: "*non-public property* means

(a) all money and property, other than issues of materiel, received for or administered by or through messes, institutes or canteens of the Canadian Forces,

(b) all money and property contributed to or by officers, non-commissioned members, units or other elements of the

wishes to conduct that are outside of the remit of NPP. Examples of these include donor recognition, benevolence, payment of travel expenses for the Colonel-in-Chief, and acquisitions for the PPCLI Museum. NPP regulations allow donors to encumber funds, donating funds to a NPP for a specific purpose. Therefore, the Regimental Fund has been set up to accept donations from charitable organizations for specific purposes that are not covered within NPP regulations. The Regimental Fund will be divided into four sub-funds as detailed below. Budgets for these funds are detailed in the Regimental Headquarters Level 4 Operations plan, which includes the requests for funding from outside agencies.

- a. The General Fund. The General Fund is used to carry out those activities that may be outside of NPP policies. Monies are derived from encumbered contributions to the Regimental Fund by the Patricia Fund, ticket sales for the French Grey Ball, and advertising for The Patrician, the annual Regimental Journal.
- b. The Warehouse Fund. The warehouse fund is NPP, and consists of all the monies devoted to maintaining warehouse operations. Revenue is derived from profits on sales of merchandize. Monies from the Warehouse Fund are not transferred to the General Fund.
- c. The Museum Fund. Museum funds are NPP, derived from three main sources: grants from Directorate History and Heritage (DHH), transfers from the General Fund, and grants and donations from other entities. DHH grants are Public Funds that become NPP funds when donated, and are encumbered. Therefore, DHH grants must be used as granted and cannot be re-assigned without approval from DHH. With the exception of funding for the Outreach Coordinator, monies from the Museum Fund are not transferred to the General Fund, but the General Fund contains a line item to cover transactions that may not be permitted under NPP policies. DHH funds are used to pay for a contracted Archivist, the Outreach Director, improvements to storage facilities and displays, but DHH policy specifically prohibits the using DHH funds to acquire artefacts for the museum collection.
- d. Investment Funds. Managed by an independent fund manager, and composed of monies donated by individuals, corporations, and other private donors, the investment funds are used to provide benevolent grants and loans and as a vehicle to save monies to fund the 125th Anniversary Commemoration.

11. Patricia Fund². As there are restrictions on how NPP funds can be spent, there is a requirement for the Regiment to maintain a charity, separate and apart from the Canadian Armed Forces, to fund specific Regimental activities. These activities will be defined in the Regimental Headquarters Level 4 Operation Plan, and the charity will donate funds to the Regimental Fund in order to allow the Regiment to conduct these activities. In

Canadian Forces for the collective benefit and welfare of those officers, non-commissioned members, units or other elements,

(c) by-products and refuse and the proceeds of the sale thereof to the extent prescribed under subsection 39(2), and

(d) all money and property derived from, purchased out of the proceeds of the sale of, or received in exchange for, money and property described in paragraphs (a) to (c);”

² Subsequent discussions with CRA have clarified the distinction between a “Trust” and a “Fund”. Generally speaking, a Trust is a specific sum of money donated for a specific purpose, while a Fund consists of multiple streams of revenue devoted to a number of purposes, including social activities. A Trust is generally more restricted than a Fund, and a Fund is more aligned with the current charitable objectives. Therefore, it is proposed that the charity be known as the Patricia Fund.

order to ensure that the charity is seen as being at arm-length to the Crown, a minimum of 51% of the members of the Board of Directors of the charity shall be non-uniformed. The Regimental Executive Committee shall act as the Nomination Committee for the charity, and shall nominate prospective appointees to the Regimental Guard. The Guard, in turn, shall act as the selection committee for the Board of Directors. The membership of the Board shall be set at seven, and the quorum for the Board to act shall be set at four. The Board of the charity shall meet at least once annually to review the Regimental Headquarters Level 4 operating plan and approve the funds requested. In order to maintain the clarity that the charity is operating at “arms-length” from the Canadian Armed Forces, the official name of the charity shall be the PPCLI Fund, also known as the “Patricia Fund”, operating under Business Number 1191 03844 RR 0001. The existing Annual Voluntary Contributions plan shall be maintained, with the funds now going to the Patricia Fund. The Patricia Fund shall, in turn, donate such monies to the Regimental Fund as are requested by the REC to fund those programs that are outside of NPP regulations. Excess funds shall be invested or used to further the charitable objectives of the Patricia Fund, listed at paragraph 12 below. The financial structure is detailed below:

