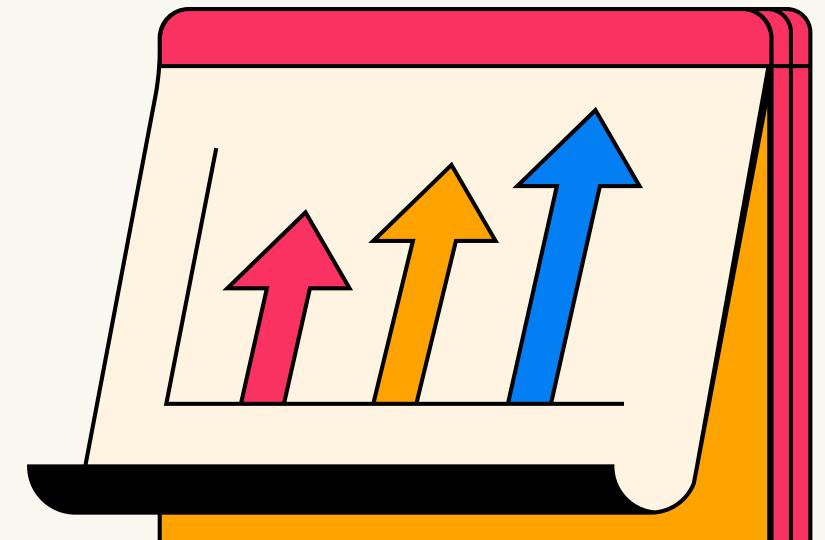
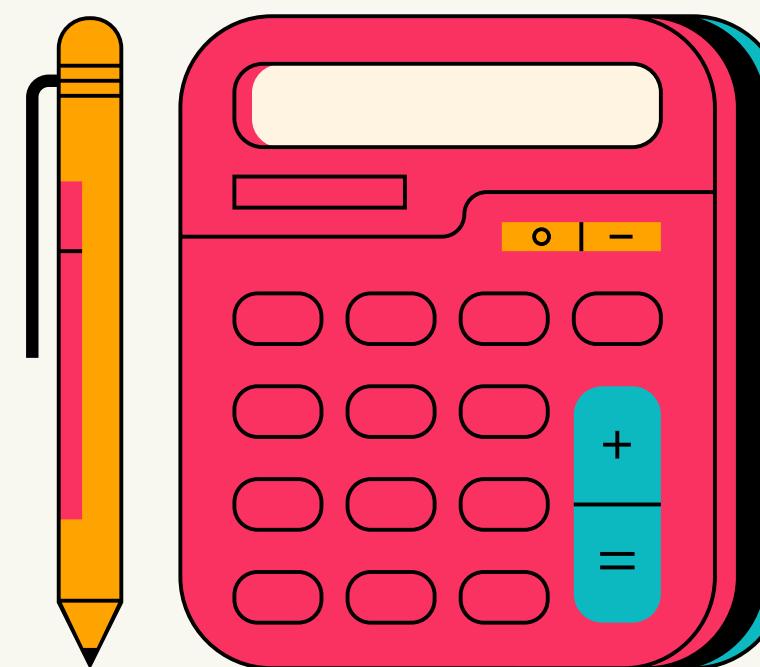


FINANCE & LEGAL STANDARDS

An Aiesecr guide to financial standards and concepts

Compendium Downscaling

by FNL



Introduction

Understanding the financial and legal backbone of AIESEC is not just for FNL or LCVPs — it's essential for every leader in the organization

This guide serves as a foundational tool for navigating the standards that uphold our financial credibility and legal compliance as a youth-run, global nonprofit. Designed for Local and Member Committees, this compendium outlines core procedures, standard practices, and ethical expectations to ensure uniformity and accountability in financial operations.

REPORTING



01

Reporting

Purpose and Relevance of Reporting in AIESEC

Objective of the Reporting Standard:

- Defines minimum requirements for reporting to stakeholders.
- Aims to enhance transparency and accountability across the organization.

Why It Matters for AIESEC:

- As a global non-profit, AIESEC operates with a high accountability structure.
- Works with many internal and external stakeholders.
- The standard ensures a consistent and credible reporting culture, reinforcing stakeholder trust.

Key Financial Reporting Requirements

Reporting Frequency & Responsibilities:

- Monthly & Year-to-Date Reports: MC & LC financial statements (P&L, balance sheet, cash flow).
- Bi-weekly: MC & LC budget execution reports shared within respective executive bodies.
- Quarterly:
 - MC reports to LCPs
 - LC reports to Local Plenary
- Annual Reports: Financial & sustainability reports stored physically/virtually.

Other Requirements:

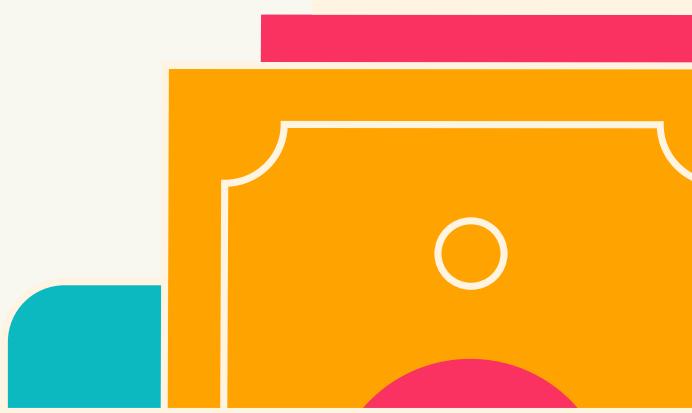
- Monthly GFB Survey: Must be duly submitted.
- Reports must be prepared, presented, and stored regularly to ensure compliance and data availability.



