Loan Policy

NORTHWESTERN POLYTECHNIC

Loan Policy			
Effective Date	August 21, 2026	**Policy Type**	Administrative
Responsibility	Vice-President, Finance and Administration	**Related Policies**	Investment Policy Risk Management Policy Procurement Policy Records Management Policy Financial Signing Authority Policy Budget Planning and Reporting Policy Post-secondary Learning Act
Approval Authority	Board of Governors	**Review Schedule**	Every 5 years, or earlier if required by legislation, regulation, audit recommendation, or material change in NWP's financial risk profile.

1. Policy Statement

1.1. Northwestern Polytechnic ("NWP" or "the Polytechnic") is committed to prudent financial stewardship, statutory compliance, and responsible use of institutional funds.

1.2. This Policy establishes the requirements for approving, administering, monitoring, and reporting loans, internal financing arrangements, and related financial obligations in a manner that protects NWP's financial sustainability, preserves cash-flow, ensures transparency, and aligns with the financial requirements of *Alberta's Post-secondary Learning Act*.

1.3. NWP shall not enter into any external borrowing, guarantee, debenture, loan, financing arrangement, or comparable financial obligation except in accordance with applicable legislation, Board-approved authority, and this Policy.

1.4. Internal loans may be approved only where they are supported by a clear institutional purpose, a documented business case, an identified repayment source, and sufficient institutional cash-flow.

2. Scope

2.1. This Policy applies to:

- All NWP departments, schools, centres, administrative units and operating areas;
- All requests for internal loans or internal financing using NWP funds;
- All proposals for external borrowing, debt, guarantees, debentures, credit facilities, lease financing that creates a borrowing-like obligation, or other financial liabilities;
- Any loan, advance, guarantee, financing support, or other financial accommodation involving NWP and a related entity, controlled entity, subsidiary, partnership, joint venture, or third party;
- All employees involved in proposing, reviewing, approving, administering, accounting for, or monitoring loans or loan-like arrangements.

2.2. This Policy does not apply to:

- Routine procurement transactions that do not create a loan, financing obligation, guarantee, or borrowing;
- Student financial aid administered under external student aid programs, unless NWP funds are being loaned, advanced, or guaranteed;
- Standard accounts receivable, payment plans, or approved payment deferrals administered through normal financial operations, unless they create a material financing arrangement;
- Investments made under NWP's Investment Policy, except where institutional funds are used as an internal loan or internal financing source.

3. Purpose

3.1. NWP operates within the statutory framework established by Alberta's Post-secondary Learning Act, which identifies financial matters for public post-secondary institutions, including borrowing, debenture borrowing, guarantees, banking, and investment.

3.2. This Policy recognizes that borrowing, loan-like obligations, guarantees, banking, investment, and use of institutional funds must be managed consistently with the Post-secondary Learning Act and applicable approvals, including any required government approval.

3.3. Internal loan arrangements may support short-term bridge financing, institutional opportunities, unforeseen requirements, and acquisition of equipment or assets where internally available funds can reduce financing costs compared with external financing.

3.4. This Policy is required to ensure NWP does not unintentionally create non-compliant borrowing or debt obligations; establish clear financial controls for use of institutional cash and reserves; ensure loan decisions are supported by a business case, repayment plan, and risk assessment; preserve cash-flow; ensure transparency to Executive Council, the Board of Governors, and relevant Board committees; and protect the Polytechnic from unmanaged credit, cash-flow, compliance, reputational, legal, and operational risk.

4. Definitions

4.1. **"Amortization"** The repayment of a loan through scheduled payments over a defined period, which may include principal and interest.

4.2. **"Borrowing"** Any external loan, credit facility, debt instrument, debenture, financing arrangement, lease financing arrangement, or other transaction that creates a financial liability or repayment obligation for NWP.

4.3. **"Capital Lease or Finance Lease"** A lease or similar arrangement that transfers substantially all benefits and risks of ownership or otherwise creates a financing obligation for accounting or statutory purposes.