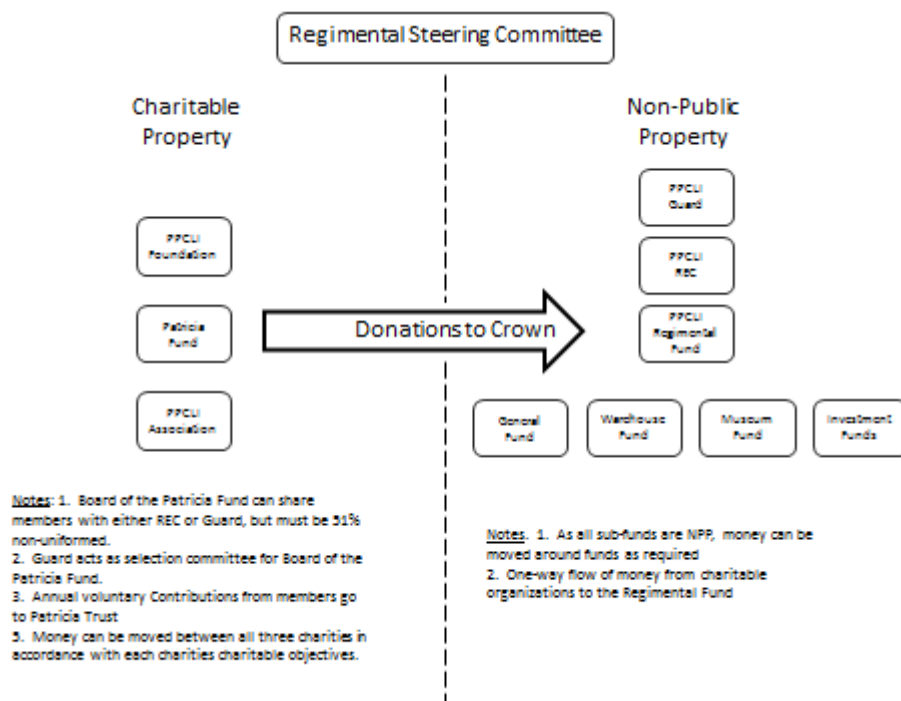


Figure 1: Financial Structure.

12. The Patricia Fund shall maintain the charitable objectives of the former Regimental Fund charity. The objectives are detailed below:

- a. Objective 1: Promote the efficiency, physical fitness, well-being, and morale of the Canadian Armed Forces (in accordance with common law).
- b. Objective 2: Promote goodwill and admiration of the public towards the Canadian Armed Forces (in accordance with common law).
- c. Objective 3: Provide financial assistance to members of the Canadian Armed Forces and the

Regimental family in periods of crisis, when other social support agencies cannot cover, or inadequately cover, the members' needs.

- d. Objective 4: Promote education advancement of members of the CAF, their dependents, Regimental family members and international students through the provision of bursaries.
- e. Objective 5. Support the collection, preservation, maintenance and public display of historical artifacts and archival material through financial support to the PPCLI Museum and Archives.
- f. Objective 6. Support the development and operation of the education programs of the PPCLI Museum and Archives.
- g. Objective 7. Support the research, identification, construction and maintenance of existing and new heritage and historical projects related to the history of the CAF and its significant contribution to Canadian society.
- h. Objective 8. Produce and distribute an annual historical journal (*The Patrician*).
- i. Objective 9. Promote and support veterans' well-being and morale through the provision of services, special programs and volunteer support to veteran organizations and activities.
- j. Objective 10. Support the goals and programs of the Royal Canadian Army Cadet program through the provision of financial support to the Royal Canadian Army Cadet League and volunteer support to Royal Canadian Army Cadet Corps.
- k. Objective 11. Support of public events held to promote public goodwill and admiration of the CAF.
- l. Objective 12. Provide financial assistance to support visits of the Regiment's Colonel-in-Chief in order to promote the well-being and morale of the CAF and to promote public goodwill and admiration of the armed forces.
- m. Objective 13. Provide and maintain ceremonial uniforms and equipment not provided by public means.

13. PPCLI Association. The retired component of the PPCLI is organized into the PPCLI Association, a charitable entity operating at arms-length from the Crown. The PPCLI Association's operating and charitable activities, structures, fundraising, governance and reporting are governed by constitutions and by-laws established under regulations issued by the Canada Revenue Agency (CRA) and Industry Canada to that organization. The Association is liable and accountable directly to these regulating agencies and to no other Regimental body.

14. PPCLI Foundation. The fund-raising arm of the Regimental family is the PPCLI Foundation, a charitable organization operating at arm's-length from the Crown. The PPCLI Foundation's operating and charitable activities, structures, fundraising, governance and reporting are governed by constitutions and by-laws established under regulations issued by the Canada Revenue Agency (CRA) and Industry Canada to that organization. The Foundation is liable and accountable directly to these regulating agencies and to no other

Regimental body.