ACCOUNTING

02

Accounting



Accounting Standards & Relevance in AIESEC

Objectives of Accounting Standards:

- Transparency - Clear, open financial practices
- Reliability - Trustworthy information
- Consistency - Uniform methods over time
- Comparability - Across LCs and MCs
- Accountability - Financial responsibility

Why It's Relevant to AIESEC:

- Financial transparency
- Consistency in reporting
- Informed decision-making
- Compliance with local laws
- Credibility & proper accounting
- Long-term sustainability



Accounting Practices in AIESEC

Core Practices:

- Double Entry Bookkeeping: Every transaction recorded twice (debit/credit)
- Accrual Accounting: Revenue/expenses recognized when earned/incurred
- Global Standards: Align with local laws & AIESEC's global reporting

Monthly & Annual Tasks:

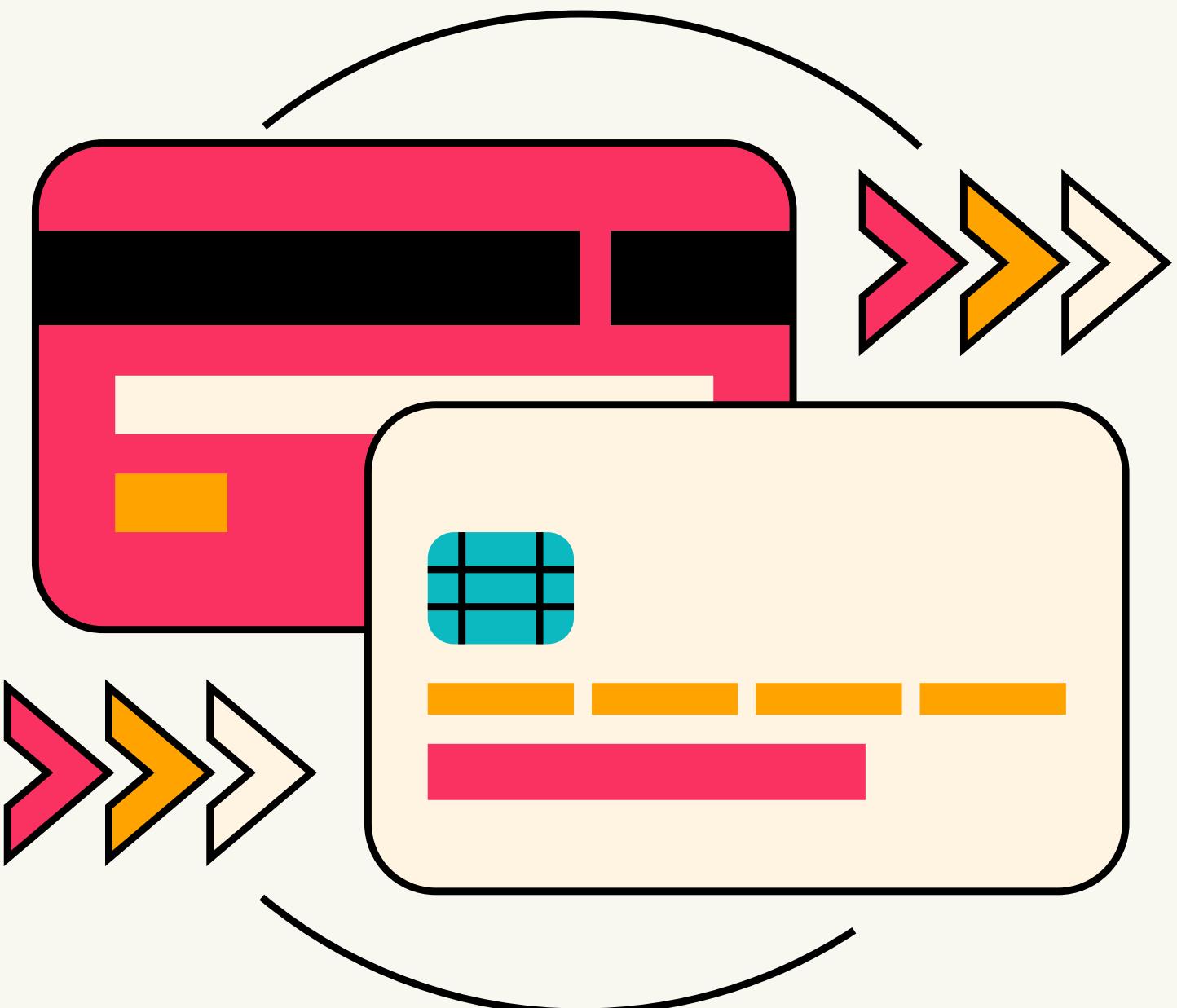
- Reconcile accounts & generate trial balances monthly
- Generate monthly general ledgers
- Annual review of the chart of accounts

Reporting Structure:

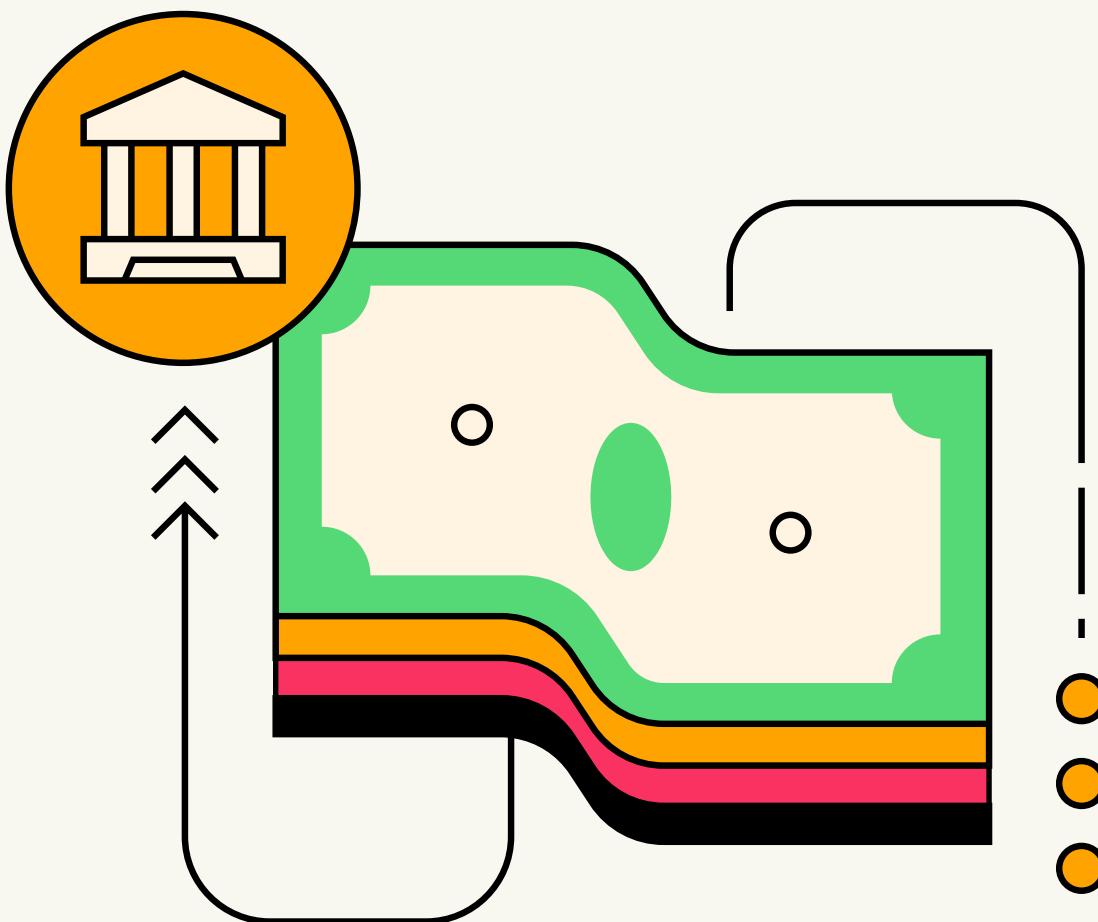
- Follow Global Chart of Accounts for global consistency
- LCs align with MC-provided charts for easy consolidation

Receivables Management:

- Defined credit policy
- Structured receivables follow-up
- Regular routine with accountants (if applicable)



AUDITING



03

Auditing

Purpose & Relevance of Auditing in AIESEC

Objective of Auditing Standards:

- Define the baseline for internal and external audits.
- Ensure transparency across organizational financial activities.

Importance to AIESEC:

- AIESEC operates globally through interconnected entities.
- Audits reinforce integrity and accountability in operations.
- Control systems help identify and mitigate organizational risks.

Core Auditing Standards:

- External audit must result in an unqualified report.
- Each MC must appoint an internal auditor.
- Internal audits of LCs and MCs must occur quarterly and semi-annually, respectively.
- Entities must adopt internal controls aligned with the AIESEC Financial Procedures Manual.
- Legal internal audits are to be conducted at least quarterly.

Key Audit Practices Explained

External Audit Report:

- Covers all financial operations under legal registration.
- Must be stored securely, physically or digitally.

Internal Auditor (MC):

- Oversees finance and governance audits on behalf of the national plenary.
- Can be a qualified alumni.

Internal Financial Audits:

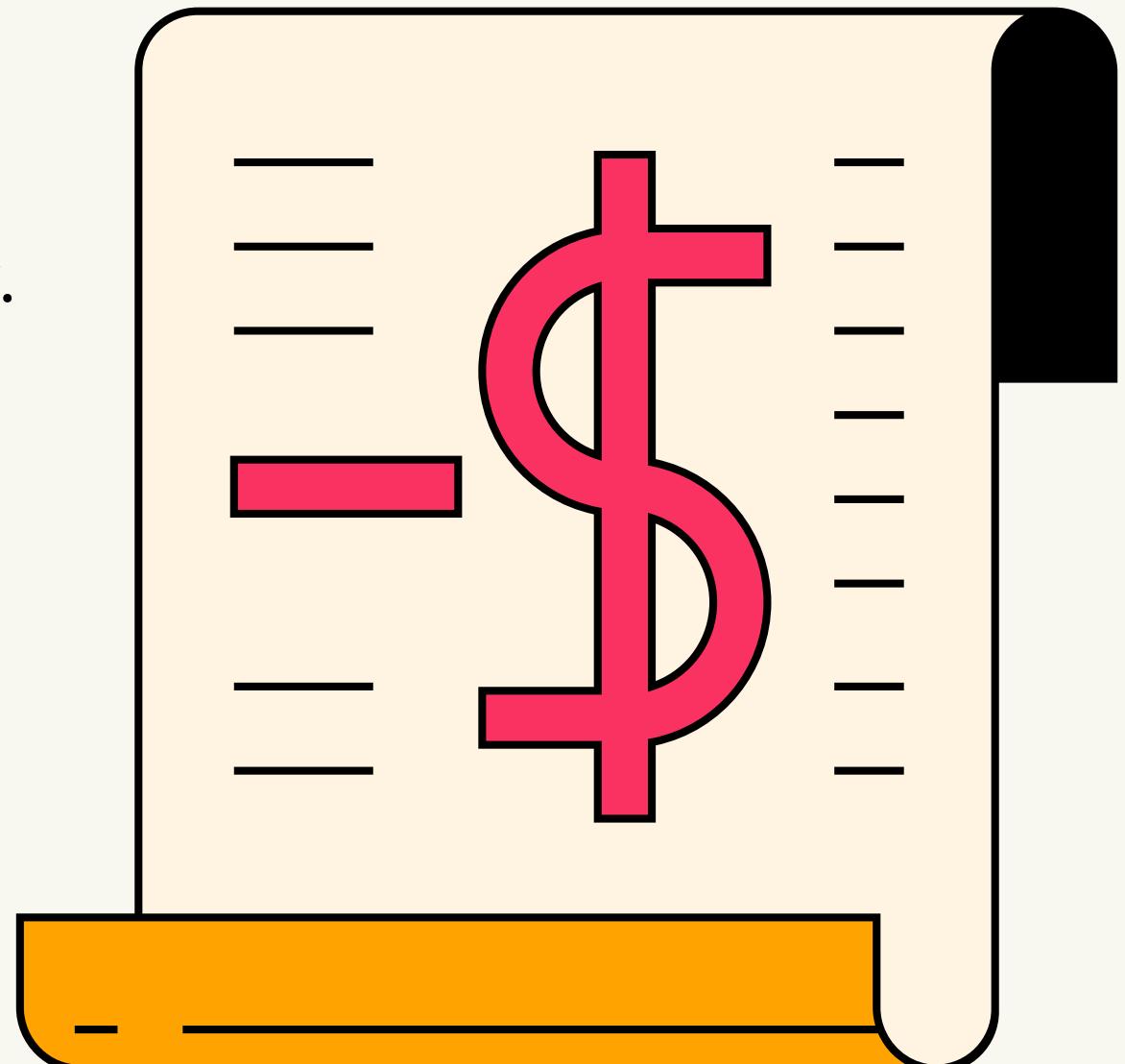
- LCs: Quarterly, managed by MC or independent body.
- MCs: Every semester by an independent internal auditor.

Internal Control Testing:

- Procedures must align with the AIESEC Financial Manual.
- Effectiveness evaluated via test of controls.

Legal Audit (MCs & LCs):

- Ensures legal documents/contracts are in place.
- Conducted using structured internal audit procedures.



04

Legalities

The legal framework within AIESEC ensures that all entities operate within the boundaries of national and international law, as well as the organization's internal policies.

Key Legal Requirements:

- Registration & Licensing: Every LC and MC must operate under a valid legal entity and ensure annual revalidation as required by local laws.
- Contracts & Agreements: All external engagements — MoUs, partnership contracts, venue bookings, etc. — must be legally vetted and signed only by authorized signatories.



Key Legal Requirements:

- Data Protection & Privacy: Personal data collected through EPs, partners, and members must comply with data privacy laws (e.g., GDPR, if applicable).
- Labor & Volunteer Law: Roles and working conditions must follow regulations related to volunteer work and internships.
- Legal Documentation Storage: All official contracts, licenses, and legal audits must be stored both physically and digitally for transparency and accessibility.

AIESEC Practices:

- Use of standardized legal templates shared by MC Legal/Finance.
- Mandatory quarterly legal audits (internal or external).
- Legal approval protocols before launching new projects or entering collaborations.

