

<b>Net Assets (Liabilities) Policy</b>			
<b>Policy Sponsor</b>	Vice President, Finance and Performance Services and CFO	<b>Category</b>	Board
<b>Policy Contact</b>	Vice President, Finance and Performance Services and CFO	<b>Effective Date</b>	September 13, 2019
<b>Approved By</b>	The Governors of Athabasca University	<b>Review Date</b>	September 13, 2024
<b>Approved Date</b>	September 13, 2019		

### 1. Purpose

The Net Assets (Liabilities) Policy provides direction on the creation and administration of the Net Assets of Athabasca University.

### 2. Scope

This policy addresses the management and accounting expectations for the Net Assets of the University, including the role and management of several Internally Restricted Funds such as the Internally Restricted Risk Reserve and the Future Student Awards Fund. This policy, together with its procedure, must be adhered to by any person carrying out responsibilities and decisions related to the management of Net Assets (Liabilities).

### 3. Definitions

<b>Accumulated Remeasurement Gains (Losses)</b>	Unrealized changes in fair value of financial instruments and unrealized foreign exchange gains and losses. Remeasurement gains and losses on unrestricted funds are accumulated in the statement of remeasurement gains and losses until the associated financial instrument is sold. The realized gains (losses) are then recognized in the statement of operations.
<b>Accumulated Surplus (Deficit)</b>	Consists of: Accumulated Surplus (Deficit) from Operations; Investment in Tangible Capital Assets; and Endowments.
<b>Accumulated Surplus (Deficit) from Operations</b>	Consists of: Unrestricted Surplus (Deficit) from Operations and Internally Restricted Funds.
<b>Board</b>	The Governors of Athabasca University

<b>Capital Carry-forward</b>	The amount of previously approved internally funded capital associated with unexpected project delays beyond management's control that result in deliverables extending over the March 31 year end.
<b>Endowments</b>	Externally restricted donations received by the University that are required to be maintained intact and held in perpetuity. Income earned on endowments must be used for specific educational purposes and in accordance with the various purposes established by the donors.
<b>Finance and Property Committee (FPC)</b>	Assists the Board in its oversight of financial plans, policies, investments, practices, and performance of the University and approved capital projects, including information technology.
<b>Future Student Awards Fund</b>	An Internally Restricted Fund established to fund future student awards.
<b>Internally Restricted Funds</b>	Funds for which the balance has been restricted for specific purposes and where any change to the fund balance requires Board approval. Consists of: Student Awards Fund; Internally Restricted Risk Reserve; and Pension Plan Liability Fund.
<b>Internally Restricted Risk Reserve</b>	The internally restricted account which holds the funds necessary to mitigate risk while the University reacts to disruptive changes or strategic opportunities, including significant changes in funding, cost structures, technology, environmental or political changes. This fund plays a significant role in the University's future as a going concern.
<b>Investment in Tangible Capital Assets</b>	Those net assets that represent the net book value of tangible capital assets acquired with University funds (excludes the net-book value of capital assets acquired either by funds contributed by third parties or through debt).
<b>Net Assets (Liabilities)</b>	The total of Accumulated Surplus (Deficit) and Accumulated Remeasurement Gains (Losses).
<b>Pension Plan Liability Fund</b>	An Internally Restricted Fund established to segregate unfunded pension liability from other Internally Restricted Funds.

<b>Tangible Capital Assets</b>	<p>A non-financial asset having a physical substance (e.g. that can be seen, touched or measured) that:</p> <ul style="list-style-type: none"> <li>• Is held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other capital assets,</li> <li>• has value or useful economic life recognized over more than one fiscal year, and,</li> <li>• has a cost exceeding the prescribed threshold amount.</li> </ul> <p>They may be acquired directly by the University, donated (contributed) to the University, or produced as a result of a building project or part of a Digital Initiative. Tangible Capital Assets include such items as land, building, equipment, furniture, computer hardware and software, and vehicles.</p> <p>They do not include such items as inventories held for consumption or resale; intangible assets like goodwill, patents and copyrights or assets acquired by right such as forests, water and mineral resources; collections; or assets below the threshold amount.</p>
<b>Unrestricted Surplus (Deficit) from Operations</b>	<p>The balance of accumulated annual surpluses/deficits that have not been set aside for specific purposes by the Board.</p>
<b>University</b>	<p>Athabasca University</p>

#### 4. Guiding Principles

- 4.1 As determined by its mandate, the University manages its resources prudently in support of the development and delivery of educational programs, student support services, research and scholarship.
- 4.2 All Net Assets (Liabilities) will be managed in accordance with this Policy and its related Procedure and disclosed in accordance with Public Sector Accounting Standards.
- 4.3 In order to enable effective financial planning and risk management, the Board may create Internally Restricted Funds as part of Net Assets for specific purposes.
- 4.4 The Board will make all final decisions relevant to the University's Internally Restricted Funds. In this regard, the Board will approve the creation of,

allocation to, disposition from, as well as any restorative plans to address balance changes for the following:

- a. The Internally Restricted Risk Reserve, which can be drawn upon in order to mitigate financial risks or fund either operating or capital strategic investment that are critical to the University's ongoing sustainability and resiliency.
- b. Future Student Award Fund
- c. Pension Plan Liability Fund

**4.5** The Board, at its discretion, may approve changes to or repurposing of any Internally Restricted Funds within Net Assets.

**4.6** Internally Restricted Funds play a significant role in ensuring the University's future financial viability. To ensure the ongoing effectiveness of each Internally Restricted Fund, the fund balances must be reviewed periodically.

**4.7** Endowments form part of the Net Assets of the University and shall be managed in accordance with the *Post-Secondary Learning Act*, the University's Endowment Management Policy, and the Donation Acceptance Policy.

**4.8** Investment in Tangible Capital Assets forms part of Net Assets and will be disclosed in accordance with Public Sector Accounting Standards.

## **5. Applicable Legislation and Regulations**

*Financial Administration Act*

*Post-Secondary Learning Act*

## **6. Related Procedures/Documents**

Athabasca University Donation Acceptance Policy

Capitalization and Amortization of Assets Policy

Endowment Management Policy

Investment Policy

Net Assets (Liabilities) Procedure

Public Sector Accounting Standards

**History**

<i>Date</i>	<i>Action</i>
March 31, 2022	Procedure Revised
March 31, 2020	Procedures and Definitions Revised
Sept 13, 2019	Revised Policy Approved (The Governors of Athabasca University Motion #240-06)
May 27, 2016	Policy Approved (The Governors of Athabasca University Motion #210-02)