



Fund Accounting & Internally Restricted Funds Guideline

Purpose

Policy 2111 Fund Accounting details high level implementation of Fund Accounting including principles and constraints regarding restricted assets (both internally restricted and externally restricted). This Guideline provides additional principles and constraints specifically regarding the implementation of internally restricted assets.

Application

This guideline applies to all financial reporting of the College.

1.0 Accountability for Internally Restricted Funds

- 1.1 The carry forward of funds from one year to the next takes the form of “internal restrictions” from our general operating funds.
- 1.2 Section 2.2.2 (d) of Policy 2111 (Fund Accounting) states that “Interfund transfers increasing or decreasing any other Internally-Restricted Funds shall be subject to decision of Senior Executive Team and approved by the President.”
- 1.3 Section 2.2.2 (b) of Policy 2111 outlines that Internally Restricted Funds are presented separately in the notes to NBCC’s annual financial statements and approved by the Board of Governors. The President proposes these financial statements to our Board of Governors for approval.
- 1.4 Our auditor audits these amounts and NBCC must document why an internal restriction is warranted/required.

2.0 Pre-approval of Certain Internally Restricted Funds

- 2.1 Senior Executive Team has approved the following for implementation in fiscal 2020-21 and future years until further notice:
 - For Professional and Part-Time Learning activities (i.e., PPL, exclusive of Apprenticeship), the amount of the Contribution to College Overhead (i.e., Contribution) which may be retained by the College shall be:
 - 70% of their Excess of Revenues over Expenses or the original contribution target in the annual approved budget whichever is the greater.
 - For Professional and Part-Time Learning’s Apprenticeship activities, the amount of the Contribution to College Overhead (i.e., Contribution) which may be retained by the College shall be:
 - 55% of their Excess of Revenues over Expenses or the original contribution target in the annual approved budget whichever is the greater.
 - For Applied Research and Innovation activities, 100% of the actual Contribution shall be retained for use as a contingency to meet new or emerging financial need on a one-time basis or medium to long term needs as may be approved by the responsible Vice-President. Annual increases of \$50,000 or greater to ARI’s internally restricted amounts should be reviewed by Senior Executive Team prior to recommendation to Audit Committee and the Board of Governors.
 - Additional cost-recovery units shall generally be expected to surrender actual Contributions to College Overhead at the conclusion of the fiscal year in accordance

Any document appearing in paper form is not controlled and should **ALWAYS** be checked against the version

with their annually approved budget, this guideline and any Request for Approval of Additional Internally Restricted Funds (below).

3.0 Request for Approval of Additional Internally Restricted Funds

- 3.1 Principles currently being applied to internal restrictions of unspent operating funds are as follows: The amount carried forward must be:
- Related to completion of a pre-approved project or activity.
 - Approved by a member of Senior Executive Team.
 - A positive balance, i.e. the funds must be unspent revenue or expense budgets. Except in exceptional circumstances, amounts carried forward can't be a negative and can't create a negative in an account due to a carry-forward of funds to a future year.
 - Consistent with matching principle espoused within all generally accepted accounting principles, i.e. a carry forward cannot override the proper matching of revenues to their proper earning period and expenses to when they are incurred to earn that revenue.
- 3.2. For Pre-approved Internally Restricted Funds, or previously approved amounts, all amounts are subject to carry forward.
- 3.3 For ad-hoc requests during the year or year-end, i.e. for which Senior Executive Team approval is sought through the financial statement process, the amount must be material, i.e. outweigh the cost of doing it. NBCC currently applies a minimum of \$5,000 materiality unless there is a compelling argument to carry forward ("restrict") a lesser amount.