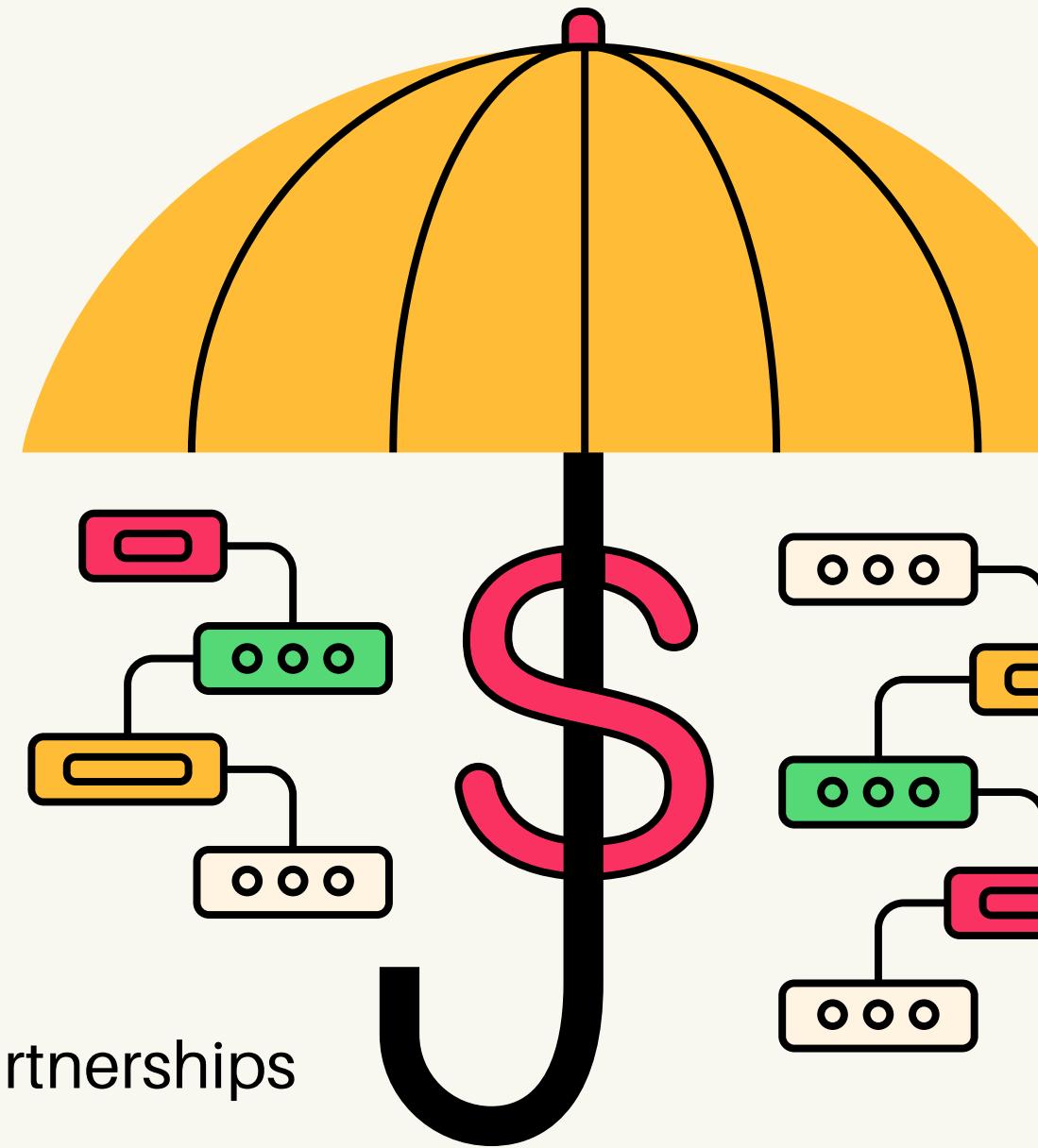
05

Investing

Investing in AIESEC is about responsible financial foresight. While we are not a profit-driven organization, managing surplus funds through ethical, low-risk investment vehicles enhances our sustainability and resilience.

Guiding Principles:

- Ethical Alignment: Investments must reflect AIESEC's values — avoiding partnerships with tobacco, gambling, or politically misaligned entities.
- Risk Management: Investments should prioritize security over high return. Approved instruments include government bonds, fixed deposits, or interest-bearing savings accounts.



Approval Process:

All investment decisions must be:

- Proposed by LCVP F&L or MCVP F&L
- Reviewed by relevant oversight bodies (e.g., Local Plenary or National Board)
- Documented with rationale and expected ROI

Tracking & Reporting:

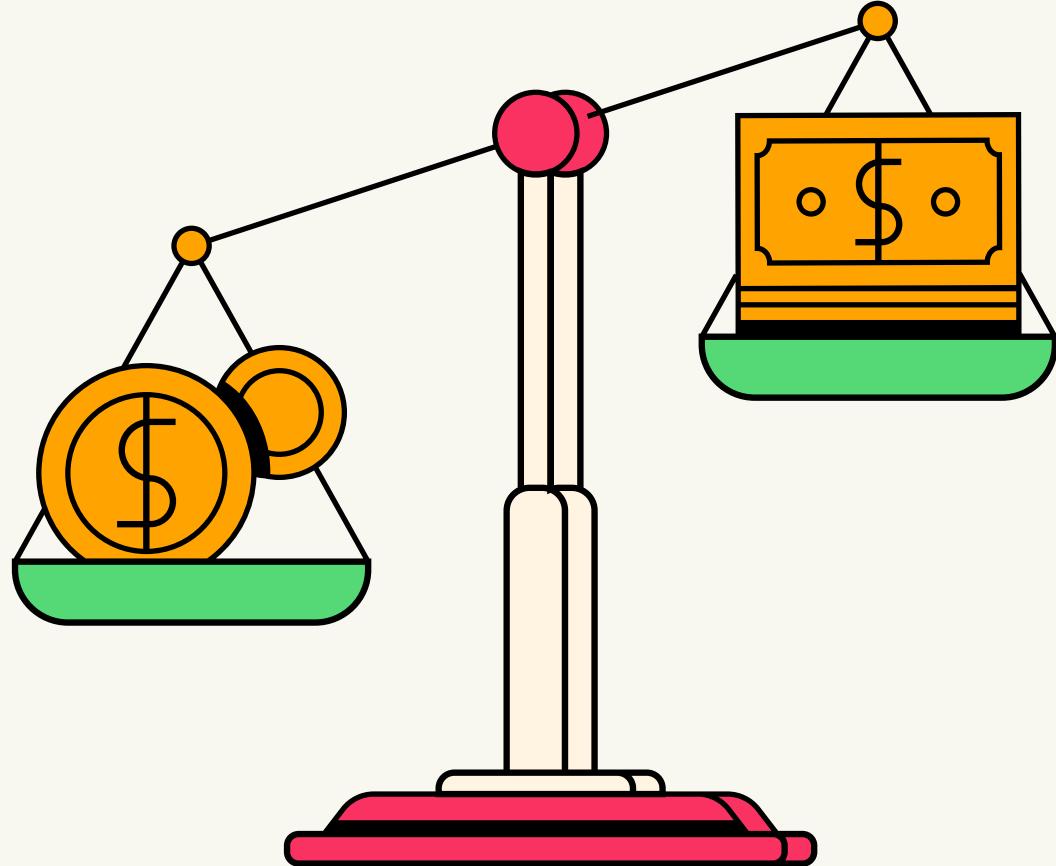
- Maintain a monthly investment tracker.
- Include investment updates in quarterly and annual reports.
- Assess ROI vs. inflation to gauge effectiveness.