4.4. **"External Borrowing"** Borrowing from, or a financial obligation owed to, a bank, financial institution, lender, government entity, bondholder, lessor, or other external party.

4.5. **"Guarantee"** A commitment by NWP to answer for the debt, default, obligation, or liability of another person or entity. "Internal Loan"

4.6. **"Internal Loan"** A temporary allocation of NWP funds to an approved internal purpose, project, department, school, centre, unit, related entity, or controlled entity, with documented repayment terms.

4.7. **"Loan"** Any internal or external arrangement that advances funds, financing capacity, or financial support to a borrower or benefiting unit with an expectation of repayment, cost recovery, or future reimbursement.

4.8. **"Loan Agreement"** A written agreement or internal memorandum that documents the approved amount, purpose, term, repayment source, repayment schedule, interest rate, reporting requirements, responsibilities, and consequences of default or non-compliance.

4.9. **"Related Entity"** A legal entity, controlled entity, subsidiary, partnership, joint venture, society, foundation, or other organization in which NWP has a governance, ownership, financial, operational, or strategic interest.

4.10. **"Restricted Funds"** Funds subject to external restrictions, donor terms, grant conditions, statutory requirements, trust obligations, or other limitations on use.

4.11. **"Unrestricted Funds"** Funds that are not externally restricted and that may be used by NWP for approved institutional purposes, subject to Board direction, budget approval, policy, and applicable law.

5. The Policy

5.1. General Principles

5.1.1. NWP shall manage all loans, borrowing, guarantees, and internal financing arrangements prudently, transparently, and in accordance with applicable legislation, Board authority, approved budgets, and institutional risk tolerance.

5.1.2. Loans and loan-like arrangements must not be used to avoid statutory borrowing requirements, Board approval requirements, budget controls, procurement rules, capital planning processes, or investment restrictions.

5.1.3. NWP shall not lend, borrow, guarantee, or otherwise commit institutional funds unless the arrangement serves an approved institutional purpose, is consistent with NWP's mandate and financial capacity, is supported by a documented business case, has a clear and credible repayment source, has been reviewed by the Director of Financial Services and the Vice President, Finance and Administration, has been approved by the required authority, and is documented in writing before funds are advanced or obligations are incurred.

5.1.4. Restricted funds shall not be used for internal loans unless the proposed use is expressly permitted by the applicable restriction, agreement, grant, trust, donor condition, or other governing requirement.

5.1.5. NWP shall maintain sufficient cash-flow to meet operating obligations, restricted-fund requirements, approved capital commitments, debt service requirements, collective agreement obligations, and other institutional priorities before approving any internal loan.

5.2. External Borrowing, Guarantees, and Debt Obligations

5.2.1. No employee, department, school, centre, administrative unit, officer, or representative of NWP may enter into external borrowing, guarantee, debenture borrowing, lease financing, credit facility, or similar debt obligation on behalf of NWP unless the transaction has been reviewed by the Vice-President, Finance and Administration, required legal review has been completed, the transaction has been approved by the Board of Governors where required, any required government approval has been obtained, and the transaction is consistent with the *Post-secondary Learning Act* and any applicable regulations or directives.

5.2.2. Any proposed external borrowing or guarantee must be brought forward through the Vice-President, Finance and Administration, and President and CEO to the Board of Governors, or to the appropriate Board committee before final Board approval if required.

5.2.3. External borrowing shall be considered only where internal funding, grants, reserves, budget reallocations, donations, partnerships, leases, or staged implementation have been assessed and determined to be insufficient, unavailable, or less financially prudent.

5.2.4. NWP shall not guarantee the obligations of another person or entity unless the guarantee is expressly permitted by legislation, approved by the Board of Governors, and supported by a documented risk assessment.

5.3. Internal Loans

5.3.1. Internal loans may be considered where NWP has sufficient available unrestricted funds and the proposed use addresses an approved institutional priority; supports an approved capital, operating, academic, research, innovation, infrastructure, or strategic initiative; provides short-term bridge financing for confirmed funding; supports acquisition of equipment or other assets where internal financing is more cost-effective than external financing; or responds to an unforeseen institutional requirement where delay would create financial, operational, compliance, safety, reputational, or strategic risk.

