UArctic ry
Financial Management Policies and Procedures Manual

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A. Introduction and Overview of relevant parts of UArctic

A.1. Purpose and Objectives of the Financial Manual

UArctic ry - the University of the Arctic – is registered as a membership association under Finnish Law. Throughout this document UArctic ry is referred to as UArctic.

The purpose of this Financial Manual is to document the policies and procedures governing UArctic's financial practises. These include fundraising, membership fees, donations and project management activities, including how UArctic partners with its members who support them in implementing activities.

A.2. About This Document

A.2.1. The manual has been prepared to include the following key sections

A. Introduction and UArctic *Overview*

B. UArctic Financial Policies – *Adopted and approved by UArctic's Board*

C. UArctic Financial Procedures – Procedures, *Systems, and Practises to conduct UArctic's Financial Operations that can be updated by the UArctic administration under guidance from UArctic Board Finance Policy Advisory Group.*

D. Taxation and International transactions – An overview of Tax, VAT, and related issues for international transactions among nations relevant to UArctic.

E. Administrative practices

F. Appendices – *Reference Documents*

A.2.2. The UArctic Financial Management Policies and Procedures

- define how UArctic ensures an overview of UArctic's financial activities
- describe UArctic's strategic policies and principles for finance management and control
- define the procedures for financial activities, including accounting transactions, procedures, and reports
- give a clear picture of roles and responsibilities of different parties
- set criteria for decisions on appropriate accounting treatment
- define the process on how to set financial performance goals, and procedures to safeguard assets against loss
- provide a foundation for an effective system of internal controls
- set rules to ensure reliability, timeliness and transparency of internal and external financial and non-financial reporting
- ensure adherence to laws and regulations to which UArctic is subject
- describe documentation of practices
- ensure mutual understanding within the organization across national boundaries and national practices and regulations

When consistently applied throughout UArctic, these policies and procedures provide stakeholders with a reasonable assurance that financial statements issued by UArctic accurately reflect the status of UArctic's operations.

By developing and implementing this Financial Manual, UArctic is declaring its intent to comply with standards and regulations governing internal controls and risk management. The Internal Control section of this manual lays out the framework for the organization's internal control environment.

This Financial Manual document contains all policies and procedures governing UArctic's financial practices. More detailed guidelines may be developed when needed to support the day-to-day execution of finance related processes and will, if so, be kept as attachments to this document.

A.2.3. Terminology

In this manual, multiple terms and definitions exist to describe specific aspects of policies and procedures of UArctic.

Arctic Council – the formal cooperation between the eight Arctic countries that took the initiative for the University of the Arctic – UArctic in a ministerial declaration in 1998.

Association Executive Director – (as defined in Bylaws) is the same as the President of UArctic and is appointed by the Board of UArctic

Association signatories – The right to sign on behalf of the association belongs to the chair of the Board, the Executive director of the association (President), the Head of the UArctic International Secretariat and those persons inside or outside the Board to which the Board has given this right, each separately. At any given time, at least one of these persons must have a domicile in Finland.

Board Finance Policy Advisory Group – The Board has a Finance Policy Advisory Group that oversees finances on behalf of the Board, including reviews and recommendations of the annual budget for Board approval. The Financial Controller serves as Secretary to the Board Finance Policy Advisory Group.

Cost centre – defined as a function or activity within UArctic's financial accounting in which revenues or costs are applied.

Deed of donation – The governing document that outlines the terms of donations from UArctic to a member institution or partner.

Donation – A transfer of financial resources from UArctic to a member institution or partner for specific UArctic purposes.

Finance Team – consists of the President of UArctic, the Executive Vice President of UArctic, the UArctic Secretary General, the Director of Governance and Finance Support, the Financial Controller and the Financial Coordinator.

Financial Controller – serves as an Advisory and Secretary to the Board Finance Policy Advisory Group and assists the President in the Association's financial planning and management.

Gift – A monetary philanthropic contribution to UArctic.

Grant – Funding provided to UArctic by a funding institution to support specific purpose, e.g. projects, programs, or initiatives aligned with UArctic objectives.

Ma-Mawi – Senior leadership of UArctic, the President, all Vice Presidents, and, as relevant, other leaders.

Members – Universities, higher education institutions, research institutions, indigenous people's organisations of the Arctic, and other organisations focusing on higher education and research in and for the Arctic that are member of the UArctic.

Project identification number – is a defined project number that identifies certain cost centre's revenues and expenditures. With this project identification number, the revenues and expenditures can be tracked easily from accounting and budgeting.

Subgrant – An allocation of a primary grant provided by a recipient institution (grantee) to a member institution or partner to implement specific components of the original grant's objectives, under the same or similar terms and conditions.

UArctic Assembly – is defined in the UArctic constitution as the annual meeting of the members: UArctic Constitution; UArctic Bylaws; and other UArctic organization documents

UArctic Board – is defined in the UArctic constitution: The Board of the association has general responsibility for UArctic's administration, development and activities. The Board provides governance and oversight of the resources of the association as defined within the UArctic Constitution; UArctic Bylaws; and other UArctic organization documents.

UArctic International Secretariat – The association shall have a permanent secretariat (UArctic International Secretariat); located in Finland, which, together with the Executive Director, shall form the core of the association´s administration. The Secretariat shall provide support to the Assembly and the Board, and shall work closely with the association´s leadership. Leadership of, and implementation of, the Academic, Research, Mobility, and other activities of UArctic is distributed among UArctic members.

UArctic Secretary General - The Secretary General is appointed by the Board and serves as Head of the UArctic International Secretariat. Secretary General is responsible for the day-to-day administrative activities of UArctic, and for providing support to UArctic's governance bodies.

A.3. UArctic Overview

A.3.1. Organization Overview

The UArctic ry (hereinafter referred to as UArctic) is a non-profit international association, registered within Finland (1 November 2019). This financial manual provides an overview of the accounting and financial policies and procedures adopted for the operation of all UArctic activities. The policies contained within this manual have been approved by the Board of UArctic and all directors, leaders, and staff are bound by the policies and procedures herein.

UArctic was created on the initiative of the Arctic Council, Iqaluit declaration 1998, and formally launched in Rovaniemi in 2001. UArctic existed as an international collaboration organisation, using its members as the legal home over all its actions until it was formally registered as an association according to Finnish law in 2019. This manual is solely focused on finance management of the new UArctic ry and how it functions to support its members most efficiently in the overall purpose of UArctic is given by the Arctic Council.

A.3.2. UArctic Association Overview

The association's name is UArctic and its domicile is the City of Rovaniemi in Finland.

The purpose of the association is to promote education, research and sharing of knowledge related to regions of the North by taking care of educational and research opportunities through a strong collaborative network of members with the aim of implementing the request of the Arctic Council to establish" the University of the Arctic", in short, UArctic.

All UArctic activities are non-profit with the purpose of supporting member organizations and their UArctic activities.

The formal descriptions of UArctic and its governance and leadership are found in UArctic bylaws and other organizational documents. The most current and complete versions of those documents are found at UArctic Constitution; UArctic Bylaws; and other UArctic organization documents.

The association may accept gifts, benefactions and testaments, may own property necessary for its activities and with the appropriate license, may organize raffles and fundraising (UArctic Gift Acceptance Principles).

To support its member organizations and their UArctic activities, the association can give donations to its member institutions for specific UArctic purposes according to its Donation principles.

Financial and legal affairs are handled by the institution hosting the UArctic International Secretariat, and legal affairs of UArctic in other countries are handled by members hosting UArctic functions, in accordance with legislation in the country concerned.

A.3.3. UArctic Members

According to UArctic bylaws, UArctic has two membership categories: Arctic Members and Non-Arctic Members. Within each membership category, there are two-member types: Higher Education Institutions and Other Organizations. Members are required to pay an annual membership fee as determined by the Assembly. Complete details of UArctic membership fee implementation principles can be viewed in this linked document.

A.3.4. UArctic Governing Bodies and Leadership Team

The annual Assembly elects the Board. The Board is the highest governing body of UArctic. The Board has a Finance Policy Advisory Group that oversees finances on behalf of the Board, including reviews and recommendations of the annual budget for board approval.

UArctic is led by the President who reports to the Board. Several Vice-Presidents lead different parts of UArctic operations. The Vice-Presidents are hosted by various UArctic members across the circumpolar north.

UArctic has a permanent secretariat (UArctic International Secretariat) located in Finland, which, together with the President (Executive Director), forms the core of the association´s administration. The secretariat provides support to the Assembly and the Board and works closely with the association´s leadership. The Vice-President Organization also serves as the UArctic Secretary General. The Director of Governance Support at the Secretariat has the responsibility of coordinating the decision-making processes of the Board and Assembly, including those relating to UArctic finances.

Coordination and support for UArctic's financial planning, financial policies and reporting is the responsibility of the UArctic President. The Financial Controller, who reports to the Secretary General shall support the President in this responsibility.

Some of the Vice-Presidents may also be tasked to follow up specific areas of UArctic Finances and national coordination.

A.3.5. Distributed Implementation of UArctic

The purpose of UArctic is to build capacity in the circumpolar North. A logical consequence of this is to not build any large, centralized organization hub, but rather distribute the leadership and implementation of UArctic among its members. Thus, UArctic implements its actions through a distributed leadership and orientation model focusing on building capacity in northern institutions throughout the circumpolar north.

The consequence of this is that UArctic activities are led from many member institutions, hosted by the UArctic members, and exist under the legal framework of that member in the nation in which it exists.

A.4. Roles and Responsibilities

In this section, the key roles and responsibilities of decision-making bodies of UArctic are described.

A.4.1. Role of the Assembly

The Assembly of UArctic elects the Board, adopts the annual accounts and discharges the Board and other responsible persons from liability for the accounts, and selects auditors.

A.4.2. Role of the Board

The Board provides governance and oversight of the economic and other resources of the Association and has ultimate responsibility for the approval of financial reports, annual budgets and the annual audit. The Board of UArctic ensures that the Association has defined operating principles for internal control (defined in this

document) and that the Association monitors the functioning of the internal control. The operating principles for internal control ensure that the Association complies with all applicable laws and regulations and ensure that the Association's objectives relating to matters, such as operations, practices and financial reporting, are achieved. In addition, the internal controls will ensure that the finances of the Association are aligned and consistent with strategic objectives. The Board's responsibility also includes an oversight of the work of outsourced accounting firms. The Board has the right to sell, exchange and mortgage property of UArctic.

A.4.3. Role of UArctic Board Finance Policy Advisory Group

The Finance Policy Advisory Group is an advisory body of the Board of UArctic, with the mandate to advise the Board on matters pertaining to UArctic's finance policy. The group's mandate includes the development and recommendation of policies to the Board, related to:

- Financial planning and monitoring
- Audits
- Fundraising

The policies and procedures within this manual are effective following a UArctic Board decision specified in the change information log above and can only be amended following a review and recommendation by the Finance Policy Advisory Group and approved by the Board.

A.4.4. Role of President and UArctic Finance team

Under the direction of the Board, the President serves as the chief executive officer of UArctic and is responsible for its overall administration and the development and delivery of its activities. The President (Executive Director) has the overall responsibility for the effective implementation of this manual.

The Financial Controller, who reports to the Secretary General, is responsible together with the Finance team to assist the President in the coordination and management of financial and economic policy matters of UArctic. Responsibilities include the administration and maintenance of this manual.

The President with assistance of the Finance team will ensure that:

- The financial records of UArctic have been properly maintained;
- The financial procedures and statements comply with the accounting policies within this manual;
- The financial statements give a true and fair view of the accounts of UArctic.

The UArctic Finance Team, consisting of the President, Financial Controller, Secretary General, Executive Vice President, Director of Governance and Finance Support and the Financial Coordinator, meet regularly, normally twice a month, to support the President in his role and to ensure smooth coordination on all issues relating to UArctic ry's financial administration.

A.4.5. UArctic International Secretariat

UArctic International Secretariat (Secretariat) is UArctic's permanent Secretariat, located in Finland. It is led by the UArctic Secretary General. Together with the Executive Director the Secretariat forms the core of the Association´s administration.

The Secretariat provides support to the Assembly and the Board and works closely with the association´s leadership. The Secretariat responsibilities are described in more detail in the governing documents of UArctic and the Cooperation Agreement with the host of the UArctic International Secretariat.

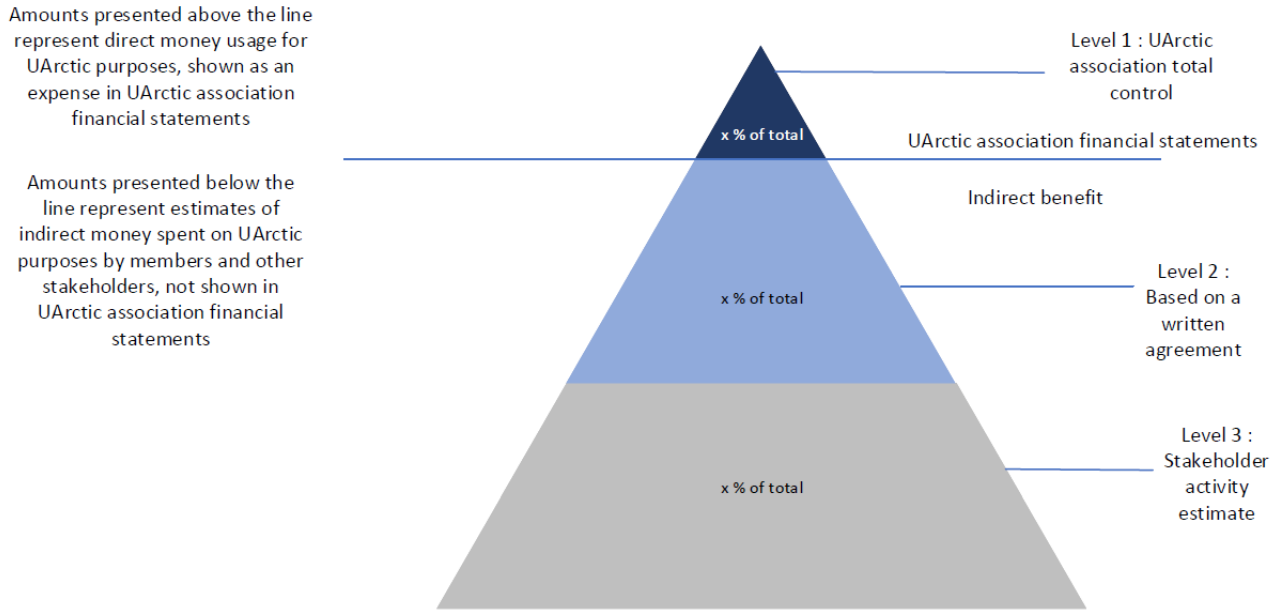
B. UArctic Financial Policies

B.1. UArctic Finances

A fundamental finance policy of UArctic is to separate 1) finances formally controlled by UArctic from 2) finances available for UArctic activities formally controlled by UArctic members on behalf of UArctic.

