

# NET ASSETS POLICY

NET ASSETS POLICY			
EFFECTIVE DATE	October 28, 2021	POLICY TYPE	Administrative
RESPONSIBILITY	Vice-President, Corporate Services	CROSS-REFERENCE	1. Investment Policy 2. Endowment Policy 3. Asset Management Policy
APPROVER AUTHORITY	Board of Governors	REVIEW DATE	Every 3 years

## 1. Policy Statement

- 1.1 The Northwestern Polytechnic (“NWP” or the “Institute”) manages and discloses its net assets in accordance with the *Post-secondary Learning Act* and the Public Sector Accounting Standards.

## 2. Background

- 2.1 The *Post-secondary Learning Act* outlines the statutory authority of the Board of Governors (the “Board”), the President and Vice-Presidents of NWP.

## 3. Policy Objective

- 3.1 The objectives of this policy are to ensure compliance with the *Post-secondary Learning Act* and the Public Sector Accounting Standards and provide guidance on the creation, administration and use of NWP net assets.

## 4. Scope

- 4.1 This policy applies to total net assets of the Institution and all those involved in the administration of net assets, including the Board, the Vice President Corporate Services, and all Financial Services personnel.

## 5. Definitions

- 5.1 “Accumulated Operating Surplus/(Deficit)” comprises the following:
- Investments in Capital Assets
  - Accumulated Surplus/(Deficit) from Operations
  - Internally Restricted Surplus.
- 5.2 “Accumulated Remeasurement Gains/(Losses)” are unrealized changes in fair value of financial instruments. Remeasurement gains /(losses) are accumulated on the consolidated statement of financial position on available-for-sale investments until the associated financial instrument is sold. The realized gains/(losses) are then recognized in the Statement of Operations.
- 5.3 “Accumulated Surplus/(Deficit)” includes the following:
- Accumulated Operating Surplus/(Deficit)
  - Accumulated Remeasurement Gains/(Losses)
- 5.4 “Accumulated Surplus/(Deficit) from Operations” is the accumulation of annual surpluses/(deficits).
- 5.5 “Annual Operating Budget” contains the estimated revenues and expenses required to fund operations for a year.
- 5.6 “Endowment” is a restricted donation made to the Institution where the capital value is invested and held in perpetuity. The annual investment income (residual) is used for a specified educational purpose (e.g. scholarships, research, learning enhancements, etc.).
- 5.7 “Internally Restricted Surpluses” represents funds set aside from the accumulated annual surplus by the Institution’s Board for specific purposes including, but not limited to, specific operating, capital or debt repayment purposes. Those amounts are not available for other purposes without the board's approval and do not have interest allocated to them.
- 5.8 “Investment in Capital Assets” are those net assets invested in capital assets that represent the carrying amount or net book value of capital assets less unamortized deferred capital contributions and any related debt.
- 5.9 “Total Net Assets” includes the following:
- Endowments
  - Accumulated Surplus/(Deficit).

## 6. Guiding Principles

- 6.1 The President and their delegates shall provide stewardship over the net assets of NWP and are accountable to the Board.
- 6.2 NWP will manage and disclose all net assets in accordance with Public Sector Accounting Standards.
- 6.3 Endowments will be managed according to the Endowment Policy, and investments in capital assets will be managed according to the Capital Asset Management Policy.
- 6.4 The Board must approve the establishment of internally restricted surpluses (i.e. reserves) including:
  - The purpose of the reserve
  - The source(s) funding the reserve
  - Appropriate restrictions and other financial requirements including limits (if any) on the amount of internally restricted net assets.
- 6.5 Appropriations to and from internally restricted surpluses/reserves must be approved by the Board.
- 6.6 Except for contractual or other binding commitments, an appropriation to internally restricted net assets should not create a deficit in net assets.
- 6.7 NWP will maintain a reasonable level of restricted funds available to address any unforeseen circumstances or any future excesses of expenditures over revenues. A minimum five percent (5%) of the annual operating budget will be accumulated as operating contingency restricted funds.
- 6.8 If the operating contingency restricted funds balance decreases below the minimum level, the Vice-President Corporate Services will develop a plan to restore and maintain the operating contingency restricted fund balance to the appropriate level.
- 6.9 With the approval of the Executive Committee, operating surpluses in excess of the minimum level can be used for one-time expenditures as follows:
  - Address one-time budget allocations
  - Address an annual budget deficit
  - Address other one-time expenditures that are deemed necessary
  - Allocate to internally restricted funds for future requirements

## 7. Roles and Responsibilities

STAKEHOLDER	RESPONSIBILITIES
<b>Board of Governors</b>	<ul style="list-style-type: none"><li>• Approve the Net Assets Policy</li><li>• Approve the creation of internally restricted net assets</li><li>• Approve appropriations to and from internally restricted net assets</li></ul>
<b>President</b>	<ul style="list-style-type: none"><li>• Provide stewardship over the net assets of NWP</li></ul>
<b>Vice-President Corporate Services</b>	<ul style="list-style-type: none"><li>• Monitor compliance with the Net Assets Policy</li></ul>

## 8. Exceptions to the Policy

8.1 Exceptions to the guiding principles in this policy must be documented and formally approved by the Vice-President, Corporate Services. All exceptions will be reported to the Finance Committee of the Board.

- Policy exceptions must describe:
  - The nature of the exception
  - A reasonable explanation for why the policy exception is required
  - Any risks created by the policy exception
  - Evidence of approval by the Vice-President, Corporate Services

## 9. Inquiries

9.1 Inquiries regarding this policy can be directed to the Director, Financial Services.

## 10. Amendments (Revision History)

- 10.1 Amendments to this policy will be published from time to time and circulated to the community of the Institution.
- 10.2 Approved by the Board of Governors on October 28, 2021.