
Net Assets (Liabilities) Procedures

Policy Sponsor:	Vice-President, Finance & Administration
Name of Parent Policy:	Net Assets (Liabilities) Policy
Policy Contact:	Vice-President, Finance & Administration
Procedure Contact:	Director, Financial Services
Effective Date of Procedures:	May 27, 2016
Review Date:	Biennially

Purpose

These procedures provide guidelines within which Athabasca University's (the University) Net Assets (Liabilities) will be administered and managed in accordance with the [Net Assets \(Liabilities\) Policy](#).

Definitions

Accumulated Remeasurement Gains (Losses) – 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.

Accumulated Surplus (Deficit) consists of:

- Accumulated Surplus (Deficit) from Operations
- Investment in Tangible Capital Assets
- Internally Restricted Surplus
- Endowments

Accumulated Surplus (Deficit) from Operations consists of:

- Internally Restricted Funds
- Unrestricted Surplus (Deficit) from Operations



Annual Operating Surplus (Deficit) – excess (shortfall) of revenues over expenses for the fiscal year as reported on the Statement of Operations.

Endowments – externally restricted donations received by the University that are required to be maintained intact in perpetuity. Typically, investment income earned on endowments must be used in accordance with the various purposes established by the donors.

Future Student Awards – An internally restricted fund established to fund future student awards.

Internally Restricted Funds – consist of:

- Pension Plan Liability
- Strategic Investment Fund
- Future Student Awards

Internally Restricted Funds represent designations of accumulated annual surpluses/deficits to reflect policy purposes, to assist with fiscal management, to demonstrate compliance with legislation, or funds that have been set aside for specific purposes by the Board of Governors of Athabasca University (the Board).

Internally Restricted Surplus - designations of accumulated annual operating surpluses to reflect policy purposes, to assist with fiscal management, to demonstrate compliance with legislation, or funds that have been set aside for specific purposes by the Board.

Investment in Tangible Capital Assets – those net assets that represent the net book value of 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).

Net Assets (Liabilities) – the total of Accumulated Surplus (Deficit), and Accumulated Remeasurement Gains (Losses).

Pension Plan Liability – An internally restricted fund established to segregate unfunded pension liability from other Internally Restricted Funds.

Strategic Investment Fund – An internally restricted fund established for the purpose of leveraging or matching grants and contributions from external parties, to absorb the financial impact of unanticipated and inordinate business situations and events, and to provide funding for specific operating, capital or debt repayment purposes.

Tangible Capital Assets – Long-term resources that provide future economic benefit and have a physical presence or form. Examples include property, plant, equipment and information systems.



Unrestricted Surplus (Deficit) from Operations – balance of accumulated annual surpluses/deficits that have not been set aside for specific purposes by the Board.

Procedure:

1.0 Accounting and Reporting of Net Assets (Liabilities)

The accounting records of the University, including those related to Net Assets (Liabilities), are the responsibility of the Director, Financial Services. Net Asset (Liability) accounting records are maintained within Financial Services.

Public Sector Accounting Standards are to be applied in the effective determination and administration of the University's Net Assets (Liabilities).

Annual changes and closing balances in Net Assets (Liabilities) will be reported by the Vice-President, Finance and Administration or designate in the annual Financial Statements (audited) of the University, and where appropriate, in the Management Discussion and Analysis section of the Annual Report.

Internally Restricted Funds are tracked and reported internally for Board and management purposes. They are not included in the year end financial statements.

Internally Restricted Surplus will not be applicable when there is an Accumulated Deficit from Operations.

1.1 Restoring Net Assets

Should the Accumulated Surplus from Operations excluding any amounts representing Pension Plan Liabilities fall below \$3.5 million, the minimum balance as recommended in the [Net Assets \(Liabilities\) Policy](#), a restorative plan will be completed and reviewed by the Executive Group and submitted to the Board for approval through the Finance and Property Committee.

2.0 Net Asset Development – by Category

2.1 Endowment Development:

The University [Endowment Management Policy](#) and the University's [Donations Acceptance Policy](#) will direct and inform endowment development.

2.2 Investment in Tangible Capital Assets

The University will normally budget capital asset acquisitions with consideration for the estimated amount of amortization related to internally funded assets for the year and infrastructure maintenance funding designated for information Technology. This would assure that the net investment in capital asset infrastructure is, at a minimum,



maintained. Planned capital asset acquisitions will be identified in a Summary Capital and ICT Infrastructure Plan that is updated annually and approved by the Board.

Accounting for this category will be in accordance with Public Sector Accounting Standards and in accordance with the [Capitalization and Amortization of Assets Policy](#) and will include such considerations as amortization of internally funded assets (depreciation), acquisitions of internally funded capital assets, and any principal portions of payments on capital debt.

2.3 Internally Restricted Funds

A Pension Plan Liability Fund will be maintained to track pension liability per actuarial reports.

A Strategic Investment Fund will be maintained in accordance with the [Net Assets \(Liabilities\) Policy](#).

A Future Student Awards Fund will be maintained to track internally restricted student awards balances and disbursements. Investment income earned on the balance (calculated at the rate of return realized for the University's long-term investments as reported by the investment fund manager) will be added to the fund each year. Disbursements will be based on awards granted each year.

The Board, at its discretion, may approve changes to, or repurposing of, the Strategic Investment Fund and the Future Student Award Fund.

Applicable Legislation and Regulations

[Financial Administration Act](#)
[Post-Secondary Learning Act](#)
[Public Sector Accounting Standards](#)

Related References, Policies, Procedures and Forms

[Athabasca University Donation Acceptance Policy](#)
[Capitalization and Amortization of Assets Policy](#)
[Endowment Management Policy](#)
[Investment Policy](#)
[Net Assets \(Liabilities\) Policy](#)

History

The Governors of Athabasca University, May 27, 2016, Motion # 210-02 (associated policy approved)