In addition, a successful implementation of UArctic is achieved by 3) activities at member institutions that are fully generated and controlled by the members themselves and not initially generated for or by UArctic. All such resources are valuable to implement the purpose of UArctic, but differ substantially in the way that formal financial decisions are made. This manual addresses the three types in a very different manner.

This structure is illustrated in the triangle model below. Description of the triangle illustration is in appendix F.4.



Graph 1. Triangle illustration of UArctic Finances

B.1.1. Finances Controlled by UArctic

Definition of UArctic controlled finances

To ensure transparency and a clear understanding, it is important to define the kind of resources available to, and controlled by UArctic. These terms will be used in other parts of the strategy, the procedures, and UArctic planning and reporting,

UArctic Unrestricted funding

UArctic Unrestricted funding represents income and expenditures that have no restriction beyond being limited by the purpose of UArctic. This funding is fully controlled by the UArctic organization, and budgeted and monitored according to principles, policies, and procedures defined in this document. Unrestricted funding sources can include contributions from governments, donors, membership fees, income from activities carried out by UArctic, and other non-restricted funding.

UArctic Restricted funding

UArctic Restricted funding is funding given to UArctic for specific UArctic-related activities or purposes. The appropriate management of such funding is the formal responsibility of the UArctic Board, and is budgeted and monitored according to principles, policies, and procedures defined in this document. Restricted funding may include stable long-term funding for UArctic

engagement, like Thematic Networks and Mobility, earmarked funding towards UArctic Seminars, specific Grants schemes or specific projects provided by a government or other donor, or projects with a specific purpose. Such funding normally comes with some reporting requirements towards the funder.

UArctic Assets

Appropriate management of bank accounts, funds and other properties owned by UArctic is the formal responsibility of the UArctic Board, and is budgeted and monitored according to asset management principles, policies, and procedures defined in this document. Assets include both restricted and non-restricted resources.

UArctic Funds

UArctic may invest in funds with the intent of supporting UArctic at large, or specific UArctic-related purpose. Appropriate management of funds is the formal responsibility of the UArctic Board, and budgeted and monitored according to asset management principles, policies, and procedures defined in this document. The choice of investment strategy, and the use of funds is the responsibility of the Board.

UArctic Endowments

UArctic will build Endowments with the intent of supporting specific UArctic-related activities or purposes. Such endowments will have their own name, may have their own founding principles, and potentially, Advisory Trustees or similar. UArctic endowments will normally be set up as permanent endowments with the use of the surplus for some UArctic purpose. The UArctic Board shall approve establishments of such endowments. The appropriate management of Endowments is the formal responsibility of the UArctic Board, and monitored according to asset management principles, policies, and procedures attached to this document. UArctic's Board of Directors will also be responsible in deciding how the money is invested and how earnings from endowments will be used.

Policy for UArctic controlled finances

All types of finances directly controlled by UArctic shall be subject to budgeting, reporting, audits, and accounting as defined in this document and follow the law and regulations where UArctic exists. Subsequent sections of this document will describe the relevant policies in detail, followed by appropriate procedures.

B.1.2. Finances Controlled by UArctic Members

Classification of financial resources managed by UArctic members and partners

Member Received UArctic Donation (Deed of Donation)

UArctic will normally donate (give) funding directly to a UArctic member for a specific UArctic purpose (see donation). The member or partner organization then carries out activities and/or distributes the funding onwards to UArctic activities as regulated by the deed of donation and when relevant to an agreement. For this kind of funding, the UArctic member is formally responsible towards UArctic and reporting is carried out according to the rules and procedures defined in the agreements.

Member Received UArctic Donation is, by its nature, restricted (defined for a specific purpose).

Third-party Received Subgrant

Under specific circumstances, UArctic restricted funding in the form of Grants received can be further distributed, and Subgrants can be arranged for third parties, usually member organizations, to perform Grant supporting activities, if funding Body's funding terms and

conditions permit and is deemed purposeful by UArctic. Typically the purpose of the Grant and the Subgrant is a project for which specified activities are performed and reported.

Subgrant is an allocation of a primary Grant provided by original grantee, UArctic, to a member institution or a partner to implement specific components of the original Grant's objectives, under the same or similar terms and conditions. Typically the subgrantee and the specific activities planned to be performed by subgrantee are presented in the Grant application.

The Subgrant is based on the detailed application for funding submitted by the recipient and the project plan, where the timeline of the project, the budget of the project and the tasks and deliverables of the recipient have been defined in more detail. The recipient will carry out its part of the Project promptly and on time and in accordance with the project plan, Subgrant agreement, the Grant agreement, and applicable laws.

The specific activities, purpose, reporting, auditing and other terms of Subgrant are always agreed separately in a Subgrant agreement between UArctic and the subgrantee. Subgrant agreement must be prepared to each Subgrant individually, carefully considering terms and conditions of original Grant. It should be noted that Grant agreement may require competitive bidding for all the project activities, including Subgrantee performing activities, and thus competitive bidding may be prerequisite for the Subgrant.

Third-party Received Subgrant is, by its nature, restricted (defined for a specific purpose).

Member Managed UArctic Funding

Member Managed UArctic Funding is normally established because of a UArctic fundraising action towards a funder (often a government). The funder decides to give the funding directly to a UArctic member entrusted to act in the interest of UArctic purposes. The member or partner organization then carries out activities and/or distributes the funding onwards to UArctic activities as regulated by an agreement with the funder. For this kind of funding, the UArctic member is formally responsible towards the funder and reporting is carried out according to the rules and procedures defined in the agreement between the funder and the relevant UArctic member.

Normally, UArctic is involved in the choice of the entrusted partner, or the entrusted partner is a national origination set up for management of this kind of resources (e.g. national mobility agency).

UArctic will, in such cases, normally have a co-operation agreement between the relevant member that manages the funding. Such agreements will define UArctic involvement in the case by case decision on the use of the funds (e.g. mobility and projects for networks).

Such arrangements often include some agreements between the funder (often a government) and UArctic that can address long term strategic follow up, reviews etc.

Member Managed UArctic Funding is, by its nature, restricted (defined for specific purpose).

UArctic Member Contributions

UArctic will have cooperation agreements with members that make resources available for UArctic purposes. This may be hosting of a UArctic leadership function, leadership of a UArctic Thematic Network, a UArctic Chair or providing leadership through a UArctic Board Advisory Group or Task Force, providing institutional mobility coordination, organizing events, and representation in UArctic Assembly or other bodies.

Such UArctic responsibilities are regulated through specific co-operation agreements between the relevant UArctic member and UArctic that detail the appointments, or documented as specific roles on UArctic website including member institution profiles, etc.

UArctic Funds and Endowments hosted by members and partners[1]

UArctic collaborates with partner organisations and members that are able to receive funding intended for UArctic purposes. Such organisations may establish endowments, funds, as well as channel donations strictly for UArctic purposes. Funding transferred to UArctic will be handled as restricted (or unrestricted funding). Funding channelled from such funds directly to a UArctic member institution for UArctic purposes will be managed in the same way as UArctic finances controlled by UArctic members.

Policy for financial resources managed by UArctic members and partners that are identified as UArctic -related funding.

Finances directed for UArctic activities and controlled by UArctic members where there are specific agreements between that member and the funder shall follow the rules and regulations applicable to that agreement. UArctic will not engage in budgeting, reporting, audits, and accounting as defined between the parties beyond whatever is described in the agreement.

Since these resources are intended for UArctic purposes, it is essential that UArctic is able to demonstrate collective value of these contributions towards the overall UArctic purpose. UArctic shall receive reports on such funding and its use as defined in the agreements, a minimum annually. UArctic will normally also take active part in the decision-making process of how such funds are used, by providing an evaluation of proposals, or by taking part in steering bodies. UArctic shall collect these reports into an overview of resources made available for UArctic purposes managed by UArctic members and partner organisations. This is further described in appropriate sections below.

B.1.3. Resources That Benefit UArctic, but Not Linked to Any Concrete Agreement with UArctic

The by far larger volume of UArctic-related activities is the teaching of students, work of faculty, time spent by students, and research carried out at member institutions. This typically takes the form of the teaching of students, development, and delivery of UArctic courses, conducting UArctic-related research (often within Thematic Networks), or seeking funding from funding agencies etc. to implement projects among members. It can also include hosting of meetings, conferences, and other events. UArctic will often issue support letters[2], or other forms of endorsements to such activities.

Making a precise overview of the monetary value of such resources will be very time consuming, demanding, and is hard to document precisely as the value will normally only be known to the member carrying out the activities. Even there, approximations and average values are normally used to calculate costs and value of such activities.

Although such activities are the responsibility of member institutions, they remain the most important part of contributing to UArctic' s mission and operations, and will always represent the largest part of UArctic activity.

[1] By spring 2021, there exists three different such funds all having an agreement with UArctic; The UArctic USA foundation. The UArctic foundation in Yakutsk, and an agreement with a foundation hosted by NArFU to manage UArctic membership fee collection by UArctic etc.

[2] UArctic support letters to project applications is a regular process of UArctic used by members and UArctic Thematic Networks. Members, as well as UArctic Thematic Networks, UArctic chairs etc, are also entrusted to use this identity in connection with project proposals, announcements of events, teaching, and publication of research outcomes.

UArctic monitors this kind of activity via the reporting of activity outputs and outcomes from Thematic Networks, UArctic Chairs, events and members. The concrete items reported will be the number of courses, the number of students, the number and size of events, the size of projects, publications etc. However, there will be no regular attempt to translate these activities into monetary value.

Policy for financial resources that benefit UArctic, but not linked to any concrete agreement with UArctic.

Reporting of these kinds of activities will be limited to UArctic normal procedures for activity reporting [3]and there will be no finance planning or reporting of these activities. This will, therefore, not be further handled in this document and is not part of UArctic finance reporting.

B.2. Formalization of UArctic Activities at Member Institutions

UArctic's distributed leadership and operations require co-operation agreements with the respective partner institutions hosting central functions or specific activities. In Member or third-party controlled UArctic finances, it is essential to carefully consider the nature of the transaction and respectively choose the agreement template to be used. See below section for agreement types. Also see B.3.1 to support definition on original funding source to affect the selection of appropriate contract template.

The UArctic International Secretariat ensures that all agreements with the partner institutions are developed, maintained and kept valid, while the Board of UArctic is regularly informed of the status, changes and additions of UArctic agreements. The UArctic International Secretariat also keeps a full overview of all donations including the agreed upon reporting within those. This reporting is also the primary source of information on access to, and use of restricted funding that is not channelled through UArctic.

An updated overview of all member agreements is listed on a password protected website. Usernames and passwords can be obtained from the Secretariat.

There are four kinds of agreements/documents utilized in the distribution of UArctic finances with partner institutions.

Typical characteristics of each activity type are presented below to support the decision-making in which agreement type is in question when member controls UArctic finances:

Co-operation

Outsourced services

Subgrant

Deed of Donation

B.2.1. Co-operation Agreements

Co-operation agreements are made to agree on the conditions and procedures carried out by the partner institutions to further UArctic activities and visibility. A co-operation agreement is always an appendix to and

[3] UArctic has a regular process for activity reporting that include continuous tracking of activities at member institutions, in UArctic networks etc. in addition, there is an annual thorough review and reporting process for UArctic Networks. This is complimented by quarterly overview reports from Vice-presidents, and the President. Together, this gives the basis for annual activity reports for UArctic as a whole, and separate for each member.

subject to a Deed of Donation (see Deed of Donation). Co-operation agreements include no transactions of financial resources, unless specifically otherwise agreed on by the parties in certain cases of co-operation. Activities carried out under the co-operation agreements include operations and leadership of UArctic core activities, including the UArctic International Secretariat, or Academic lead of a UArctic activity. Resources may be self- contributions by the partner institution combined with project funding and donations from UArctic (see Deed of Donation) or another donor (including governments) who trusts this partner institution to serve the purpose of the funding and UArctic.

Please see the template of a co-operation agreement in appendices of this document.

B.2.2. Outsourced Services Agreements

Outsourced services agreements are made with specific member institutions to agree to the conditions of the services purchased, for example, bookkeeping, legal services etc.

UArctic may also buy services from commercial service providers.

B.2.3. Subgrant Agreements

Subgrant agreement is made when funding for a specific purpose, a Grant (project funding), is received and redistributed to a third party. Agreement made must outline the key terms and responsibilities, including without limitation the scope of the Subgrant, reporting obligations, eligible costs, and compliance requirements. The obligation to establish a Subgrant agreement typically arises from the main Grant agreement or the funding body's guidelines and may require competitive bidding. It is important to note that the content and structure of Subgrant agreements must be reviewed and tailored according to the specific requirements of each funder. Decision on accepting a new Subgrant agreement and its specific terms is made by the President. Agreement signatures must follow the authorization matrix.