Capacity Building:

Encourage LC F&L teams to conduct basic investment literacy sessions for EB and members to promote long-term financial thinking within the entity.

06

Risk Management



Risk management within AIESEC ensures that all financial and legal decisions are backed by proactive thinking, contingency planning, and compliance awareness. It's not just about avoiding problems — it's about being prepared for them.

Types of Risks in AIESEC Operations:

Financial Risk

- Budget overuse or misallocation
- Cash flow shortages
- Fund mismanagement or fraud

Types of Risks in AIESEC Operations:

Legal Risk

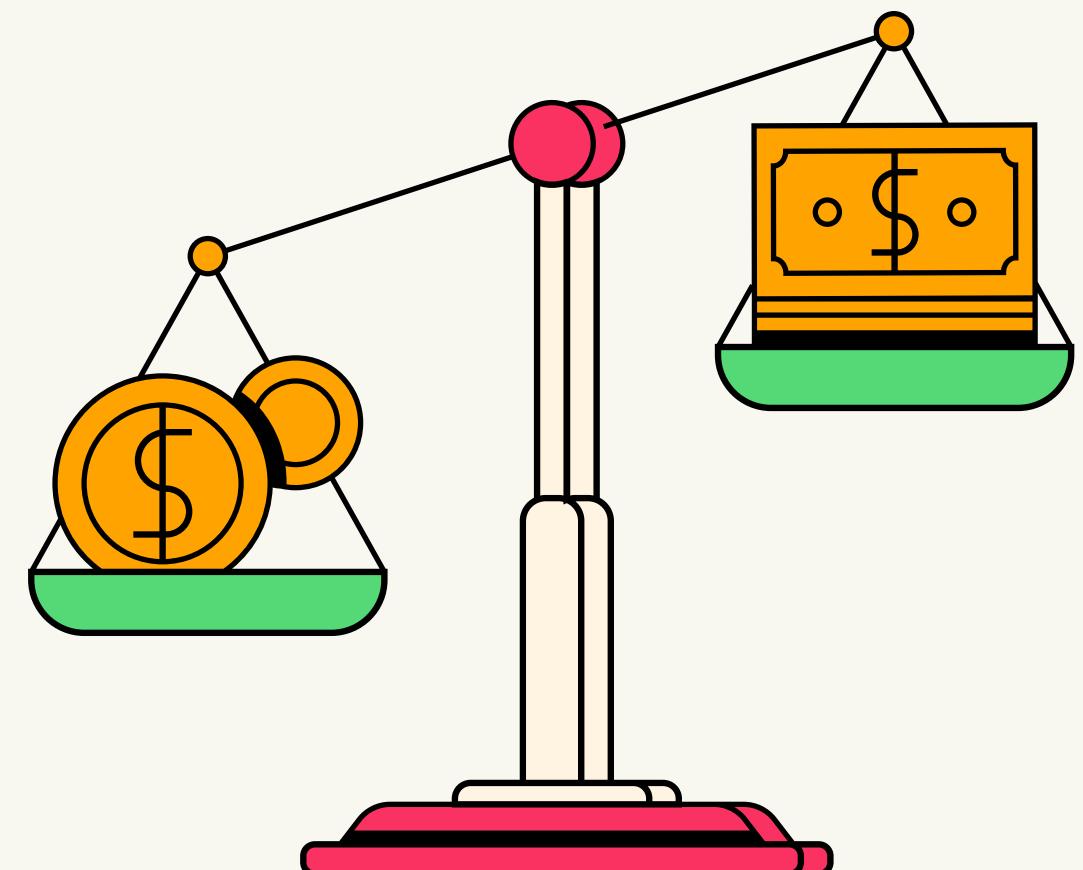
- Non-compliance with local laws
- Invalid contracts or unauthorized signatories
- Intellectual property misuse

Operational Risk

- Loss of financial data
- Staff turnover in F&L roles
- Miscommunication during transitions

Reputational Risk

- Poor financial transparency
- Missed or misreported audits
- Breaches in partner agreements



AIESEC's Risk Management Practices:

Internal Controls

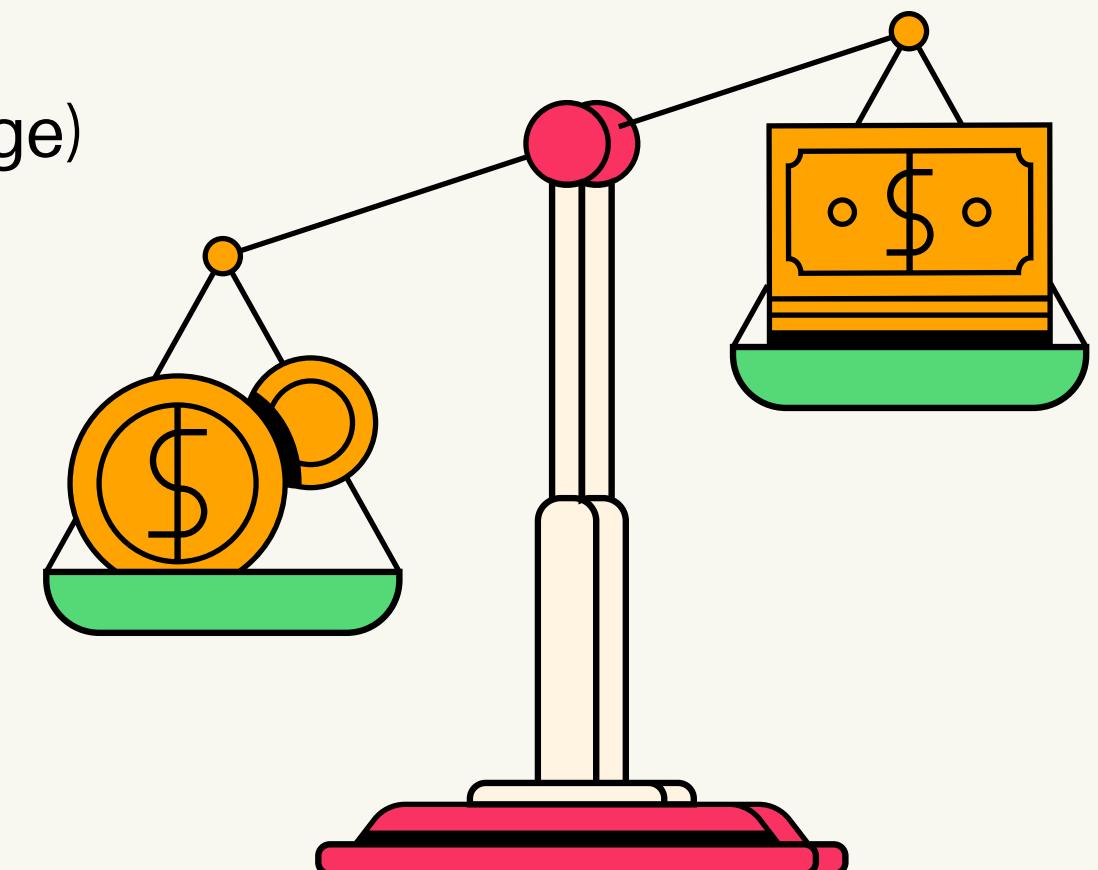
- Segregation of duties between approver, spender, and recorder
- Dual signatory policy for bank transactions
- Budget caps for each functional department

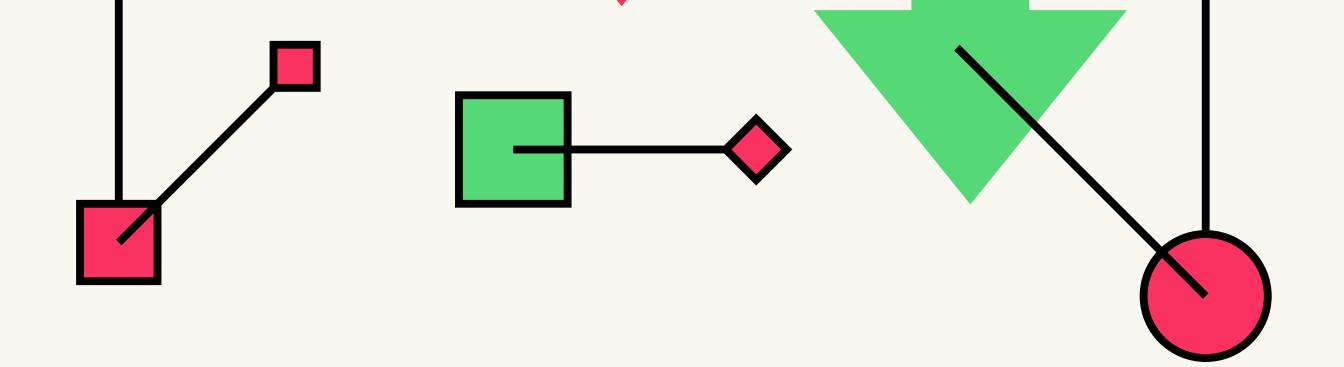
Contingency Planning

- Emergency fund allocations in every annual budget
- Crisis protocols for events (e.g., refund procedures, insurance coverage)

Audit Follow-Ups

- Action plans for every audit finding
- Time-bound resolutions and accountability tracking





Money Management

To better understand financial literacy, we can look at five key concepts.

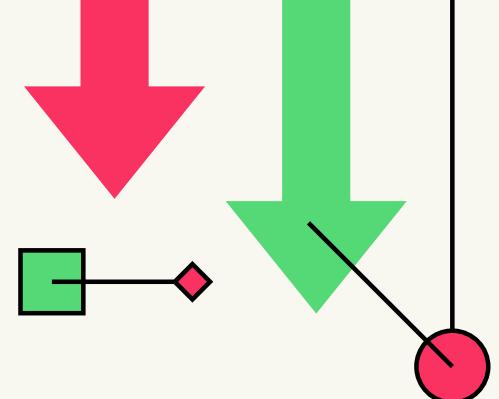
01 Budgeting

02 Saving

03 Investing

04 Borrowing

05 Planning for the Future



Fixed or Variable?

Look at the following expenses and decide which are fixed (stay constant each month) and which are variable (differ each month). Which do you consider essential?