5.3.2. Internal loans shall not be used to fund ongoing structural deficits, recurring operating shortfalls, or activities that do not have a realistic repayment source.

5.3.3. All requests for internal loans must include a business case that clearly identifies the purpose and institutional benefit, amount requested, proposed term, repayment source, repayment schedule, interest rate or cost-of-capital assumptions, budget impact, cash-flow impact, impact on reserves and cash balance, risks and mitigation strategies, consequences if the request is not approved, alternatives considered, Responsible Executive, and accountable unit.

5.3.4. Internal loans shall normally be limited to a maximum amortization period of five years, unless a longer amortization period is justified by the useful life of the asset, project economics, cash-flow timing, or institutional benefit and is approved by the Board of Governors.

5.3.5. Internal loans must be documented through a Loan Agreement before funds are advanced.

5.3.6. Internal loans may include an interest charge to recognize NWP's opportunity cost of capital, cash impact, administrative cost, and risk exposure.

5.3.7. Interest rates and repayment terms shall be recommended by the Director of Financial Services and approved in accordance with the approval thresholds in this Policy.

5.3.8. Early repayment may be permitted. Any early repayment fee or interest adjustment must be documented in the Loan Agreement.

5.4. Internal Loans to Related Entities or Third Party

5.4.1. Any internal loan, advance, guarantee, financial support, or equivalent arrangement involving a related entity or third party must be consistent with NWP's mandate and institutional interests; be legally permissible; be supported by a business case and risk assessment; be reviewed by legal counsel; include commercial or arm's-length terms unless otherwise approved by the Board of Governors; include security, reporting, covenant, or repayment protections where appropriate; and be approved by the Board of Governors.

5.4.2. NWP shall not provide loans or guarantees to individuals, employees, students, private businesses, or external organizations unless expressly authorized by Board approval and permitted by law.

5.5. Loan Limits and Portfolio Controls

5.5.1. The Vice-President, Finance and Administration shall recommend internal loan limits that preserve NWP's cash-flow, investment strategy, operating flexibility, and risk tolerance.

5.5.2. The total value of outstanding internal loans shall not exceed a Board-approved limit.

5.5.3. Until a Board-approved limit is established, any internal loan that would materially affect NWP's cash position, unrestricted reserves, or budget flexibility must be approved by the Board of Governors.

5.5.4. No additional internal loan shall be approved if doing so would compromise NWP's ability to meet payroll obligations, debt service or contractual obligations, restricted-fund obligations, approved capital commitments, emergency or contingency needs, or compliance with legislation, regulation, audit requirements, or government directives.

5.6. Interest Rates and Repayment Terms

5.6.1. Interest rates for internal loans shall be based on a reasonable estimate of NWP's opportunity cost of capital, expected investment return, borrowing cost, cash, impact, administrative cost, and risk.

5.6.2. A fixed or floating rate may be used, depending on the nature and term of the loan.

5.6.3. Where an internal loan is made to a related entity or third party, terms shall normally be comparable to those that would be available from an arm's-length lender for a similar borrower and risk profile.

5.6.4. Repayment shall normally be made through scheduled principal and interest payments, unless the approved business case supports an alternate repayment structure.

5.6.5. Repayment sources must be identified before approval and may include approved operating budget allocations, confirmed grant funding, approved capital funding, approved ancillary revenue, donor or sponsorship funds where permitted, or other approved unrestricted revenue sources.

5.6.6. Loan repayment obligations shall be incorporated into the appropriate budget, forecast, and financial reporting processes.