B.2.4. Deed of Donations

Deed of donations to the partner institutions are made by UArctic according to its Donation Principles. Donations are made to member institutions for specific UArctic purposes, for example UArctic's Mobility activities, UArctic Education activities or UArctic Governance activities. UArctic 's Board monitors that the donations are used for the intended purpose through regular reporting.

Please see the template of Deed of Donation in appendixes of this document.

B.2.5. UArctic Other Agreements

UArctic may develop other kinds of agreements with regional UArctic support foundations, governments etc.

B.3. Financing UArctic (Income)

UArctic's income consists of membership fees, gifts, and project and government funding, given to and managed by UArctic. Earning from UArctic funds and endowments will also be handled as income. Income may be restricted or unrestricted.

All income is recorded by the selected outsourced accounting firm. Income is recorded monthly on an accrual basis, according to bank statements or monthly invoice reports from the outsourced accounting firm. All income must rely on sufficient supportive documentation e.g. gift letters, invoice or contract.

B.3.1. Characteristics of Income Categories to Support Accurate Classification

To support consistent classification of income, the following characteristics are provided for common income categories:

1. Gifts

Gifts are voluntary contributions that do not require compensation or specific actions in return. However, some donors may give specific terms on which UArctic activities the gift is to be used. While general effectiveness reporting (e.g., related to UArctic activities) may be associated with gifts, there is typically no obligation to report on the specific use of funds e.g. on an invoice level. Gifts do not include terms or conditions that would require the return of funds under defined circumstances. Typically, reallocation of gifts to members is subject to terms set by the original donor, and contract type to be used for reallocation is deed of donation.

2. Fundraising

Fundraising is conducted under a permit issued by the Finnish Police Authority. The use of funds, including any potential reallocation, must comply with the terms and conditions outlined in the permit, as well as applicable reporting obligations. Reallocation contract type must be considered against the permit terms in each case.

To distinguish fundraising from donations, the fundraising permit must be referenced in the deed of donation and *bank transfers made to a specific bank account*.

3. Project Funding

Project funding is provided for clearly defined activities, usually following an application submitted by UArctic. Funding is to be used within a specified timeframe and is governed by formal terms and conditions. Such funding requires detailed reporting, which may include itemized invoices and documentation of working hours. Unused funds may be subject to return if not utilized in accordance with the agreed project scope and schedule.

B.3.2. Membership Fee

UArctic collects an annual membership fee. A membership fee is collected according to the membership fee procedures. The membership fee is tiered according to the size of the budget of the member institution, the amount of which is approved by the members of the Assembly and there are specific rules for waving the membership fee.

UArctic membership fee levels are decided by the UArctic Assembly, based on recommendations from the Board. Membership fees are collected to the UArctic accounts and will be classified as unrestricted funding.

The practical work of membership fees may be collected by a partner, for example, to cover a specific country, currency or similar. In such cases, income will still be booked as a receivable to UArctic as fully controlled and reported according to UArctic rules and procedures.

B.3.3. Gifts

UArctic accepts gifts consistent with UArctic's current fundraising strategy, adopted gift acceptance policies and procedures, and in accordance with the requirements of the fundraising permit granted through the Finnish Police Authorities. Gifts will most often be restricted funding, even if UArctic will strive to encourage unrestricted gifts.

Please see the Gift Acceptance policy.

B.3.4. Financial Resources from Governments

Stable long-term funding from governments is an essential part of UArctic funding. National funding will, however, normally be managed by an organization or institution, and not UArctic directly. This funding will, therefore, be reported as restricted funding managed by a member and managed via a cooperation agreement.

National funding entrusted to UArctic directly will be handled as UArctic restricted funding following the rules of the agreement with the respective country.

B.3.5. Project Funding

UArctic will implement projects of both short and long term if the purpose of the project is in line with the purpose of UArctic. Project funding that flows through UArctic is counted as restricted funding in the UArctic budgeting and accounting process. UArctic may also choose to ask a member institution to be the home of and implementer of a project. In this case, resources will not be part of the UArctic budget but handled as restricted funding by the UArctic member institution in question.

Using the advances received is based on the accounting act and is not needed to be decided separately. Project funds should be transferred to advances received upon receipt and transferred to income statement based on costs.

B.3.6. Collaboration with Other Partners

Where applicable and where opportunities present themselves, philanthropic fundraising activities will be planned in collaboration with other partners. In such cases, the collaboration is regulated by separate agreements. Finances produced through such means may result in UArctic restricted funding or restricted funding handled by a UArctic member institution.

B.3.7. Income from Endowments and Funds

UArctic endowments and funds managed by partners will release funding for annual UArctic activities. These funds will normally be managed as restricted funding.

B.3.8. Increasing non-restricted money

Means of increasing non-restricted money:

1) Membership fee & support membership fee

Non-restricted money can be raised through increasing membership fee for all members or collecting so called support membership fee. The principles for support membership fee collection must be defined in association rules as well.

2) Receiving direct financial support from board members (or other persons).

Board members can donate funds to association. Board members can specify their donation to be used for example for projects in general.

In tax perspective, for UArctic to maintain non-profit status and not to show too much profit in income statement, it could be considered to establish a reserve in balance sheet for these funds as well e.g. general project reserve. Usually there are separate rules drafted for this type of reserves also.

On the other hand, in tax perspective it should be noted that to maintain non-profit status, fund transfers to reserves should not be disproportionate, but rather it should be possible to demonstrate donations/fund usage to UArctic purpose as much as possible.

All reserves in balance sheet should have well defined purpose that can be presented to tax authorities if needed and all funds are used in a way that it serves UArctic purpose.

3) **Receiving project funds where overhead is free money**.

These funds could be moved to the general project reserve to be established as well.

In situations, where use of funds to be received is not specified, it could be subject to interpretation if funds received are considered under fundraising permit. If this is not an issue, board members can make donations not specified to a reserve, but in these situations tax perspective of not showing too much profit should be taken into account as well.

In practice, so called free reserves are possible as well. Funds in these reserves can only be transferred between balance sheet accounts, e.g. from reserve to retained earnings. In tax perspective, the use of free reserves should be carefully evaluated, since it could be difficult to show tax authorities that the use of free reserve is based on valid cause.

All reserves should be based on a valid cause to be presented to tax authorities if necessary.

B.4. UArctic Expenses

The main portion of UArctic payments will be in the form of donations to UArctic members. Such donations will normally be for a specific UArctic purpose and support an institution in implementing the greater purpose of UArctic.

Operations of UArctic Vice President responsibilities and UArctic offices hosted at UArctic institutions are managed through a combination of the UArctic co-operation agreement and donations. These donations shall be in accordance with the UArctic budgeting.

B.4.1. UArctic Donations to Members

The primary mechanism for managing UArctic expenses is through donations to a UArctic member institution for a specific purpose. The donation template is given in appendix E.1. Through the donations UArctic provides resources for members to implement UArctic activities like hosting UArctic Vice Presidents and offices.

UArctic donations will most often be associated with a cooperation agreement (general agreements appendix E.2) that will in uncomplicated situations exists on their own. The cooperation agreement, and/or the donation will regulate reporting requirements, control mechanisms to ensure that the moneys are used for the intended purpose.

This approach ensures few transactions, easy manageable economics, and demonstrates strong trust in the membership's ability to manage resources for the purpose of UArctic.

Donations must be in line with the purpose of the funding when finances come from restricted sources. In all other cases, donations must be in accordance with the overall purpose of UArctic.

B.4.2. Payment from UArctic Accounts

All payments from UArctic's bank accounts, other than purchase invoices reviewed and approved in Accounting software, are signed off by either the Secretary General, the Board Chair, or President of UArctic. All payments must be based on related documentation.

Payments are made through Accounting software by the outsourced accounting firm. Payments require approval of aforementioned UArctic representatives or electronic approval chain according to separate documented rule set.

Operations within approved budgets and plans will normally be delegated to the relevant Vice Presidents of UArctic and can be signed and approved by them. Such transactions shall be checked against the budget by the relevant control mechanisms.

B.4.3. Professional Services / Contracts

UArctic may buy professional services. The engagement contracts can be made according to the authorization matrix.

B.4.4. Travel Reimbursement

UArctic does not have its own employees and, therefore, travel costs would only occur in special circumstances. In cases where UArctic is required to provide travel supports, reimbursement will be calculated according to the

travel regulations that are most relevant to the situation, member institution or funding agreement or in cases where no rules apply, rates will be according to rules of University of Lapland.

Travel reimbursements are handled as purchase invoices or donations to specific institutions.

B.4.5. Credit Cards

Normally all daily operations of UArctic staff are paid by the hosting institution in accordance to agreements and donations. If a cost is related to UArctic ry (not a member hosting function, B.4.1.), and it can't be paid by invoice (B.4.2.), a credit card can be used. The two credit cards are controlled by the President and the Secretary General.

The use of credit cards follows the same procedure for approval and documentation as other expenses in UArtic ry's accounting. The Financial Coordinator keeps record of all approved purchases to be matched with the monthly credit card invoice.

All receipts (electronic or paper) are to be sent to Financial Coordinator immediately. Receipts must contain additional information including

- Name of the person that made the purchase
- Project number or similar reference (eg. event or use)
- If dinner etc., the participants of the event
- If travel related, the purpose of the trip and travel route

The receipts must match with the credit card invoice. The credit card invoice is reviewed and approved according to the normal invoice approval process (B.4.2.). The credit card invoice with corresponding receipts is archived to accounting records to ensure the audit trail completeness.

B.4.6. Procurement for Leadership Needs

UArctic leadership must maintain the technical and physical capability to work across all time zones, which necessitates access to appropriate IT equipment, furniture, and connectivity both at home and while traveling. The following rules apply to such equipment:

- UArctic ry may purchase necessary equipment for its leadership if the home institution does not provide it.
- The purchased equipment is intended strictly for work purposes and should not be considered private taxable income for personnel.
- All equipment purchased under these guidelines remains the property of UArctic ry and must be recorded in a property ledger maintained by the UArctic International Secretariat.
- Upon the conclusion of an individual's position with UArctic, any equipment must be returned to the UArctic Secretariat or the host institution.
- Equipment is considered to have lost its value after five years and will be removed from the ledger.
- Purchasing such equipment will follow the same guidelines as other purchases in terms of required approvals.

B.5. Capital Management

B.5.1. Property, Land and Equipment

According to UArctic bylaws, UArctic can own properties. The Board has the authority to acquire properties, land or other significant investments.

Property, land and equipment acquired by UArctic are measured in the statement of financial position at cost less accumulated depreciation and possible impairment losses. Expenditures related to regular, extensive inspections and maintenance are treated as an investment, capitalised and depreciated during the estimated useful life on a straight-line period. All other expenditures, such as ordinary maintenance and repairs, are recognised in the statement of income as an expense as incurred. Land is not depreciated, as its useful life is considered to be infinite.

The Board has the authority to sell the properties, land or other significant investments.

A gain or loss arising from the sale of property, land and equipment is recognised in other operating income or operating expenses in profit or loss accounts.

B.5.2. Other Assets

Other assets can be classified as trade receivables, other receivables, accrued receivables and financial assets. Other assets are recognised at their realisable value.

The Board has the authority to establish an investment plan and portfolio. An investment plan should include the allocation of high risk and low risk investments and the authorized representatives to manage the investment portfolio. Financial assets can include stocks, funds or cash equivalents. Cash and cash equivalents are short-term liquid investments that are subject to only minor fluctuations in value.

The accounting treatment of those financial assets depends on the nature of those assets and the volume of trading.

B.5.3. Equity

The equity of the Association consists of the surplus of accounting periods and possible other restricted and unrestricted reserves.

Restricted reserves can be divided into two categories: 1) Self-margin reserves, which are like dependent foundations and they are based on an expression of the external quarter's will and have to be separated from other assets and reserves and 2) other restricted reserves that are directed for specific purposes according to deed of donation or testament for example. The basis of restricted reserves is based on an expression of external's will and these reserves cannot be revoked or changed to free reserves. The expenses related to implement the purpose of this reserve can be deducted from these restricted reserves. UArctic might have similar unrestricted reserves as well.

Unrestricted reserves are free reserves, which are established by the decision of Association's own governing body. These free reserves are booked as an internal transfer of surplus. UArctic will build such free reserves from endowments with the intent of supporting specific UArctic-related activities or purpose. Such endowments will have their own name, may have their own founding principles, and shall be managed and regulated according to UArctic's endowment policy. UArctic endowments will normally be set up as permanent endowments with the use of any surplus for some purpose.

Procedure for transfers to restricted reserves:

1. The Assembly decides the principles of using reserves for donations in general. Assembly gives Board a mandate to decide on fund transfers in the future, for example in wording that all major donations are transferred to reserves and donations under x euros to be decided by the Board.
2. Board makes reserve decisions during the year based on the donations received (can be done retrospectively e.g. 2-4 times a year.) All payment installations of individual donation are recommended to be notified by the Board. In the Board decision it should be stated what is the purpose of the donation and donation documents to be attached to the Board meeting minutes.
3. Transfers are implemented by the accounting company.

4. The usage of the money is reported to the Board annually in connection with other annual financial reports.

In bookkeeping, received donations can be transferred to reserves immediately or at the end of the year, so that the outcome is that the amount left in the income statement corresponds the amount of costs incurred for the purpose of the donation.

B.5.4. Liabilities

Liabilities can be classified as long-term liabilities, in which the obligatory payment is after 12 months, and short-term liabilities, which can be categorized into short-term loans, trade payables, other payables and accrued payables.

The Board of UArctic has the authority to take out a long-term loan.

Liabilities are recognised at their realisable value.

B.6. Accounting

B.6.1. Bookkeeping

According to the Finnish Accounting Act, there are several basic principles to bookkeeping.

The association shall apply double entry bookkeeping and accounting records must be maintained in accordance with good accounting practice.

