

NET ASSET UTILIZATION		DOCUMENT TYPE: POLICY
DOCUMENT # 123	CATEGORY: FINANCE & ADMINISTRATION	DATE ISSUED: SEPTEMBER 25, 2019
APPROVED BY: THE BOARD	STEWARD:	LAST REVIEW DATE: SEPTEMBER 25, 2019
ENDORSED BY: COALITION CHIEF OFFICERS COMMITTEE		NEXT REVIEW DATE:

PURPOSE

This policy provides direction on the accumulation and use of internally restricted and unrestricted net asset reserves, and will ensure that college plans for net asset utilization are transparent and clearly aligned with college strategic plans and business plans.

PRINCIPLES

1. The accumulation of unrestricted and restricted net asset reserves serves to enable the College to plan for and meet the future needs of its stakeholders and is not a goal in and of itself.
2. As a public sector organization, it is expected that public funds provided to the College will be used to provide programs and services that benefit local communities.
3. The accumulation of net asset reserves from non-public revenues generated by the Colleges are expected to support its strategic, business development and capital plans.
4. The maintenance of modest reserves is prudent in order to ensure stability in case of unforeseen fluctuations in revenue.
5. Any accumulation of internally restricted reserves should be with a clear purpose and authorized by the Board of Governors (Board).

POLICY

The Board will establish and use reserve funds to minimize the impact of significant unplanned expenditures on annual operations; to provide the financial capacity for equipment, technology, and facility upgrades; to fund one-time service and training enhancements; or to support the achievement of strategic plan objectives. The establishment of these funds will be in accordance with this policy, and specifically will abide by the following:

- ☐ The Board may maintain an operating unrestricted reserve of up to three percent (3%) of total budgeted operating revenues to meet unplanned and/or unforeseen circumstances in the current year.
- ☐ The Board may accumulate internally restricted reserves providing there is a clear statement of purpose, a specified level of funding, and a projected timeframe for the accumulation and draw down of the net asset reserve.
- ☐ Transfers to and from internally restricted net reserves shall be presented to the Board by Management, and approved by the Board through resolution upon strategic discussion.
- ☐ The internally restricted and unrestricted net asset reserves shall be maintained in accordance with the Regional College Accounting and Reporting Manual and with Canadian Public Sector Accounting Standards.
- ☐ If the unrestricted net asset balance exceeds the threshold, a net asset utilization plan will be developed and approved by the Board to reduce the balance to the appropriate level.
- A detailed schedule of projected net asset reserves shall be included in the College's annual Business Plan for approval by the Minister.

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DEFINITIONS

Unrestricted Net Assets (Reserves): the portion of accumulated aggregate surpluses and deficits from prior years that is uncommitted, where the College has discretion regarding its use.

Internally Restricted Net Assets (Reserves): the portion of reserves restricted by the Board for a specific future purpose.

Board - shall mean the appointed Board of Governors of each College.

LEGISLATIVE AND COLLECTIVE AGREEMENT REFERENCES

- ☐ Canadian Public Sector Accounting Standards

LINKS TO OTHER RELATED POLICIES, DOCUMENTS AND WEBSITES