5.7. Approval Authority

Internal Loan Amount / Transaction Type	Approval Authority
Up to $250,000	Vice-President, Administration and Finance / Chief Financial Officer, with notice to the President and CEO
Greater than $250,000 and up to $1,000,000	President and CEO, on recommendation of the Vice-President, Finance and Administration.
Greater than $1,000,000	Board of Governors, on recommendation of the President and CEO
Any internal loan exceeding 5 years	Board of Governors
Any loan to a related entity or third party	Board of Governors
Any external borrowing, guarantee, debenture, or debt obligation	Board of Governors and any required government approval

Approval limits may not be divided, staged, split, or structured to avoid the required approval authority.

5.8. Accounting, Documentation, and Records

5.8.1. All approved loans must be recorded in NWP's financial records in accordance with applicable accounting standards, audit requirements, and NWP procedures.

5.8.2. Loan documentation must include, at minimum, the approved business case, approval record, Loan Agreement, repayment schedule, interest calculation methodology, risk assessment, legal review where applicable, reporting and monitoring requirements, and evidence of Board or government approval where required.

5.8.3. Loan records shall be retained in accordance with NWP's Records Management Policy and applicable legal, audit, and financial reporting requirements.

5.9. Monitoring and Reporting

5.9.1. The Director of Financial Services is responsible for monitoring all outstanding loans, repayments, defaults, covenant issues, and policy compliance.

5.9.2. The status of outstanding internal loans shall be reported to Executive Council at least quarterly.

5.9.3. The status of outstanding internal loans, external borrowing, guarantees, and material financing obligations shall be reported to the Board of Governors or its designated committee at least quarterly, or more frequently where risk warrants.

5.9.4. Reporting shall include original loan amount, outstanding balance, purpose, borrowing or benefiting unit, approval authority, term and maturity date, interest rate, repayment status, actual or forecasted variance from repayment plan, defaults or compliance issues, impact on cash balance and reserves, and any recommended corrective action.

5.10. Default, Non-Compliance, and Corrective Action

5.10.1. A loan is in default when a required repayment is missed, a repayment source becomes unavailable, the approved purpose materially changes, required reporting is not provided, or any other term of the Loan Agreement is not met.

5.10.2. Where a default or material compliance concern occurs, the Director of Financial Services must notify the Vice-President, Finance and Administration immediately.

5.10.3. The Vice-President, Finance and Administration may require corrective action, including revised repayment plan, budget reallocation, spending restrictions, additional reporting, suspension of further advances, escalation to Executive Council, escalation to the Board of Governors, or legal action where appropriate.

5.10.4. Any material default, write-off, impairment, forgiveness, restructuring, or extension of a loan must be approved by the original approval authority or a higher authority.

6. Roles and Responsibilities

Stakeholder	Responsibilities
Board of Governors	• Approve this Policy; • approve external borrowing, guarantees, related-entity loans, third-party loans,

	internal loans above Board thresholds, and exceptions requiring Board approval; • oversee institutional financial risk.
President and CEO	• Recommend loan matters to the Board as required; • approve internal loans within delegated authority; • ensure loan decisions support NWP's mandate, strategy, and financial sustainability.
Vice-President, Finance and Administration	• Own and administer this Policy; • review all loan requests; • assess cash-flow, repayment capacity, risk, and statutory compliance; recommend approval terms;
Executive Council	• Sponsor loan requests; • ensure business cases are complete; • identify repayment sources; • ensure repayments are budgeted and made; • report risks or changes affecting repayment.
Director, Financial Services	• review all loan requests; • assess cash-flow, repayment capacity, risk, and statutory compliance; recommend approval terms; • maintain records; • monitor and report outstanding loans.
Budget Holders	• Comply with this Policy; • ensure loan proceeds are used only for approved purposes; • support monitoring, reporting, and repayment.
Financial Services Department	• Maintain loan records; • prepare repayment schedules; • record transactions; • monitor payments; • support financial reporting and audit requirements.

7. Exceptions to the Policy

7.1. The Board of Governors, through the Finance Committee, may approve exceptions to this policy by recommendation from the President and CEO.

8. Inquiries

8.1. Inquiries regarding this Policy may be directed to the Vice-President, Finance and Administration.

9. Revision history

9.1. Approved by the Board of Governors August 21, 2026