The transactions of a reporting association shall be entered in the accounting records as expense, income, fundraising and related adjustments and transfers according to the association chart of accounts. Each transaction shall be entered into an account corresponding with the nature of the transaction (entry). Each account must be consistently maintained.

Expenditure is recorded at the time the related product or service is received and income is recorded at the time the product is delivered or service rendered (accrual basis).

The keeping of accounting records shall be arranged so that entries can be reviewed in a chronological order and by subject matter.

The recording of a transaction must be based on a dated and systematically numbered or similarly specified voucher, verifying the transaction. The connection between a transaction, voucher and the recording entry must be verifiable without difficulty.

The keeping of accounting records shall be arranged so that the connection between transactions, vouchers and entries through any subledgers with the general ledger and from it to the financial statements is verifiable without difficulties in both directions. The same applies to reports submitted at regular intervals to the authorities for taxation or other purposes.

Vouchers, ledgers and other accounting material must be processed and retained so that their contents can be reviewed without difficulty and printed in a clear written format, where necessary.

The financial statements, ledgers, chart of accounts and the list of ledgers and materials must be retained for at least 10 years from the end of the financial year.

The related accounting principles are:

- *Membership fees*
    - Will be accounted as income from fundraising and accounts receivable / bank account.
    - Membership fees collected, and kept in other countries, will still be handled as the full property of the UArctic.
- Fundraising/Gifts to UArctic
    - Will be accounted as income from fundraising and accounts receivable / bank account.
- Purchases
    - Will be accounted as expenses from actual operations and accounts payable / bank account.
- Donations to member institutions
    - Will be accounted as expense from fundraising and accounts payable/ bank account.

Finances managed by members, including those managed according to donation agreements from UArctic shall follow the financial rules of the country they exist in.

B.6.2. Annual Financial Reporting of UArctic

UArctic's Fiscal Year is a calendar year from January 1st to December 31st.

The financial statement reporting according to Associations Law has to be made once a year. The financial statement has to be prepared no later than four months after the end of the financial year, according to the Finnish Accounting Act.

According to the Finnish Accounting Act, for each financial year, financial statements must be prepared, consisting of:

- a balance sheet disclosing the financial position as on the balance sheet date
- a profit and loss account disclosing how the profit or loss has arisen
- notes

For each item in the balance sheet and the profit and loss account, a corresponding item for the preceding financial year (comparative figure) must be disclosed.

The financial statements shall give a true and fair view of the reporting entity's result of operations and financial position in accordance with the principle of materiality in light of the nature and the extent of operations of the reporting entity.

The financial statements must be prepared no later than four months after the end of the financial year according to Finnish Accounting Act.

Financial statements must be dated and signed by the all Board members of UArctic, or at least more than half of the Board members.

Tax authority reporting (yearly) is the responsibility of the outsourced accounting firm (Accounting firm), in addition to other authority reporting. The tax authority reporting needs to be ready, at the latest, 4 months after the end of the financial year in electronical form.

In association financial statement template, activities are divided as actual activities and fundraising. In definition, fundraising consists of income that is acquired to be able to fund the activity under actual activities. The term in accounting is not tied in Finnish Police Board definition of fundraising activities.

Detailed layout of association income statement in appendix F.7.

B.7. UArctic Operating Budgeting Policy

The UArctic budget is prepared to provide the realities of the annual anticipated revenues and a clear allocation and accountability of the expenditures. The budgeting process shall also provide a transparent and clear overview of UArctic assets, including funds.

The budget is prepared under the leadership of the President, reviewed by the Finance Policy Advisory Group and approved by the UArctic Board. The budget shall also be presented to the Assembly in the annual meeting.

The annual budget is an integral part of UArctic's operational and reporting system and is inclusive of:

- Unrestricted funding
- Restricted funding
- Pending Funding
- Unrestricted Expenditures
- Restricted Expenditures
- Pending Expenditures

The budgeting process also addresses handling of the UArctic balance sheet, UArctic funds, and properties.

Annual Operating Budgeting Practices are approved by the UArctic Board.

B.7.1. Operating Budget Model and Process

The UArctic budget is prepared annually for review and approval by the Board before the start of the new fiscal year.

Budgeting is formally the responsibility of the UArctic President and the budgeting process is led by the Financial Controller.

The budget shall be reviewed by the Finance Policy Advisory Group and ultimately approved by the Board of UArctic. The approved annual budget is presented in the annual meeting of the Assembly of UArctic. Budget status report process will take place at the mid-term and annual financial report periods.

Annual financial reporting shall be measured against the budget and must be approved by the Board, go through audits, and finally be presented to the annual Assembly for the acceptance and release of responsibility.

B.7.2. Revenues and Expenditures

The official budget of UArctic is a financial plan used to estimate income and expenditures for a financial year. It is a management and planning tool. UArctic will prepare an operating budget to reflect the annual anticipated revenues and clear allocation and accountability of expenditures. The estimated income of UArctic consists of membership fees, gifts from donors and other income.

UArctic utilizes the concept of cost centres and project identification numbers for allocating budgets to different projects. Projects are marked in the accounting system with these project identification numbers to support the tracking of specific income and expenditure and the comparison of actual expenditures to the budget.

The overall UArctic budget shall keep track of the main groups of source of funding (cost centers, funding restrictions) and specified cost allocations (targets) which are determined in alignment with the UArctic Strategic Implementation Plan. Updates to the cost center system are approved by the President with the advice from the UArctic Finance Team.

B.8. Reporting Policy for UArctic Resources Controlled by UArctic Members

B.8.1. Budgeting

There will be no detailed budgeting of UArctic finances managed by UArctic member institutions. The annual budget should, however, inform if there are expected major changes of this kind of finances in the coming year.

B.8.2. Reporting

Reporting on UArctic resources managed by UArctic members is essential both to give an appropriate overview of available UArctic resources, and to show appreciation towards the various funders that make such funding available. Such resources may be of either of the following types (described earlier);

- Member Received UArctic Donations
- Member Managed UArctic Funding
- UArctic Member Contribution
- UArctic funds and endowments hosted by members and partners

In each case, there shall be agreements that regulate the reporting towards the funder as well as UArctic. This will often be two different agreements; one between the UArctic member and the funder with its own reporting requirement, and one between the member and UArctic. Minimum reporting requirements comprise an annual report with specification on what funding is used for, as well as a balance overview showing total received with sources, and end of year balance with liabilities or other conditions. For all of these funding types, the audit and control system of the funding holder, and as defined in the agreement between the funder and the members, is trusted. UArctic will normally accept a copy of the report between the funder and the UArctic member as sufficient reporting, as long as the necessary information exists in such reports.

B.8.3. Annual Summary of UArctic Resources Managed by UArctic Member Institutions

As part of the annual reporting cycle, UArctic will produce a summary report on the use of finances controlled by UArctic member institutions for each of the types of funding listed above and for what kind of purposes they have been used. This reporting shall also include an overview of such assets held by UArctic members and an overview of UArctic reserve funds and foundations controlled by UArctic member institutions. This report shall include a simple overview on the decision-making processes for each source. The report must include notes if concern has been raised in the audit or internal control systems of any of the members controlling the funds.

These reports are reviewed by the Finance Policy Advisory Group on an annual basis, with comparison to previous year and presented to the board as a separate report.

C. Procedures: Key Financial Processes and Key Internal Controls

The sections below contain descriptions of duties and each financial procedure. Also, the minimum control requirements for service providers are presented.

C.1. Procedures - Duties

C.1.1. UArctic Board Duties

The board of UArctic is responsible of the internal controls of key financial processes.

According to separate co-operation agreements and outsourced service agreements, the Board has contracted out some procedures.

C.1.2. UArctic International Secretariat Duties

The daily financial and legal affairs of UArctic operations are handled through the International Secretariat according to the co-operation agreement.

The UArctic International Secretariat responsibilities include:

- membership fee management
- legal issues
- assisting in budget preparation
- regular basis reporting
- accounts payable
- invoice reviewal
- to be the first level of overall supervision of journal entries, invoices and accounting as a whole

UArctic International Secretariat duties related to daily financials are primarily conducted by the Financial Coordinator, the Financial Controller and backed up by the Director of Governance Support, with the Secretary General as lead. Secretariat duties related to project management are the Secretariat's responsibility to appoint the person to perform and to serve as back-up. This same principle goes with other possible member organizations managing projects.

Invoice approvers and reviewers are specified in a separate Appendix of the manual.

C.1.3. Outsourced Accounting Firm Duties

Specified set of the financial management duties are outsourced by a contract to a specific accounting firm.

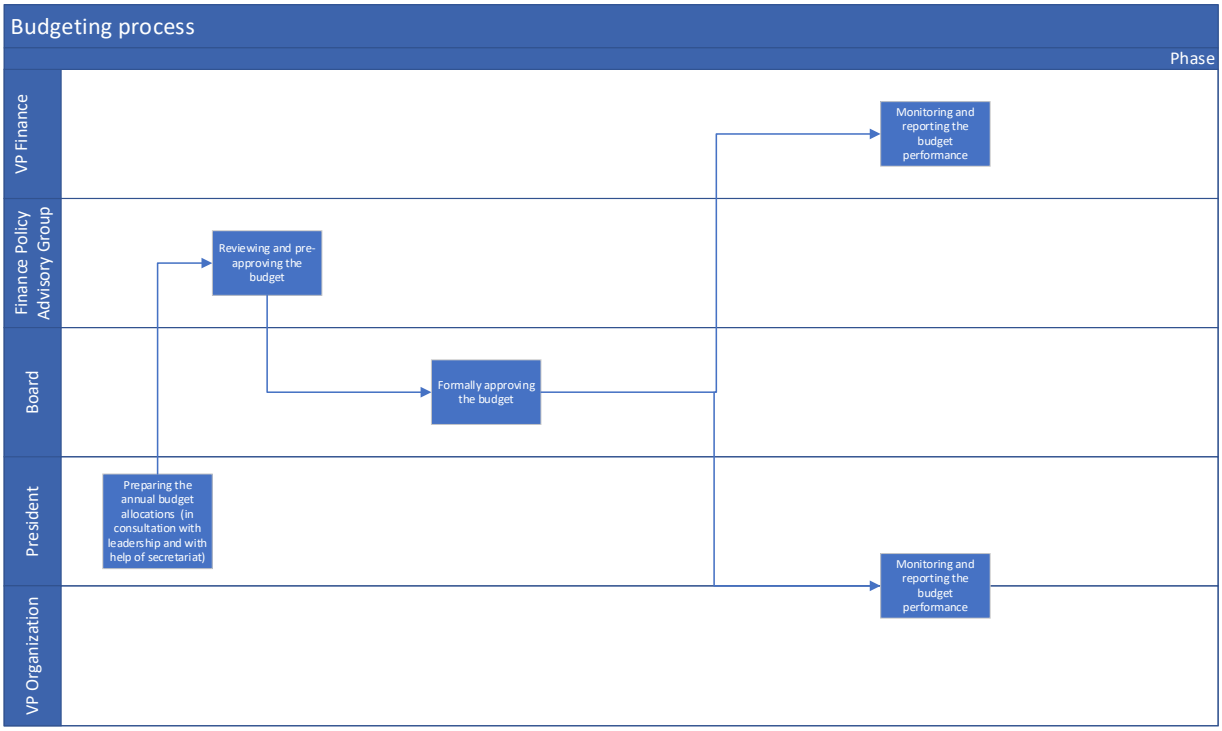
Accounting firm responsibilities include:

- **Accounts payable and purchasing:** Tasks related to the processing of purchase invoices and the donations to member institutions and the operation of the purchase ledger, including e.g. receipt of invoices, processing and recycling of invoices, transfer to bookkeeping and payment of purchase invoices, and management of the purchase ledger (monitoring of trade payables and updating of the ledger) and archiving of invoices.
- **Travels:** This is not relevant now. Possible tasks related to the processing of travel and expense invoices, including the entire travel invoice process: starting from making a travel plan, checking, approving and paying invoices.

- **Accounts receivable:** Tasks related to invoicing and sales ledger, including managing the sales invoicing process, monitoring trade receivables, updating the ledger, processing payment reminders and payment collections. This includes the collection of membership fees.
- **Journal entries, accounting & reporting**: Tasks related to bookkeeping and regulatory reporting, including the management of accounts and financial statements, as well as the necessary tax calculations, official declarations and filing of tax returns, basic accounting reports. The procedures for verifying the accuracy of the accounting/bookkeeping, reconciliations and possible accruals on a monthly basis must also be agreed.
- **Payroll:** It is not relevant, because UArctic does not have own employees.
- **Payments:** Tasks related to the management of financial transactions, tasks related to payment, including the management of domestic and foreign payment transactions
- **Systems and interfaces involved in processing of the service:** it must be agreed on how and in what way the association will deliver/send the material to the service provider.
- **Backups:** Accounting firm will take care of their backups internally. Continuity of the services must be ensured at all times and agreed upon on the contract.

C.2. Procedures – UArctic Operating Budget

The UArctic budget is prepared annually for review and approval by the Board before the start of the new fiscal year.



1. In consultation with leadership, annual budget allocations are set by the UArctic President with the help of the UArctic International secretariat;
2. The prepared budget is reviewed and pre-approved by the Board's Finance Policy Advisory Group
3. The budget that has been pre-approved by the Finance Policy Advisory Group needs formal approval by the Board before implementation
4. The President, the Financial Controller and the Secretary General will monitor the financial performance of UArctic funds against the budgets, and report any significant variances to the Board.

Budget Reporting

Budget reporting will be included in all financial reports to the Board and Assembly meetings.

Financial reporting on the budget outcome is required at the end of June as the mid-term report, and at the end of December as the year-end report. The main purpose of the financial reporting is to provide reliable and updated financial information on UArctic's financial position, budget vs. actual and updated cash balance.

Reports on the budget are prepared by UArctic's Financial Controller under the responsibility of the President and approved by the Finance Policy Advisory Group.

The budget mid-term and year-end reports shall be presented to the Board for information and approval.