15. Regimental Steering Committee. Regimental activities, either charitable or otherwise, may require the financial support of a number of funds. The need to coordinate multi-funded activity and to make appropriate, timely decisions require a high degree of ongoing commitment and managerial effectiveness and is accordingly a high risk venture. All options must be considered in addressing such Regimental-wide objectives so that the most efficient and effective model is selected based on the tasks at hand and the capabilities and compatibility of the funds and personnel involved. The Regimental Steering Committee shall act as the coordinating body in such cases.

16. Changing Requirements. The REC is responsible for ensuring that the structure of Regimental funds is effective and appropriate to the needs of the Regiment and shall develop and determine the most appropriate strategy to adopt. The REC shall inform the Regimental Guard of actions it proposes to take within its authority to meet changing needs and shall seek the approval of the Guard in those situations where new structures are proposed or major changes to existing structures are required. Such submissions shall contain sufficient information for the Guard to take a decision in consideration of all relevant factors and cognisant of the possible outcomes of such a decision.

GOVERNANCE AND ACCOUNTABILITY

17. Principles. Financial objectives must be achieved with a high level of accountability, prudence and probity. While governance may need to meet externally driven standards, it must also meet Regimental needs as expressed by our culture and values. The guiding principles contained in paragraph 6 apply.

18. Oversight. An oversight authority will be established by the REC for each fund or account to ensure continuity, monitor performance and provide advice where appropriate. Constitutions and by-laws however, shall not establish an accountability relationship with another Regimental body if that relationship contravenes the intent of the accountability sections of the respective legislation, regulations, orders or instructions. Responsibility for oversight includes the monitoring of performance in both financial and governance terms. Oversight groups should only intervene when it is concluded that the trustees, executives or directors are failing to meet their obligations. The oversight authority for all elements of the General Fund is the REC. If joint ventures are undertaken, the Regimental Guard will establish the appropriate oversight authority.

19. Selection of Trustees for Charities. Trustees should be selected based on their financial expertise, the need for continuity and recognition of the range of stakeholders by rank and organization in the particular fund or trust. Trustees may hold other offices in the Regiment, but their service as trustees shall be independent of such positions. Trustees are thus fully accountable and liable for their actions. Individuals who serve as representatives of a unit, element or other component are not trustees and should not be defined in by-laws and constitutions as such. In these cases, which should be avoided wherever possible, the individual's superior authority is held accountable. The constitution and by-laws of all charities shall contain the duties and responsibilities of trustees.

20. Not-for-Profit Corporations. Officers of such corporations will normally consist of the incumbents of positions in units or in Regimental Headquarters with responsibilities for the activity or function. Rank is not a prerequisite and directors, when required by the constitution and by-laws of an incorporated body, shall represent the various elements and units of the Regiment as to unit and rank. Members appointed as officers of boards by virtue of their position or otherwise shall have their duties written and explained to them.

21. Reporting. Charity trustees and corporate directors shall submit reports to regulatory authorities as required by law and regulation. The reporting relationship of each fund to Regimental oversight bodies shall be through financial statements, performance and audit reports provided to the oversight body. Annex B contains further guidelines on reporting.

22. Transparency. All members of the Regiment should have reasonable access to the Regimental fiscal records to maintain a sense of confidence and trust that their monies are being administered and spent wisely. For Regimental funds, access to performance reports and to the annual auditors' reports shall be provided to all Regimental members.

23. Auditing. All charities, corporations and funds must meet the audit and reporting obligations required by regulatory authorities. In some cases, external audits will be required. Details for the process for the selection of auditors and the scope of external audits shall be contained in constitutions and by-laws. When internal audits are conducted, internal auditors shall be at arm's length from the board of the fund or account being audited.

24. Compensation. Trustees and directors shall not receive compensation for the execution of their duties and responsibilities. Provision may be made in constitutions and by-laws for repayment of legitimate out-of-pocket expenses.

FINANCIAL MANAGEMENT GUIDELINES

25. Overview. Guidelines for financial management of funds and accounts are contained in regulations, orders and instructions issued by regulating authorities. These must be reflected and, if necessary, amplified in the constitution and by-laws of any fund.

26. Regimental Executive Committee (REC). The REC is responsible to ensure that financial management is effective, efficient and lawful and that all internal and external financial management regulations are followed. This will normally be achieved through the review of performance and audit reports. Annex B contains specific Regimental financial management guidelines that should be addressed where they apply.

Annexes. A. Linkage of Financial Activities to Regimental Objectives
B. Financial management Guidelines