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| Policy Name | Net Assets | | |
| Policy # | RM 1.0 | Category | Finance and Risk Management |
| Policy Owner | Chair, Finance Committee | Effective Date | March 7, 2023 |
| Policy Lead | President and CEO | Next Review Date | March 7, 2028 |
| Approved by | Board of Governors | Approval Date | March 7, 2023 |

1.0 Policy Statement

Net assets are an important measurement of an institution’s overall financial health. They demonstrate stewardship and accountability of the resources and responsibilities entrusted to them for serving the public. Pursuant to the Post-Secondary Learning Act, the President and CEO and their delegate shall have stewardship and will provide accountability to the Board of Governors for the net assets of the Northern Alberta Institute of Technology (NAIT).

The objective of this policy is to provide direction on the creation, administration, and use of the net assets of the institution.

2.0 Scope

This policy applies to all funds defined as net assets by NAIT, and to all NAIT employees administering net asset funds, including the Board of Governors, Vice-President Administration and CFO, Associate Vice President of Finance and Corporate Services, and all Finance personnel.

3.0 Definitions

| Term | Definition |
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| Accumulated Operating Surplus (Deficit) | Accumulated Operating Surplus (Deficit) is the accumulation of annual surpluses (deficits) net of transfers. Includes any accumulated remeasurement gains and losses from investments. |
| Accumulated Remeasurement Gains (Losses) | Includes unrealized changes in the fair value of financial instruments. 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. |
| Annual Operating Budget | The annual operating budget contains estimates of the total value of resources required for the operations of NAIT for a fiscal year. |
| Endowments | Externally restricted donations received by NAIT and internal allocations by NAIT’s Board of Governors, the principal of which is required to be maintained intact in perpetuity. |

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| Internally Restricted Funds and Reserves | Funds designated from the accumulated annual surplus to reflect a policy purpose, 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 NAIT. |
| Investment in Capital Assets | Net assets that represent the net book value of capital assets acquired with NAIT funds and exclude capital assets funded by third parties. |

4.0 Guiding Principles

4.1 General Guiding Principles

Maintaining a healthy net asset balance is important to NAIT due to the three following guiding principles:

- Resilience – A healthy net asset balance allows NAIT to weather the financial impact of unanticipated events or respond to major changes.
- Opportunity – A healthy net asset balance allows NAIT to capitalize on opportunities and support institutional priorities.
- Sustainability – NAIT needs to pursue practices that support NAIT’s vision outlined in the strategic plan and meets the needs of the present without compromising NAIT’s ability to meet its needs in the future.

4.2 Categories of Net Assets

NAIT’s net assets are categorized into 4 main categories:

- Accumulated Operating Surplus (Deficit)
- Investment in Tangible Capital Assets
- Internally Restricted Funds and Reserves
- Endowments

The use of these net assets is defined in the RM 1.1 Use of Net Assets Procedure.

4.3 Maintaining Net Asset Balances

NAIT considers it prudent to set aside a minimum level of unrestricted net assets to be retained on an ongoing basis. This serves to manage risk for the institution and allows NAIT to react to unexpected events. In addition, NAIT has obligations to maintain the principal associated with endowments.

If net assets were to fall below zero (a net debt) position, this would indicate that NAIT’s liabilities would exceed its assets and the institution may not be able to repay its obligations. This may also indicate that the financial viability of the institution is at risk. As a result, maintaining a positive net asset balance is important to all NAIT stakeholders.

4.4 Reporting, Presentation and Disclosure

NAIT uses a variety of financial metrics to measure the health of NAIT's net assets. These metrics will be clear and transparent, provide insight into historical performance, be comparable to other post-secondary institutions and provide an indication of NAIT's financial health. The metrics will be reported to the Finance Committee of the Board of Governors on a regular basis and are detailed in the Net Asset Procedure, and can be found in RM 1.2 Net Assets Financial Health Metrics Procedure.

All net assets will be managed and disclosed in accordance with the Public Sector Accounting Standards. Net assets and related changes shall be reported in the annual audited Financial Statements, and the associated Management Discussion and Analysis. Within internally restricted funds and reserves, the disclosure will show, separately, funds set aside for operating and capital activities.

Monitoring of the actual versus planned changes to net assets will be the responsibility of the Vice-President Administration and CFO (or delegate) and will be provided in the quarterly financial report provided to the Finance Committee.

5.0 Other Related Documents

- RM 1.1 Use of Net Assets Procedure
- RM 1.2 Net Assets Financial Health Metrics Procedure
- RM 3.0 Budgeting Policy
- FO 7.0 Endowment Policy
- Capital Asset Policy (*in development*)

Document History

| <i>Date</i> | <i>Action/ Change</i> |
|---------------|------------------------------------|
| May 11, 2015 | Creation of the policy |
| February 2023 | Policy review complete and updated |