C.3. Procedures - UArctic's Authorization Matrix

The frame of UArctic approval and authorization relationships are described in the table below. A more detailed matrix with specified individuals is in a separate appendix.

	The Assembly	**Board**	**President**	**Board chair**	**Secretary General**	**Financial Controller**	**Board executive committee**	**Financial Policy Advisory Group**	**Financial Coordinator**
Overall budget	To be informed	Approve	Present Budget for board			Lead Budget preparation process		Pre-Approve	Support preparation
Membership fees	Approve	Propose adjustments			Collect	Oversee collection		Oversee collection	Support collection
Donations to partner institutions			Approve			Prepare			
Signature on behalf of Association			Authorized	Authorized	Authorized				
Use of bank account			Authorized	Authorized	Authorized	Authorized			Authorized
Approval chain of invoices			Approve		Approve	2. Review consulting the buyer			1. Review
Direct Procurements			Approve >€15.000	Approve					
Approval of purchases			€20.000 >Approve < 100.000		Authorized		Approve > €100.000		
Regular commitments(purchases)			€25.000 >Approve <€50.000		Approve <€25.000		Approve > €50.000		

C.4. Procedures - General IT Control Requirements

The outsourced accounting firm is responsible for accounting software, with super user responsibilities, including user administration, version updates and user support of program use.

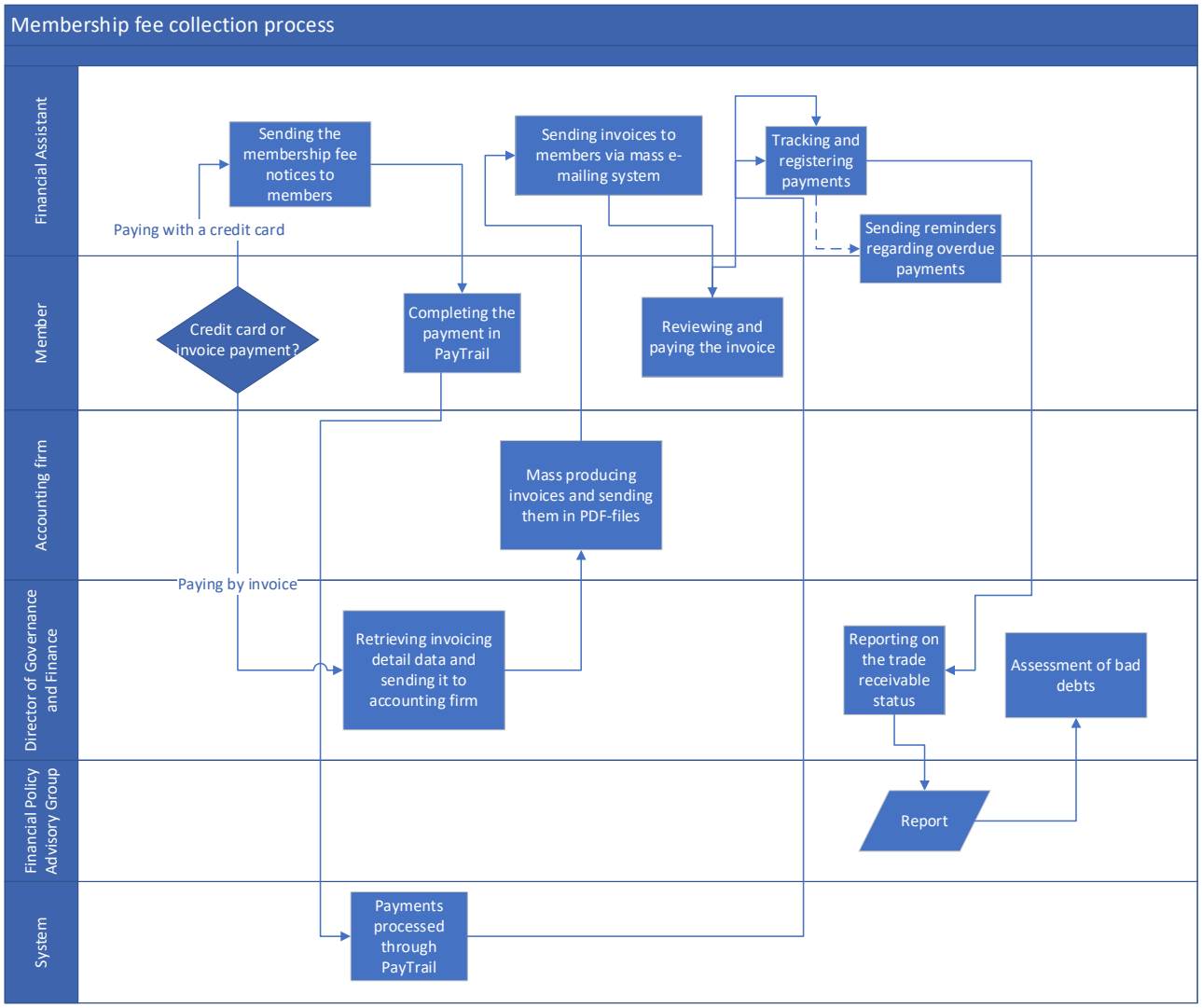
The service provider's data security and data protection procedures are specified in the contract or in the appendices.

Minimum control requirements for the service provider are shown in the table below.

Control ID	Overview
1.A Information security policy/user awareness	Proper information security policy is in place that employees are aware of and committed to obey.
1.C Configuration of access rules	In applications there are different user roles so that a proper segregation of duties is in place.
1.D Identification and authentication	Management have controls in place to: -determine that logical access to programs and data is appropriately restricted by the implementation of identification and authentication mechanisms, and -determine that there are sufficient logical security controls in place for IT applications and systems that support financial reporting (e.g. network, infrastructure, IT applications, databases, etc.).
1.E Monitoring	Monitoring controls, (e.g. periodic review of access rights) identify and resolve inappropriate access permissions over time to confirm the effectiveness of other logical access controls.
1.F Access administration	Access administration includes ongoing maintenance through the granting and revoking of access rights associated with individual user IDs to reflect changes to job responsibilities and/or business policy. Management have controls in place to: -determine that user accounts are, modified in a timely manner. -determine if access requests are appropriately approved
1.G Super users	Management have controls in place to: • restrict privileged user access to an appropriate group of individuals; • monitor the activities performed by those users, e.g. by logging the activities; • adequately segregate responsibilities both within the IT department and between the IT department and business users.

C.5. Procedures – Accounting Processes

C.5.1. Membership Fee Collection Process



Membership fee collection process

Members choose credit card or invoice as their preferred payment method as part of their membership application. The preference will be saved to the database. Members who have chosen invoice will also provide their invoicing information.

Credit card

1. Secretariat sends the notice letters to members who have chosen credit card as their payment preference
2. Notice letter includes a link to the payment system (Paytrail), where the members will complete the payment

Invoice

1. The Director of Governance and Finance will send the invoicing data (Organization name, fee category, invoicing address) retrieved from the database to the Accounting Company as excel file.
2. The Accounting company mass produces the invoices and sends them back as PDF files.
3. Secretariat sends notice letter to the respective members through Active Campaign mass emailing system. The PDF invoice is linked to the message
4. Members pay the invoices

Both

5. Accounting service provider or a Finance team member tracks the payments through Paytrail and Bank online service, and marks the payments to shared Monday.com board
6. Reminders are sent to members regarding overdue payments
7. UArctic's Director of Governance and Finance reports the membership fee payment status regularly to the Finance Policy Advisory Group.
8. In the end of each year the unpaid fees are reviewed and assessed.
9. Receivables will be written off if they remain open after one year of original due date or there are other reasons due to which UArctic assesses the payment to be unlikely. If payment is received later, the write-off will be cancelled.
10. If a member doesn't pay their fees in two consecutive years, a membership removal will be considered.

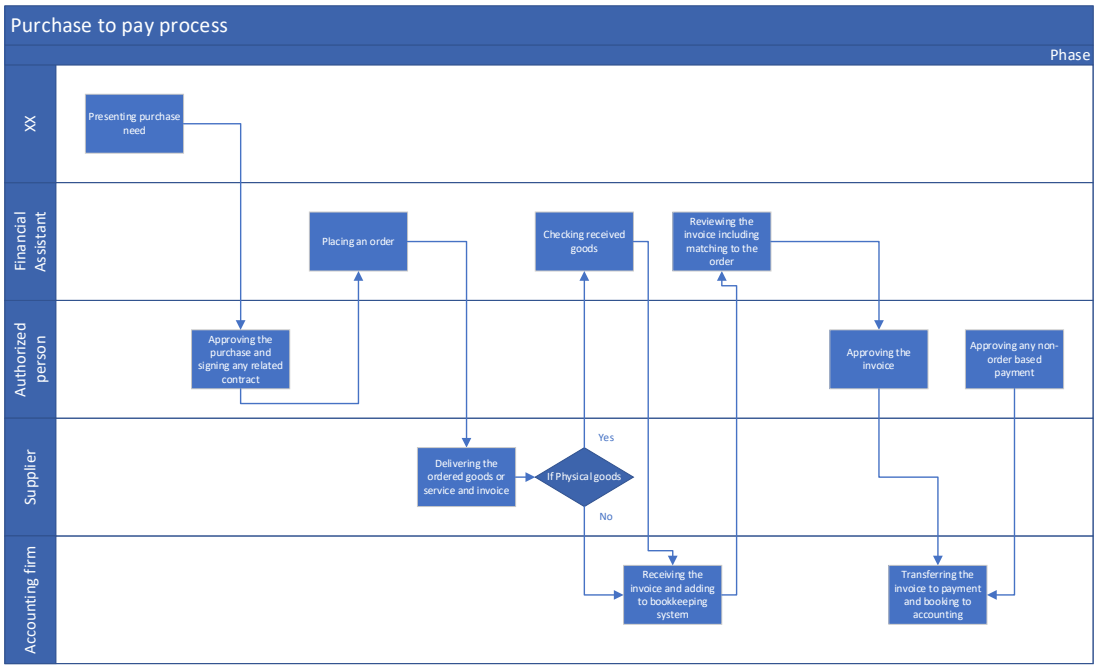
Minimum control requirements

C1 Monthly sales journal is matched to sales recorded to general ledger

C2 Management monitors the billing due list on a timely basis.

C3 The Accounts Receivable sub ledger is reconciled to the general ledger on a monthly basis.

C.5.2. Purchase to Pay Process



A purchase need is presented to a person authorized to sign on behalf of the Secretary General.

1. The purchase is approved by a person authorized to sign on behalf of UArctic.
2. The order is placed by Secretariat personnel after receiving an approval
3. Ordered goods or services and the invoice are delivered by the supplier
4. If the order in question is related to physical goods, the received goods are checked by Secretariat personnel.
5. The invoice is reviewed and supplier information (excluding bank account numbers) is added into the system by Accounting firm
6. The invoice is reviewed and the needed data is booked by Accounting firm.
7. The invoice is reviewed and matched to the order by the Financial Coordinator and the Financial Controller in the Accounting software.

8. The invoice is approved by a person authorized to sign on behalf of UArctic, such as the Secretary General. Also any non-order or invoice based payments are approved.
9. The approved invoice or other payment request is paid and added to bookkeeping by Accounting firm

Minimum control requirements

C1 Access to pay vendors is segregated from access to perform purchasing and receiving functions.

C2 Vendor register - Review and approve

C3 Invoice aging is monitored by management and followed-up to ensure that invoices are paid in a timely manner.

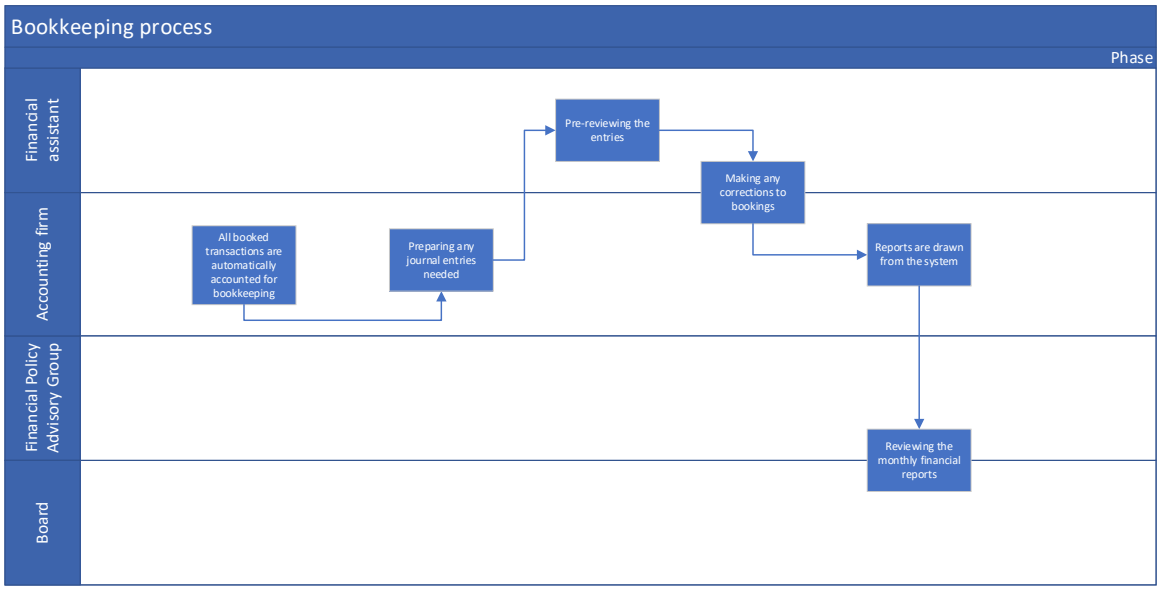
C4 The Accounts Receivable sub ledger is reconciled to the general ledger on a monthly basis. Management reviews payment batches to ensure appropriateness prior to posting.

C5 Supplier bank account changes are the responsibility of a person with proper segregation of duties or there is another person's approval for bank account changes.

