



## POLICY 6.07

### FINANCIAL MANAGEMENT

#### *Reserves and Investments*

#### POLICY INTENT

To provide guidelines for the maintenance of AUSU Reserves and Investments to ensure that funds are used effectively.

#### POLICY RESPONSIBILITY

Council

#### POLICY

##### Definitions

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

*Reserves* — the current running total of surpluses from the annual budget. Reserves are divided into two categories: unrestricted and internally restricted. Neither category is descriptive of specific bank or investment accounts. Reserves are balance sheet items.

*Unrestricted Reserves* — any amount of the reserves that have not been assigned to a specific project or task.

*Internally Restricted Reserves* — any amount of the reserves that council has designated for a specific reason or project (ex. contingency reserves, funds reserved for a new or future service, The Voice Reserve).

*Investments* — any amount of the reserves that is being held in an investment portfolio rather than in regular bank accounts.

*Investment Advisor* — any individual appointed by AUSU with either a CFA certification or who is working in that capacity at a major financial firm.

*Investment Plan* — investment portfolio recommendations as set out by the investment advisor and as adopted by AUSU.

## **Reserves**

- 6.07.02 AUSU will strive to use membership fees in a way that benefits those whom the fees have been collected from.
- 6.07.03 Internally Restricted Reserves are so designated by a motion of council
- 6.07.04 AUSU staff will maintain a worksheet that details the makeup of Internally Restricted Reserves, and includes the amounts of funds transferred, purposes of funds, and the dates that council approved the reserve transfers.
- 6.07.05 Internally Restricted Reserves are not to be used to fund the operating budget of AUSU without a specific motion of council.
- 6.07.06 AUSU will maintain a minimum of \$360,000.00 in an internally restricted contingency reserve to ensure that the organization has adequate funds in the event of unexpected costs or unexpected fluctuations in revenue.
  - 6.07.06.01 In the event that unexpected costs or unexpected fluctuations in revenue necessitate the use of reserves so that they fall below this minimum, AUSU will put together a financial plan to ensure the contingency reserves are rebuilt to the minimum as soon as possible.
  - 6.07.06.02 Use of funds from the contingency reserves will require a two thirds majority vote of council.
- 6.07.07 Unrestricted Reserves can be used as council sees fit while following policy 6.05 Financial Management - Expenditures.

## **Investments**

- 6.07.08 AUSU will create and adopt an investment plan with the assistance of an investment advisor. The philosophy of the investment plan should be focused on capital preservation while ensuring annual return on investment.
- 6.07.09 AUSU will strive to keep as much cash invested as possible, however, a minimum amount must remain in AUSU's operating account in order to not incur unnecessary bank fees or impede cash flow activity.
- 6.07.10 The executive director is charged with managing cash flow and will arrange for the deposit or withdrawal of funds through the investment advisor, ensuring that signing authority in policy 6.05 is followed, in such a way as to not impede the operating activity cash flow or incur unnecessary fees.
- 6.07.11 The VPFA will meet semi-annually, at minimum, with the investment advisor to review the performance of AUSU's investments and ensure that the investment plan is being followed.
- 6.07.12 Any changes to the investment plan, or withdrawals or deposits into the investments will be reported to council within 5 days and included in the monthly finance committee report.

- 6.07.13 If the finance committee feels that the current investment advisor is unable to meet the criteria set out in AUSU's investment plan, the committee may put together a proposal to council to change investment advisors that includes the following:
- a) detailed reason for the change;
  - b) details on how alternate investments advisors were sought;
  - c) detailed information on three alternative investment advisors; and
  - d) a recommendation, including reasoning, on one of the three alternatives.

6.07.13.01 Any decision to change investment advisors must be made by motion of council with a 2/3 majority vote.

6.07.14 To ensure that no conflicts of interest arise, AUSU will obtain an annual statement of independence from their investment broker.

6.07.15 AUSU will ask all staff and councilors annually to disclose any conflicts of interest with regards to AUSU's investment holdings or investment advisor.

## **RELATED REFERENCES, POLICIES, PROCEDURES AND FORMS**

### **This Policy References**

None

### **This Policy is Referenced by**

6.06 Financial Management - Oversight

### **Forms**

Internally Restricted Funds Tracking Form

## **POLICY HISTORY**

Original Approval Date: May 7, 2007

Last Review Date: November 8<sup>th</sup>, 2018

Review by Date: November 2020