



<b>Title</b>	<b>Unrestricted Net Assets and Internally Restricted Net Assets Policy</b>
<b>Policy Area</b>	Operations - Finance
<b>Policy Number</b> <i>(to be assigned by Information Services)</i>	E.1.5
<b>See also</b> <i>(related policies)</i>	

<b>Effective Date of Policy:</b>	March 28, 2007
<b>Approval Date:</b>	March 27, 2007
<b>Applies to:</b>	Board of Governors, Employees
<b>Approving Body:</b>	The Board of Governors
<b>Supersedes/New:</b>	New
<b>Authority</b>	<i>College and Institute Act</i>

The following are responsible for the administration of this policy,

<b>Primary Office</b>	<b>Contact</b>
Office of Vice President, Finance and Administration	Vice President, Finance and Administration

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<b>Policy Statement</b>
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- 1.0 The accumulation of internally restricted and unrestricted net assets in a public sector organization is not a desirable goal in and of itself. The general expectation is that Okanagan College will use its funds to provide programs and services that will benefit society.
  
- 2.0 However, it is prudent management to set aside a minimum level of unrestricted net assets (accumulated surplus) to be retained on an ongoing basis to offset any future excesses of expenditures over revenues. This serves to manage risk for the organization and also helps to manage cash flow levels for the organization. Board approval shall be required for any expenditure of unrestricted net assets or for the establishment of internally restricted net assets.

**Policy Details**

3.0

- a) Unrestricted net assets shall be accumulated to a minimum level of two and a half percent (2.5%) of the annual operating budget to offset any future excesses of expenditures over revenues.;
- b) If the unrestricted net assets balance exceeds the minimum level required, a plan shall be developed to reduce the balance to the appropriate level;
- c) Unrestricted net assets in excess of the minimum level can be used for one-time expenditures as follows:
  - i) To address one-time budget allocations as part of the annual budget process;
  - ii) To address an annual operating budget deficit;
  - iii) To address other one-time expenditures that are deemed necessary; and
  - iv) To establish internally restricted net assets for future requirements;
- d) Unrestricted net assets in excess of the minimum amount required may be accumulated to deal with major future requirements.

**Procedures**

- 4.0 The internally restricted and unrestricted net assets shall be determined in accordance with the Canadian Generally Accepted Accounting Principles.
- 5.0 One-time expenditures identified as part of the annual budget process will be documented and approved through the annual budget process.
- 6.0 A utilization plan will be developed for other one-time requests for the use of unrestricted net assets. The transfer of funds to and from unrestricted net assets shall require resolution by the Okanagan College Board of Governors.