C.5.3. Bookkeeping Process

Daily bookkeeping is handled by the outsourced accounting firm. The responsibilities of the outsourced accounting firm are specified in the agreement between UArctic and the outsourced accounting firm.

UArctic's Financial Coordinator and Financial Controller work in co-operation with the outsourced accounting firm.



1. All booked transactions are automatically accounted for bookkeeping in Accounting software.
2. Journal voucher is prepared by an accountant at outsourced accounting firm.
3. The Financial Coordinator or the Financial Controller pre-review the entries made.
4. Potential needed corrections are made in co-operation with UArctic's Financial Coordinator, Financial Controller and the outsourced accounting firm.
5. Financial reports are drawn by Accounting firm after the needed corrections have been made by UArctic's Financial Coordinator and the outsourced accounting firm.
6. The reports based on bookkeeping are reviewed by the Financial Policy Advisory Group and the Board.

Minimum control requirements

C1 The responsibility to approve or initiate the change to the chart of accounts may be segregated from the responsibility to create or change the chart of account. Logical access should be designed appropriately to support this.

C2 Accounting periods are closed in a timely manner and posting to prior periods is prevented.

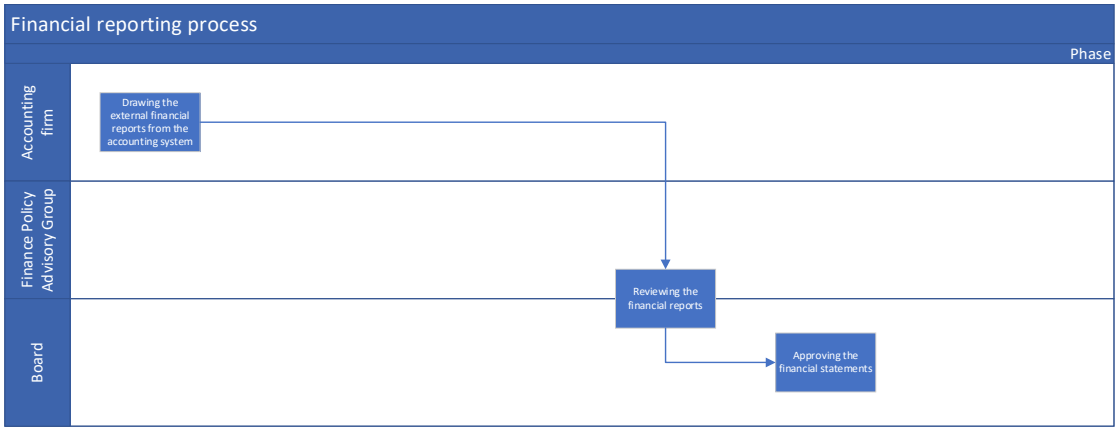
C3 Unposted (terminated) general ledger postings are reviewed.

C4 Only authorized users have the ability to post manual G/L entries.

C.6. Procedures - UArctic Reporting

As a legal entity UArctic shall report the financial resources directly managed by UArctic according to law and do so with appropriate planning, decision-making, accounting and reporting.

External financial reporting of UArctic association is the responsibility of the accounting firm. Financial statements are prepared by the accounting firm and reviewed by Finance Policy Advisory Group and approved by the board.



Official reporting of UArctic to Finnish authorities:

1. UArctic financial reports regarding external financial reporting comes from the Accounting software.
2. External financial reports are reviewed by the Finance Policy Advisory Group and the Board on a yearly basis, with comparison to previous year and budget/forecast.
3. UArctic's Board approves yearly financial statements.

UArctic financial statements are prepared by the Accounting firm. Financial statements must be ready for approval according to the reporting schedule, but, at the latest, by the end of the April.

There are special reporting requirements related to Fundraising Permit (Issued on July 15, 2020 by the National Police Board of Finland - Gambling Administration). UArctic's Board must monitor that the funds are used for the intended purpose through regular reporting. The continued validity of this permit requires that an annual report be provided each year to the authorities.

D. Taxation Issues and International Transactions

D.1. Taxation Related Principles

In Finland, UArctic fulfils the requirements of non-profit organization status (Tax Act 22§) that has an effect on the tax neutrality. All membership fees, gifts and other fundraising are tax neutral in Finland if collected to non-profit activities.

UArctic will not try to achieve a profit with its operations, instead all the operations are made to promote its non-profit purposes.

When UArctic is deemed to be a non-profit entity for income tax purposes, it is liable to pay taxes only on income derived from business activities and real estate, if the real estate is not used for non-profit or public purposes.

The income and expenses should be allocated to the right legal entities for income tax purposes. All the income such as membership fees and other income belonging to UArctic should be allocated to it as well as expenses belonging to UArctic.

D.1.1. Value Added Tax

In Finland, UArctic fulfils the requirements of non-profit organization status and is, therefore, liable for VAT only for business activities, but it has no business revenue subject to business income tax in Finland. As such, UArctic is not liable to register for VAT purposes in Finland. Therefore, it is not entitled to deduct the VAT related to its expenses and VAT for the services bought remain as an expense of the Association.

If UArctic is supplying services to the members of the UArctic (i.e. membership fees could be seen as compensation for the VATable services UArctic is supplying to the members) or if UArctic would sell goods or services to other parties/'clients' and these supplies are regarded to be carried on in the conduct of business, UArctic could apply for voluntary VAT registration. In that case, UArctic would be able to deduct the VAT related to these activities. Applying for voluntary VAT registration would be beneficial if the amount of Finnish VAT related to these expenses is significant and members of the UArctic or other 'clients' would be able to deduct the VAT included in the membership fees or the members could get the VAT included in the membership fees compensated in other ways.

In some cases, it may be difficult to argue towards the Finnish Tax Authorities that income should not be regarded as taxable income from a Finnish business income tax point of view, but at the same time it should be regarded as income received from VATable business activities and therefore, if voluntary VAT registration is considered, this issue should be examined in more detail.

Such non-profit entities can register for VAT voluntarily. Registration in the Tax Administration's registry takes approximately 3 weeks. There are specific VAT rules for services bought from different countries. Please see C.3.5.3 Country specific issues. But since UArctic is not currently carrying business subject to VAT, it is not entitled to deduct the import VAT or VAT accounted due on reverse charge mechanism.

D.1.2. Income Tax

UArctic collects membership fees from its members, which are universities, colleges, research institutes and other organizations with a legal capacity, with an interest in and commitment to higher education and research in the Circumpolar North. Membership fees are (income) tax neutral in Finland, if collected for non-profit activities.

Gifts to UArctic are (income) tax neutral when the association has a non-profit organization status in taxation.

There are separate co-operation agreements with partner institutions. To perform certain UArctic related duties (like hosting Vice-Presidents), UArctic donates to a member institution. No tax is to be added in Finland.

As stated in the advance ruling given by the Finnish Tax Authorities, UArctic ry is deemed as a non-profit organisation promoting for public good for income tax purposes in Finland (Income Tax Act 22 §). The Finnish Tax Administration will follow the advance ruling, if requested by UArctic, after the appeal period (30 days) of advance ruling is over. Advance ruling (income tax) is given for a max 2 years (in this case, it was given for tax years 2020 and 2021). The advance ruling is binding if the facts given in the application for advance ruling are correct. This means that UArctic's activities should comply with activities presented in the application.

Next year (2022), the advance ruling will not be valid and is thus not binding on the Finnish Tax Authorities. However, if there will not be changes on the activities of UArctic and/or other circumstances, UArctic should still be deemed as a non-profit organisation for tax purposes. The tax status (non-profit or not) is assessed separately for every tax year by the Finnish Tax Authorities and so it is important that UArctic carries out enough activities every year in order to promote its non-profit purposes. In the advance ruling, the Finnish Tax Authorities based the conclusion of non-profit status of UArctic mainly on the activities presented in the application (and additional information asked by the Tax Administration) i.e. the coordination role in the UArctic network of universities, co-operations with its members and giving donations to non-profit purposes (for member universities). As presented in the application, UArctic should already give a considerable amount of donations to non-profit purposes this year (and next years, accordingly).

Usually, the Tax Authorities may raise questions regarding the non-profit status of an organisation when handling the income tax return. In order to minimize the risk of losing the status of non-profit organisation, it is advisable to describe the non-profit activities of UArctic as widely as possible in the annual report and other documents, that will be delivered to the Tax Authorities as enclosures to the tax return (and also in other documents/sources, which can be viewed by the Finnish Tax Authorities, like web pages of UArctic).

The most important thing to maintain the status of a non-profit organisation is to carry out enough non-profit activities every year and document these activities. If the main form of non-profit activities of UArctic is supporting member universities financially, donations should be made to member universities in considerable amounts every year.

D.2. Country Related Tax Issues

There are different tax rules in different countries. The tax issues in most relevant countries from UArctic point of view are shown in the text below.

D.2.1. Canada

There is no withholding tax on payments from Canada that are in the form of a gift or membership fee to the extent that services are not performed in Canada. The payment of a gift would not likely be treated as a tax-deductible gift to a payer in Canada, unless the foreign charity is listed as a prescribed entity in Canada.

There are no governmental or other payment restrictions to such gifts or membership fees.

If UArctic receives payments such as gifts and membership fees from Canada, this does not create any reporting obligations to UArctic in Canada, if the payer is tax exempt. The only issue that would need to be addressed is whether the payment is tax deductible to the payer if they were a taxable entity in Canada.

To the extent that an employee of a university in Canada is identified as a Vice-President of UArctic and the salary was paid by the Canadian university, then all of the obligation for tax withholding would be borne by the Canadian university. The reimbursement of the salary by UArctic to the Canadian university would not result in any tax reporting obligations or payment of tax in Canada by UArctic.

The reimbursement/donation received by the Canadian university from UArctic to carry out the UArctic purposes would be viewed as a form of donation or subsidy and would not be viewed as a consideration for supply and thus would not be subject to Goods and Services Tax (GST=VAT) in Canada.

In Canada, goods and services tax (GST) is levied on supplies of goods or services purchased in Canada and includes most products. If UArctic ry purchases goods from Canada to be delivered in Finland, the supply may be zero-rated (invoice does not include GST) under certain conditions. In Finland, the import of goods is subject to VAT. As regards services, a service is subject to Canadian GST if the service is performed in whole or in part in Canada. Therefore, if UArctic ry purchases services from Canada the purchase invoice basically includes GST and the purchase is also subject to reverse charge mechanism in Finland.

D.2.2. Norway

There is no withholding tax on payments from Norway that are in the form of a gift or membership fee to the extent that services are not performed in Norway.

There are no governmental or other payment restrictions to such gifts or membership fees.

These payments constitute a Norway-sourced income to UArctic. There should be no reporting obligation to UArctic, on the basis that the UArctic International Secretariat has no physical presence in Norway. The work performed by the Vice-Presidents fall outside the scope of UArctic's mandate as secretary. The work of these individuals must be considered to be the activity of their employer – typically a Norwegian university – or potentially by UArctic.

If the Vice-President (or their Norwegian employer) are deemed to give UArctic a presence in Norway due to the principle of identification, UArctic would have an obligation to file an annual financial statement if it owns assets worth in excess of NOK 20 million or employs more than 20 individuals.

Based on Norwegian VAT rules services capable of delivery from a remote location (intangible services, i.e. services that are not carried out physically, and services for which it is difficult to establish a connection to a certain location) are subject to VAT at the place of establishment of the customer. Typical services falling under this definition are services of lawyers, transfers of rights to intellectual property, consulting, telecommunication and other sorts of services that are delivered electronically. Therefore, when UArctic ry purchases such services from Norway, the purchase invoice should not include Norwegian VAT. However, these purchases are subject to reverse charge mechanism in Finland. The export of goods from Norway to Finland is not subject to Norwegian VAT (VAT 0 %). In Finland, UArctic ry is liable to account Finnish VAT due on the importation of goods.

D.2.3. Sweden

Regular gifts given and membership fees paid by individuals or organizations to a foreign non-profit organization are not subject to Swedish withholding tax. Gifts that are not simple transfers of cash and instead given by, for example, transferal of the right to receive dividends could however be subject to Swedish withholding tax. There are no governmental or other payment restrictions to such gifts or membership fees.

As Sweden is a member of the European Union, aid given by the state to a non-government organization may be restricted if the aid is deemed to be disruptive to fair competition. If UArctic counts universities among its members, special regulations may thus apply to donations given by these organizations.

Gifts and membership fees from Swedish entities do not by themself create reporting obligations for UArctic in Sweden. If the non-profit conducts any sort of business in Sweden from a permanent establishment in Sweden or will otherwise have a presence in Sweden, it needs to register as a taxable subject and register a permanent establishment.

As the Swedish Vice-Presidents will remain fully employed by the Swedish universities, no reporting or tax obligation for UArctic should occur, unless UArctic could be considered to be their actual employer.

Swedish withholding tax would not apply to donations made as “in-kind-contributions”. The Swedish employer university of a Vice-President may however need to pay Swedish tax according to the withdrawal taxation legislation as services are provided to a recipient in no exchange of payment. Withdrawal taxation is calculated on the market value of the service provided. Universities that are part of the Swedish state (such as Stockholm University or Mid Sweden University, which as far as we gather are members of UArctic) are generally not liable to pay income tax and may thus not be affected by the rules regarding withdrawal taxation. Subsidiaries of universities are liable to Swedish income tax, even if the universities are part of the Swedish state. Withdrawal taxation rules apply no matter if the recipient of an in-kind-contribution is located in Sweden or abroad.

If UArctic is purchasing goods from Sweden or other EU countries to Finland and the volume of these purchases exceeds 10 k€/calendar year, UArctic is liable to register for VAT register as an organization making intra-Community acquisition of goods in Finland. In that case it is also liable to report and pay the Finnish VAT due on these intra-Community acquisitions to the Finnish Tax Administration. Also in a situation where UArctic is purchasing consultancy or software services (or other services meant in the Article 65 of the Finnish VAT Act) from taxable persons in other EU countries, UArctic is liable to register for VAT in Finland. By using this Finnish VAT number, UArctic is able to purchase these services from other EU countries without foreign VAT, but UArctic is liable to report and pay Finnish VAT instead based on reverse charge mechanism.

