

## Unrestricted Net Asset Policy

Last approved:	NOAMA Board	September 26, 2023
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### 1.0 Background

NOAMA administers funding received through an Alternate Funding Agreement (AFP). The use of this funding is restricted to specific purposes set out in the agreement.

*Deferred Revenue* – represent unspent externally restricted monies received in the current and prior years for designated purposes.

NOAMA also earns investment income and charges a management fee to cover administrative services.

*Unrestricted Net Assets* - represents the accumulation of investment income and management fees earned by NOAMA.

### 2.0 Policy Statement

- 2.1 The accumulation of unrestricted net assets in a public sector organization is not a desirable goal in and of itself. The general expectation is that NOAMA will use its funds to support the mandate set out in the AFP Agreement.
- 2.2 However, it is prudent management to retain unrestricted net assets (accumulated surplus) 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.

### 3.0 Policy Details

- 3.1 Unrestricted net assets shall be accumulated to offset any future excesses of expenditures over revenues.
- 3.2 Unrestricted net assets arising from management fees will be used to offset administration expenses in excess of AFP allocation.
- 3.3 Unrestricted net assets 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.

#### **4.0 Procedures**

- 4.1 The internally restricted and unrestricted net assets shall be determined in accordance with the Canadian Generally Accepted Accounting Principles.
- 4.2 One-time expenditures identified as part of the annual budget process will be documented and approved through the annual budget process.
- 4.3 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 NOAMA Board.

**DO NOT REMOVE THIS VERSION RECORD FROM THIS DOCUMENT**

<b>Version</b>	<b>Date</b>	<b>Authors/Comments</b>
<b>1.0</b>	2014.09.14	Original policy
<b>2.0</b>	2017.09.19	Review – No changes
<b>3.0</b>	2023.09.26	Review – No changes