Streaming services

Phone bill

Medical expenses

Groceries

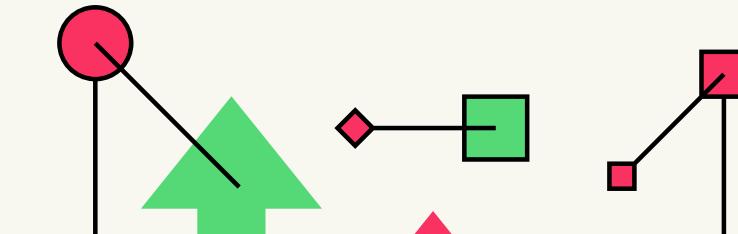
Gym membership

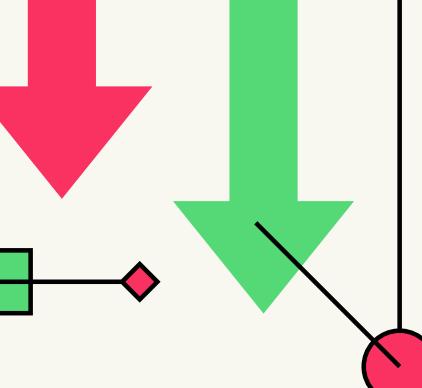
Rent

Fast food

Internet bill

Car repairs





Setting Financial Goals

Goals create accountability and motivation. Once you assess your current financial situation, you can write a SMART goal to achieve your ambitions.



S

SPECIFIC

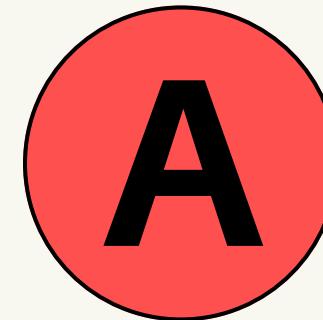
What exactly are you trying to achieve?



M

MEASURABLE

How will you know when you've achieved your goal?



A

ATTAINABLE

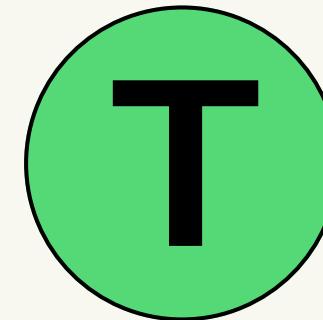
Is this goal realistically achievable?



R

RELEVANT

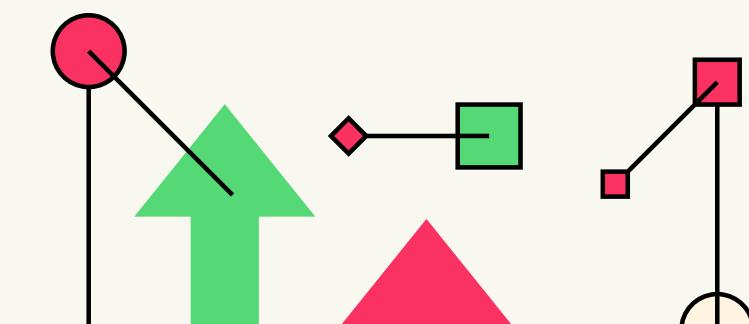
How is this goal helpful to you?



T

TIMELY

When will you achieve this goal?



Benefits of Financial Literacy

Financial Empowerment

Financial knowledge and tools allow you to be in charge of your financial situation and make informed decisions. These skills help create disciplined spending habits.

Security

Responsible budgeting and saving can give you the confidence to face unexpected financial expenses.

Goal Achievement

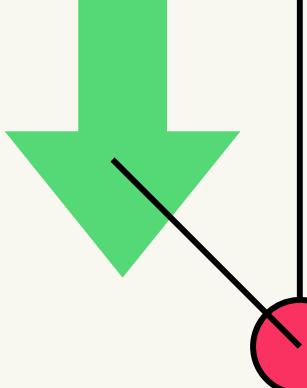
Short-term and long-term goals are great ways to take steps towards achieving your financial ambitions.

Stress Reduction

Money can be a cause of anxiety and stress. Having financial skills helps ease that stress and gives you confidence in your decisions.

Wealth Accumulation

Saving and investing allows you to have a more financially secure future and can lead to early retirement.



Financial Tips



01

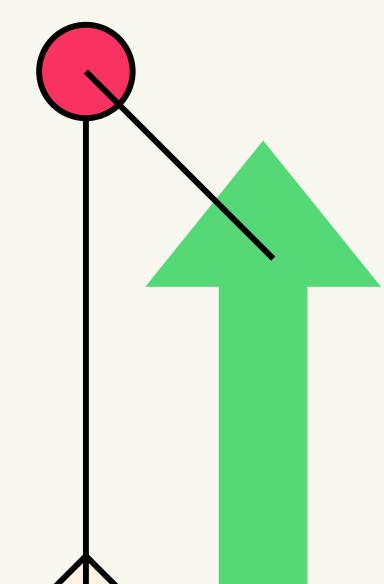
At least once a year, reevaluate your financial plan. Perhaps you are earning more income, or your budget is too restrictive. It is okay to make changes that fit your personal financial goals.

02

Small changes can make a big difference over time. For example, put a little bit more income into savings each month or decrease how often you go out to eat.

03

Create a positive financial mindset. Thinking about finances doesn't need to be overwhelming. Be aware of your spending habits. Take note of your strengths and areas where you can improve.



Resources