D.2.4. Russia

Membership fees to abroad are not subject to withholding tax in Russia in general if the organization that receives the membership fees is a non-profit organization, but there might be some exceptions.

The withholding status of gifts to some organizations abroad depend on the tax agreements between different countries.

There are some governmental or other payment restrictions to all the money transfers outside Russia. There has to be a written agreement on gifts above 3.000 rubbles. All the monetary transactions are under the exchange control.

A NArFU Foundation is collecting the membership fees of UArctic and report them to UArctic, but no money transfers are made, just booked as a receivable in UArctic and a liability in NArFU. UArctic donates to NArFU to take care of UArctic operations via a Deed of Donation, and updated co-operation agreement, but no money transfers between UArctic and NArFU are made, just booked as liabilities in UArctic and receivables in NArFU.

In Russia, the supply of goods, work and services in the territory of the Russian Federation is subject to VAT. Russia applies a so called destination principle and thus VAT is due in Russia if the goods or services are consumed or used in Russia and the exportation of goods or supply of services used outside Russia are zero rated. Therefore, if UArctic purchases goods from Russia and the goods are delivered to Finland, the purchase invoice should not include Russian VAT. In Finland, the Finnish VAT is due on the importation of goods. Provided that UArctic does not have a physical presence in the territory of Russian Federation, Russian VAT is not due on the supply of intangible services, such as consultancy work and software services to UArctic. In Finland, UArctic is liable to account Finnish VAT on these services based on reverse charge mechanism.

D.2.5. USA

Donations from private persons and others to USA Foundation of UArctic

The fundamental legal issue is that US federal tax law does not permit a charitable contribution deduction for gifts made to a foreign charity, such as UArctic. Instead, all charitable contribution deductions must be made to a domestically organized charity. But at the same time, there is no impediment under U.S. tax law for a domestic charity to conduct activities in a foreign country or to make grants to a foreign charity, so long as the purposes achieved further the purposes of the domestically organized charity. Accordingly, a US donor may make a tax-deductible gift to the Foundation, which the Foundation then uses to further its own mission by making grants to UArctic and other foreign entities.

For this result, to prevail it is critical that the Foundation is the true grantee, and is not a mere conduit (flow-through) through which donations are funnelled to the ultimate foreign recipient. If contributions are inevitably committed to go to the foreign charity, then the intermediary (here, the Foundation) will be ignored, the foreign charity treated as the real grantee, and the deduction denied.

Published rulings have set forth a roadmap for successfully structuring a "friends of" organization that will avoid the conduit status. The road map contains the following elements:

- Discretion and Control. It is essential that the Foundation be in a position to exercise discretion and control over the contributions it receives.
- Grants for Specific Projects. The Foundation should fund specific projects of UArctic (or other recipients of grants) rather than receiving contributions and sending them at convenient intervals to the foreign charities.
- Preapproval of Projects. UArctic and other foreign organizations, such as the University of Lapland, should make a series of grant proposals to the Foundation, including a number of specific projects that they would like to accomplish. The board of the Foundation then reviews and approves those projects it considers to be of most interest to U.S. donors before soliciting contributions. Solicitations should be done in the name of the Foundation; and the Foundation board should be able to terminate support for any specific project if it becomes aware that the funds are no longer serving its charitable purposes.
- Recordkeeping. The Foundation should maintain adequate records to demonstrate that independent discretion and control has been exercised by the Foundation board.
- Board Composition. Because notions of agency are an important part of the determination of conduit status, it is always advisable for a majority of the directors to be U.S. citizens who are not formally affiliated with UArctic or any other foreign entity that is expected to be a frequent grant recipient from the Foundation. Board members could be drawn from representatives of US-based members of UArctic.

The above rules are applicable to the Foundation so long as it maintains public charity status. The IRS has recognized the Foundation as a publicly supported public charity. It will need to maintain this status. Other rules apply to private foundations (the default tax classification under Section 501(c)(3)).

State Law considerations. Most states piggyback on the federal tax rules, and do not require an entity to obtain recognition of a separate state tax exemption. The Washington State Department of Revenue appears to require a non-profit organization to register, unless it fits into an exception. Charities that only conduct fundraising activities that do not constitute the operation of a regular place of business are not required to register with the Washington State Department of Revenue. The Foundation may fit within this exception, depending on its activities.

Separate from the Department of Revenue, the Foundation will have a registration and annual filing requirement with the Washington Secretary of State, which maintains a listing of charitable organizations in the state, and, together with the Washington Attorney General's office, oversees the proper handling of charitable assets. Certain thresholds to registration and filings may apply. To the extent that the Foundation actively solicits contributions in states other than Washington, it may need to register and make annual filings in those states as well.

These are state-level compliance issues for the Foundation, but they should not impact the basic rules regarding the ability of US donors to take a federal income tax charitable deduction for gifts made to the Foundation, so long as the "friends of" rules outlined above are followed.

Membership fees from US universities to UArctic

There should be no withholding requirement with respect to a membership payment remitted from a US university (or other US-based organization) to UArctic.

Withholding should not be applicable to the grants made by the Foundation to the foreign recipients as the grants should not be considered in the nature of income subject to withholding. However, this is not always clear and therefore action to negate a withholding requirement should be taken. The most straight forward way to avoid a withholding requirement is to include a provision in the grant agreement that accompanies the distribution from the Foundation to the foreign charity that states the grant funds are to be used exclusively to support activities conducted outside the United States. To the extent possible, the Foundation may want to target its foreign grants for projects that will meet this requirement.

If a grant will be used by the foreign recipient for activities conducted entirely or in part in the US, there are two other ways to avoid withholding:

- Treaty. No withholding will be required if the grantee qualifies for tax exemption under the relevant U.S. tax treaty and the grantee provides the Foundation with a completed Form W-8BEN.
- Equivalency. No withholding is required if the foreign entity is equivalent to a U.S. tax exempt organization. The Foundation can rely on a representation to this fact only if presented with a Form W-8EXP and either an IRS Determination Letter or an opinion of U.S. counsel stating that the organization is equivalent to a U.S. charity.

Governmental or other restrictions

There are no payment restrictions for a grant going from the Foundation to UArctic beyond what is discussed above.

There are no US payment restrictions that would apply to membership dues paid to UArctic.

There are, however, voluntary best practices recommended for U.S. charities who send funds overseas. In this situation, where the foreign grantees and their leadership will be well known to the Foundation, the most important of these practices is to use grant agreements that (i) clearly set forth the permitted use of the funds and (ii) require reporting on that use.

While not a restriction, the Foundation will respond to questions asked about its foreign activities/expenditures on its federal information return (Form 990), and if they exceed a certain threshold (currently $10,000) will also fill out a schedule (Schedule F) regarding those activities to submit with its return.

Reporting obligations

A foreign charity that normally receives less than $50,000 annually from sources within the US (other than from investments) and which does not engage in significant activity in the US should not have a US tax filing obligation.

VAT issues

In the United States, a sales tax is imposed on the sale, transfer, or exchange of goods and specified services. There is no federal sales tax, but a state level sales tax can be found in all states except Alaska. Complementary to the sales tax is the use tax which has been enacted in every state that imposes a sales tax. Use tax is defined as a tax on the storage, use, or consumption of a taxable item or service on which no sales tax has been paid. Use tax is a complementary tax to the sales tax and does not apply if sales tax was charged. Beside sales and use tax, local jurisdictions may or may not impose additional taxes depending on the state's structure. The determination of what goods and services are taxable varies among the states. Therefore, if UArctic ry purchases goods or services from the USA, the US tax issues should be examined more thoroughly from each state in question. In Finland, the importation of goods from the USA is subject to Finnish VAT and the purchase of consultancy and software services is subject to reverse charge mechanism.

E. ADMINISTRATIVE PRACTICES

E.1. Contract Management

The persons who have the official signatory rights for UArctic are responsible for selecting and approving the service providers. The official signatures of UArctic should be made according to a list approved by the Board.

The Board of UArctic is responsible for monitoring the related outsourced service providers. These responsibilities include that the service is according to the contract and the invoicing of the services is according to the contract.

The contract adopting process follows the purchase to pay process, when applicable. UArctic contracts are drafted or if supplier's contracts are used, reviewed by the Secretary General.

Contract storage. All the contracts must be electronically storage under the relevant directories located in "UArctic files" in the network server of the UArctic International Secretariat. The UArctic International Secretariat is the central archiving location of UArctic and shall ensure that relevant documents, letters, and communication, as well as contracts and financial documents, are preserved and available to relevant bodies.

E.2. Insurance Policy

With the exception of certain local insurances, insurance matters are managed centrally by the UArctic International Secretariat. Association wide insurance policies have been taken out to provide cover for Directors and Officers liability coverage.

Employees working in UArctic member institutions must have sufficient insurance coverage related to payroll, pension, accidents and other legal requirements in each country, taken by the partner institutions. UArctic shall ensure that co-operation agreements secure such coverage to people working for UArctic purposes.

E.3. Internal and External Audit

E.3.1. Internal Audit

The purpose of an internal audit is not only to evaluate the appropriateness and success of the association's internal control system and risk management, but also to evaluate the management and corporate governance processes. The internal audit supports the development of the organization and improves the efficient fulfilment of the supervision obligation of the Board of UArctic.

The Board of UArctic determines who is responsible for auditing both the internal control system and the management of business risks. The person responsible for internal audit reports his/her findings to the Board. The Board of UArctic determines an annual plan for the internal audit.

The Board of UArctic evaluates annually if the internal audit is needed.

E.3.2. External Audit

The task of statutory auditing is to verify that the financial statements and the annual report of the Board of UArctic provide accurate and adequate information on the association's result and financial position. In addition, auditing includes an audit of the association's accounting and administration.

According to the UArctic Bylaws, the association must, during the annual Assembly, elect an independent auditor and a deputy auditor, or an auditing company and, therein, a responsible auditor. The operating term for auditors is until the next annual Assembly. The term shall start when the auditors are elected and shall end during the association's annual Assembly.

All necessary documents required for the closing of accounts and the Board's annual report shall be submitted to auditors by the middle of February to enable completion of the audit for the association's annual Assembly.

The auditors are to provide a written statement of accounts to the Board by the end of March to allow a review and approval of the Board before the annual Assembly.

According to the UArctic Bylaws, the Board is responsible for ensuring appropriate audits of any direct expenditure of funds made available to UArctic.

E.4. Communications

Communication is made according to UArctic's Communication Strategy and Graphic Guidelines.

The President of UArctic is in charge of the communications outside the association and the management of crisis communication. The President is assisted by the Secretary General in external communications.

The financial result and assets of UArctic are monitored annually through financial reporting. The annual financial reports are accessible to the Board of UArctic. The financial statement and annual report of UArctic are sent to members annually in connection with the notice of the Annual Assembly.

The UArctic International Secretariat maintains a UArctic Intranet and helps to set up communication solutions so that the operations of UArctic are practically possible.

E.5. Conflicts of Interest

According to Finnish Associations Law, a member of the Board or another responsible person is not allowed to participate in the handling of a contract between themselves and the association.

In addition, no other matter can be processed by such a person that may cause conflict of their personal benefit and benefit of the association.

Employees should avoid entering into situations in which their personal, family or financial interests or loyalties may conflict with those of UArctic. Employees may not engage in activities that compete with UArctic or compromise its interests. Employees should not take for their own benefit opportunities discovered in the course of employment that the employee has reason to know would benefit UArctic. A conflict situation can arise:

- when an employee, officer, or director, or a member of his or her family, or an affiliate of any of such parties, receives improper personal benefits as a result of his or her position in UArctic;
- when an employee, officer, or director takes actions or has interests that make it difficult to perform his or her UArctic work objectively and effectively;
- where a UArctic employee, officer or director works simultaneously for a competitor;
- where an employee, officer or director has a financial interest in a competitor that may cause divided loyalty with UArctic or the appearance of divided loyalty;
- if an employee, officer or director acquires an interest in a property (such as real estate, patent rights or securities) where UArctic has, or might have, an interest;
- through the making of loans to, or guarantees of obligations of, employees and their family members; or
- if any employee, officer or director divulges or uses UArctic's confidential information for his or her own personal or business purposes.

Conflicts of interest are not always clear-cut. If an employee becomes aware of a conflict, potential conflict, or has a question as to a potential conflict, the employee should consult with higher levels of management. If an employee becomes involved in a situation that gives rise to an actual conflict, the employee must inform the higher levels of management. Please be aware that a member of management may not authorize a conflict of interest matters without first seeking the approval of the Board and filing with the Board a written description of the activity. If a member of management is involved in the potential or actual conflict, that member of management should discuss the matter directly with the Board.

E.6. Risk Management

E.6.1. Principles

Risk management is part of the association's control and monitoring system. The purpose of risk management is to ensure that the risks related to the business operations are identified, evaluated and monitored. The association continuously assesses the risks (including project risks) and opportunities related to its environment, operations and financial performance in order to limit unnecessary and excessive risks.

The outsourced service providers and their processes related to UArctic operations are part of the UArctic risk management. It is vital to require the outsourced service provider to identify the risks related to UArctic operations and to plan together the related key process-related control measures and risk management procedures.

The President is responsible for reporting the risk position to the Board of UArctic on a regular basis twice a year.

E.6.2. Continuity

Any potentially catastrophic risk needs to be mitigated and continuity plans need to be created for those risks.

Risks should always be identified and assessed, and mitigation plans for most significant risks including outsourced services and service providers, as well as for those lower classified risks where mitigation is practical and economical, need to be created. Summary overview of risks and their mitigation and continuity plans will be communicated to the Board.

