



## POLICY 6.07 FINANCIAL MANAGEMENT

### *Reserves and Investments*

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#### **POLICY INTENT**

Over the course of the fiscal year Athabasca University Students' Union (AUSU) may spend less than it has budgeted in a certain area or receive more income than it spends. Income that is gained or left unspent is considered to be a surplus. AUSU may also incur a deficit if the anticipated income is less than the amount spent.

At the end of each fiscal year, the surplus (or deficit) is added to all prior year's surpluses and deficits and equals the AUSU accumulated surplus (or deficit). AUSU considers the accumulated surplus as separate from the yearly operational budget and will invest these funds for future plans to further its mandate and objectives, subject to the restrictions in this policy. The accumulated surplus need not be spent in any single fiscal year and as a plan is developed for its use, AUSU will internally restrict the funds required to further the specific project.

AUSU will not use the internally restricted reserves to fund its operational budget without a motion of Council.

#### **POLICY RESPONSIBILITY**

Council

#### **POLICY**

##### **Definitions**

6.07.01 In this Policy, the following terms have the following meanings:

*AUSU* - means the Athabasca University Students' Union.

*VPFA* - means the Vice-President, Finance and Administration of AUSU;

*Investment Advisor* - means any individual appointed by AUSU with either; a CFA certification, or who is working in that capacity at a major financial firm, to invest the accumulated surplus on behalf of AUSU;

*Accumulated Surplus* - means the current running total of surpluses from the annual budget;

*Unrestricted Reserves* - means any amount of the accumulated surplus that is left unrestricted for operational spending and remains in the organization's cash account;

*Internally Restricted Reserves* - means any amount of the accumulated surplus that is internally restricted for specified projects;

*Prudent Investment Standards* - means, for the purposes of these Investment Policies, those which, in the overall context of an investment portfolio, a reasonable and prudent person would apply to investments made on behalf of another person with whom there exists a fiduciary relationship to make such investments without undue risk of loss or impairment and with a reasonable expectation of fair return or appreciation;

*Cash and Cash Equivalents* - means the most liquid asset found within the asset portion of a company's balance sheet. Cash "equivalents" are composed of assets that are readily convertible into cash such as money market mutual funds, short term government bonds, and cashable GIC's;

*Long Term Debt Obligations* - means a debt security, in which the issuer owes the holders a debt and is obliged to repay the principal and interest at a later date, such as long term government bonds and bank loans.

*Investment Plan* - means Portfolio Recommendations as set out by the Investment Advisor

## **The Accumulated Surplus**

- 6.07.02 *Designation of the Accumulated Surplus*  
The accumulated surplus shall be segregated as unrestricted reserves and internally restricted reserves. The internally restricted reserves are amounts to be used for designated projects.
- 6.07.03 *The Investment Advisor*  
Monies comprising any of the accumulated surpluses not immediately required by AUSU shall be invested at the discretion of the Investment Advisor acting within the parameters of this policy, subject always to the overriding direction of AUSU.
- 6.07.04 *Withdrawal of Cash and Securities*  
AUSU shall be entitled to withdraw cash and securities constituting any of the accumulated surpluses and to take possession of the same at any time, as it shall see fit.

## **The Investment Objectives**

- 6.07.05 *Prudent Investment Standards*  
The Investment Advisor and the AUSU shall adhere to Prudent Investment Standards in making investment decisions and in managing the total investments of the Funds.
- 6.07.06 *Primary Objectives*  
Each of the Funds shall be invested with a view to:  
a) preserve the capital of the Funds; and  
b) achieve real appreciation (i.e., an average rate of return, net capital gains and income, in excess of inflation) in the capital of the Funds over the long term.

## **Asset Mix and Diversification**

6.07.07 *Cash Requirements*

Subject to the limits set out in Section 6.07.08 hereof, the VPFA, in consultation with the Investment Advisor, shall establish maximum percentage or dollar amounts of the market value of each of the Funds to be invested in Cash and Cash Equivalents or in Longer Term Debt Obligations, in each case to reflect anticipated current contributions, outlays, and return expectations. The investment portfolio will be reviewed annually.

6.07.08 *Investment Limits*

The categories of investment and the limits in which the accumulated surplus may be invested are as follows:

*Unrestricted Reserves*

Amounts designated as unrestricted reserves shall be a minimum of \$75,000 and shall be left in the organization's cash account for ease of access.

*Internally Restricted Reserves*

Internally restricted reserves shall be invested in Long Term Debt Obligations and in Cash and Cash Equivalents at an amount determined by AUSU and will be defined in detail in the Investment Plan. AUSU will attempt to limit the amount invested in Cash and Cash Equivalents to the amount expected to be spent on projects within the next fiscal year.

6.07.09 *Investment Plan*

The Investment Plan will detail the maximum dollar amount of Internally Restricted Reserves to be invested. The Investment Plan may be altered by:

- a) the VPFA in consultation with at least one of the following:
  1. the Investment Advisor,
  2. Executive Committee
  3. Finance Committee
  4. Council

Any change to the Investment Plan must be reported to Council within five days of being made.

## **Approved Instruments**

6.07.10 *Cash & Cash Equivalents*

The following are approved for investment as Cash & Cash Equivalents, provided that no debt obligation is purchased unless it is cashable:

- a) debt obligations issued or guaranteed by the Government of Canada, any province of Canada, a municipality of Canada, and any bankers acceptances and other debt obligations issued or guaranteed by a Canadian chartered bank
- b) debt obligations issued or guaranteed by a corporation, other than a bank, incorporated under the laws of Canada or a province thereof, provided that such investments are rated at minimum "BBB" by Standard & Poors or "BBB" by Dominion Bond Rating Service Limited.

6.07.11 *Long Term Debt Obligations*

The following are approved for investment as long term debt obligations. The Investment Advisor shall ladder the maturity dates of the debt obligations according to the specifications within this policy:

- a) debt obligations issued or guaranteed by the Government of Canada, any province of Canada, a municipality of Canada, any bankers acceptances and other debt obligations issued or guaranteed by a Canadian chartered bank
- b) debt obligations issued or guaranteed by a corporation, other than a bank, incorporated under the laws of Canada or a province thereof, provided that investments bare a minimum rating of “BBB” by Standard & Poors or “BBB” by Dominion Bond Rating Service Limited.

### **Conflicts of Interest**

- 6.07.12 The Investment Advisor, its partners, and employees shall:
- a) avoid conflict between their duties and responsibilities to AUSU and their own interests;
  - b) refrain from engaging, directly or indirectly, in any activities in actual or perceived conflict with the prudent administration of the accumulated surplus;
  - c) not accept or be the beneficiary of any gift or other consideration in respect of any security transaction to which any of the accumulated surplus are a party or have any pecuniary interest in any transaction to which any of the accumulated surplus are a party;
  - d) not use insider information with respect to investments or transactions to which the accumulated surplus are a party or use any insider information whether for the benefit of the accumulated surplus or otherwise; and
  - e) at the request of the VPFA, disclose in writing from their direct and indirect beneficial interests in all securities in respect of which the accumulated surplus have from time to time an investment.

### **POLICY HISTORY**

Original Approval Date: May 7, 2007

Updated Date: July 15, 2010

Mandatory Review by Date: July 15, 2012