Ultimate decisions regarding individual risks and their mitigation is made by the Board of UArctic based on the President's and Financial Policy Advisory Group's reporting and suggestions.

E.6.3. Risk Management of Outsourced Service Providers

As an appendix to the accounting service provider contract, it is vital to ask the service provider to offer process descriptions related to the most important services and key controls related to the processes.

In addition, information practices related to possible service interruptions (system upgrades, changes) and service back-up arrangements (continuity plan) must be agreed upon if the main method of generating information is not in use.

It is vital to require the service provider to describe the key process-related control measures and risk management procedures that ensure that the service ordered by the UArctic corresponds to the service level agreed in the contract. A description of the service provider's internal control principles should be requested and attached to the contract.

In addition, business continuity plan related to ensuring the smooth operation of the service provider's services should be asked from service provider.

It is important to agree on clear minimum service level requirements in the contract (e.g. schedule and faultlessness), below which the service provider is obliged to offer the compensation in accordance with the sanction specified in the contract, for example, a reduction in the monthly/annual service fee.

F. APPENDICES

F.1. Deed of Donation Template

Day Month, Year

DEED OF DONATION

Between **UArctic ry.**
c/o UArctic International Secretariat
P.O. Box 122
96101 Rovaniemi, Finland

and **Name of institution / organization**
Dept. or unit
Address
City, Country

Name of UArctic position / program / activity

In following with the memorandum agreement between UArctic and [name of inst. or org], signed on [date and link to formal agreement), and for the purpose and specific outcomes stated in the charitable donation received from [name of donor/foundation]; UArctic ry allocates EUR 00,000 to [inst. or org] to develop, maintain and support the functions and activities undertaken by or associated with [title of position / program / activity]. The [name of inst. or org] in shall not claim any overhead on funds donated by UArctic. However, in the event that the workload imposed on the [name of inst. or org] exceeds the level of support agreed in this document, compensation will be negotiated between the two parties.

The [inst. or org] is responsible for providing the UArctic International Secretariat with an annual report including full activity and financial details on the use of funds and outstanding balance before [date].

For any queries, please contact Outi.Snellman@uarctic.org or secretariat@uarctic.org

[signature]

Donor
Outi Snellman
Secretary General
UArctic International Secretariat
UArctic ry

[signature]

Recipient
[name]
[title]
[Dept. or unit]
[Institution – organization]

cc. UArctic President
UArctic Finance Controller

F.2. Co-operation Agreement Template

F.3. Subgrant Agreement Template

F.4. Description of the Triangle Illustration

Description of the Triangle Illustration of UArctic Finances in section B.1.

The pyramid illustration describes the overall UArctic Financial effect in three layers.

1st level
Top part of the pyramid refers to the UArctic association expenses, in other words money spent directly to UArctic activities by UArctic association. These funds are controlled by the UArctic Board. UArctic has access to detailed reporting in form on UArctic financial statements. Expenses in this section include donations for UArctic members, auditing and consulting, costs of administration and finances (e.g. financial management services, banking costs, authority fees, insurances), communications and website costs, and other costs directly related to the UArctic association.

2nd level
The middle section represents all the money used in UArctic activities by members and partners through written agreements (Memoranda of Understanding). Activities include hosting UArctic staff and offices or other UArctic functions. UArctic has reliable information on the value through the agreements and can ask reports from the hosts but does not have direct decision-making power over this money, as it is run by the good offices of the members.

3rd level
The bottom section represents the impact of the top and middle level. All other activities under UArctic's name belong to this layer, such as members' activities, Thematic Network activities, and student mobility. This is the largest part of the total value of UArctic activities, but UArctic does not have access to exact money spent on the activities, and reports on this section are based on best estimates.

The level of certainty is highest at the top of the pyramid and decreases in the lower levels respectively. 3rd level figures are least certain with data available for the number of e.g. held conferences, publications and student mobility activities, but the monetary stake for each category is an estimate based on best guess. Should there be an estimation bias, the value of the third level is subject to greatest volatility.

F.5. Overhead policy

Indirect costs / Overhead for Projects and Other Activities Managed by UArctic

Background

UArctic shall seek to recover all associated direct costs as well as a full measure of the indirect costs associated with administrative supports and services on all funded activities.

Purpose

This policy will serve as a mechanism whereby indirect costs (overhead) associated with projects and other activities are recovered. Indirect costs normally not charged direct to the activity / project include, but is not limited to, administrative costs needed to carry out the activity such as, audit fees, bank costs, legal fees, admin employee salaries, entertainment costs, utilities, rent, software fees, accounting costs, and insurances.

For the purpose of this document, the term project is used all inclusive to cover all funded activities, independent on being implement "in house" or by a member institution where the funding is handled by UArctic. This could be grants, projects, scholarships, awards etc. The term overhead is used as a generic term for the contribution from a project to cover all indirect costs in this document.

Policy

All activities carry indirect costs, and it is expected that these costs should be covered by the budget of all projects, whenever possible.

All projects must include in the budgets all items which can be charged legitimately to the project, including overhead / indirect costs.

The overhead terms should always be specified in donation or project terms. If the deed of donation doesn't require specific reporting on usage of overhead, donation overhead is to be used for purposes listed in UArctic's fundraising permit, but is not tied to the original donation. The overhead can be moved to a project reserve.

An overhead rate will be charged to compensate indirect costs associated with projects administered by UArctic and shall be applied to all projects based on standard rates based on reasonable recovery of indirect and based on the administrative costs identified within the attached Overhead Rate Sheet.

UArctic may agree to a lower rate in cases where the indirect costs are covered by other budget items.

UArctic may agree to a lower rate when member institutions taking part in the implementation of the activity, also take care of, and charge, some of the indirect costs. The combined overhead should be reasonable.

Normally indirect costs will not be waived. However, in exceptional cases UArctic may agree to cover the indirect costs of an activity. The decision in these cases will be made by the President.

Revenues from project indirect costs (overhead) shall be allocated to UArctic's operational fund and will be used according to the annual budgets. The main priority will be to cover said indirect costs.

Overhead Rate Sheet

Activity	Rate	notes

Projects carried out by UArctic	25%	Can be less, if the funder rules define other rate limitations.
Larger grants and projects with few transactions	15%	Larger projects and activities, where UArctic main role is to distribute the funding and tasks to members and partners, and UArctic produce final reporting to the granting partner.
Received gifts primarily distributed onwards as donations for UArctic activities with minimal reporting requirement	10%	Typically grants for student and thematic networks where reporting requirement is modest.
Donations to UArctic endowments	2%	

F.6. Procurement policy

UArctic Procurement Policy

1. Purpose

This document describes UArctic procurement policies and practices. The Procurement Policy is designed to ensure that the Procurement of all Supplies, Works and Services including Consultancy services required for the operation of UArctic is handled in a transparent, timely, efficient and effective manner with due regard to the objectives of the association and in line with the organization's financial policies and anti-corruption standards.

2. Scope

The Policy covers all purchases of direct and indirect material and services including investments and outsourcing.

3. General Principles

UArctic, as a non-profit association registered in Finland, operates under specific procurement policies that align with its unique structure. Most purchases are conducted in accordance with the regulations of the host institutions of staff and project partners. As such, these purchases typically remain the property of the respective member institutions.

In all UArctic purchases the (Finnish) Act on Public Procurement and Concession Contracts as well as the (EU) state aid regulations need to be observed and complied with as may be necessary.

4. Supplier selection

When initiating the purchase, consideration for competitive bidding should be made based on the estimated value of the procurement.

- The purchases with estimated value of less than €15,000 euros can be purchased directly from the desired supplier.
- If the value is greater than €15,000 euros, it should be considered to ask for competitive bids.
- Direct procurement greater than €15,000 without competitive bidding can be done if the management considers that the circumstances of the procurement demand so.
- The decision for direct procurement over €15,000 must be documented and approved by The President. For procurements initiated by The President, approver is Board Chair.

If the purchase is related to government, EU or some other financial institution grant the project terms and values need to be followed accordingly.

5. Approval of purchases

When UArctic ry needs to make purchases, the following guidelines apply for seeking approval:

- **Authority for Purchases:** o All purchases must be properly approved before binding order is made
    - The Secretary General has the authority to approve purchases up to a value of €20,000.
    - For purchases required by the Secretary General, authorization must be obtained from the President.
    - Any purchases exceeding €20,000 require approval from the President.

- Any purchases exceeding €100,000 must be approved by the Board Executive Committee.
- Approvals are made in written form, e.g. meeting minutes or in an e-mail.

- **Recurring commitments:** Any recurring financial commitment equal or under €25,000 must be approved by the Secretary General.
- Any recurring financial commitment that exceeds €25,000 annually must be approved by the President.
- Recurring financial commitments over €50,000 must be approved by the Board executive committee.

- **Invoice handling in accounting system**

  Due to limited user rights in the accounting system, invoices are reviewed by the Finance secretary based on inquiries and sufficient supportive documentation from the person who initiated the purchase (orderer).

  Person who is authorized to approve the purchase can approve the invoice related to it. In practice, invoices are approved by the Secretary General or The President.

  Neither can approve their own invoices. If Board Executive Committee is authorized to approve the purchase, The President or Secretary General approves the invoice on their behalf based on sufficient documentation, i.e. meeting minutes.

  Invoice review and approval shall always be documented in the accounting system.

6. Procurement for Leadership Needs

UArctic leadership must maintain the technical and physical capability to work across all time zones, which necessitates access to appropriate IT equipment, furniture, and connectivity both at home and while traveling. The following rules apply to such equipment:

- UArctic ry may purchase necessary equipment for its leadership if the home institution does not provide it.
- The purchased equipment is intended strictly for work purposes and should not be considered private taxable income for personnel.
- All equipment purchased under these guidelines remains the property of UArctic ry and must be recorded in a property ledger maintained by the UArctic International Secretariat.
- Upon the conclusion of an individual's position with UArctic, any equipment must be returned to the UArctic Secretariat or the host institution.
- Equipment is considered to have lost its value after five years and will be removed from the ledger.
- Purchasing such equipment will follow the same guidelines as other purchases in terms of required approvals.

7. Requirement for formal contracts

Written contracts should always be signed if the total purchase value is over €10,000 euros or if the invoicing is recurring (e.g. phone, data, rent, software use, subcontracting or delivery service).

UArctic contracts are drafted or if supplier's contracts are used, the terms are reviewed by the Secretary General.

All contracts must be approved/signed in accordance with the procurement authorization policy.

The process for forming service agreements follows the guidelines outlined in the UArctic Financial Management Policies and Procedures Manual.

7. Compliance with Anti-Corruption Policy

The President is responsible for ensuring that all procurement activities comply with the UArctic Anti-Corruption Policy. This includes:

- Avoiding conflicts of interest in all procurement processes.
- Ensuring transparency and fairness in all dealings with suppliers and service providers.
- Promoting ethical practices and avoiding any actions that could be perceived as corrupt or unethical.

Approved by the UArctic Board on October 30, 2024

F.7. Structure of the Financial Statements

Appendix for section B.6.2. Financial Statements:

Finnish Accounting Ordinance 1339/1997: Section 3 (30.12.2015/1752)

Layout of the profit and loss account for a non-profit association or a foundation

The profit and loss account of a non-profit association or a foundation shall be presented with the following layout:

Ordinary operations
1. Income
2. Expenses
a) Staff expenses
b) Depreciation and amortisation
c) Other expenses
3. Surplus/Deficit
Fundraising
4. Income
5. Expenses
6. Surplus/Deficit
Investments and financial activities
7. Income
8. Expenses
9. Surplus/Deficit
10. Subsidies
11. Profit/loss for the period
12. Appropriations
a) Change in cumulative accelerated depreciation
b) Change in taxation-based reserves
c) Group contribution
13. Surplus (Deficit) for the financial year

Ordinary operations referred to above in subsection 1 consist of activities carried out in order to fulfil the purpose defined in the rules.

The income and expenses falling to each category of ordinary operations, fund-raising and investment and financing may be broken down in a note instead of the profit and loss account.

Where necessary to provide a true and fair view, the income and expenses from ordinary operations shall also be broken down by function in the profit and loss account or a note. In the profit and loss account, no other information needs to be presented on business activities besides total income and expenses, provided that a separate profit and loss account prepared for the business activities is presented as a note.

If necessary for the provision of a true and fair view, a non-profit association or a foundation may prepare its profit and loss account in accordance with section 4, where its operations consist mainly of the possession of real estate. In this case, income and expenses pertaining to the following categories shall be presented as a note:

1) ordinary operations;
2) fundraising;
3) investment and financing activities; and
4) subsidies.

Notwithstanding the provisions above in this section, a non-profit association and a foundation may prepare its profit and loss account in accordance with the layout based on the nature of expenses under section 1 or based on function of expenses under section 2 provided that the notes referred to above in subsection 4 are presented.

F.8. Policy on Other Restricted Reserves

Background

As a non-profit organization within the rules of Finland, UArctic RY must ensure its annual balance sheet reflect amounts within the regulations to maintain a non-profit status. UArctic is therefore required to establish Restricted Reserves to hold the transfer of funds that have been received for specific purposes related to agreements (with donors, partners and members) and UArctic activities.

Purpose

The Other Restricted Reserves will hold funds that have been transferred from UArctic ry accounts by Board decision and held for specific costs associated with funding agreements and specific UArctic activities that have not yet been carried out.

Policy

All monies transferred to the Other Restricted Reserves will be utilized according to the obligations provided with the associated agreement and cannot be used for any other purposes.

Funds will only be transferred to the Other Restricted Reserves with an official decision of the Board of UArctic ry.

The Board will ensure that all funds transferred to the Other Restricted Reserves shall be used in compliance with the requirements of the agreements associated with the specific funds.

All funds transferred to the Other Restricted Reserves shall be recorded with total amounts and associated agreement/intent.

Reporting of the Other Restricted Reserves shall be included within the annual cycle of financial audits and reports of UArctic ry.