

## BRIEFING NOTE

**TO:** Board of Directors

**FROM:** Fazal Khan, Registrar and CEO

**DATE:** May 17, 2021

**SUBJECT:** 7.1 Financial Condition Policy Monitoring Report

☐ For Decision

☐ For Information

☒ Monitoring Report

### Purpose:

To provide the Board with a monitoring report on the Financial Condition Policy, in accordance with the monitoring report schedule approved by the Board.

### CEO Interpretation and Evidence:

The Financial Condition Policy (Appendix A) was approved by the Board in October 2017.

The information contained in this monitoring report represents compliance with a reasonable interpretation of the policy. The monitoring report covers the period from January 2020 to December 2020.

The next Financial Condition Policy Monitoring Report is due in May-June 2022.

Policy Requirement	Interpretation and Evidence
Financial Position	The 2020 fiscal year ended with a surplus of revenues over expenditures in the amount of \$395,977. The College's net assets at December 31, 2020 were \$6,855,250, including \$96,360 in restricted assets.
Expenditure	The 2020 fiscal year ended with sufficient liquidity to operate in 2021. The Board approved use of \$817,426 from the College's general reserve to offset the impact of revenue reduction as a result of lowering 2021 registrant fees for pandemic relief. There was no major unbudgeted spending in 2020 and overall total expenditures were under budget by 12% as a result of lowered Board/Committee expenses due to COVID-19. Budget line variances were presented and explained to the Finance Committee each quarter.
Debt	No funds were borrowed or loaned in 2020.
Reserve Funds	Reserve funds were not accessed, including internally restricted allocations in 2020.

Payments and Receivables	Vendor payments, payroll, Board expenses, source deductions, and HST payments were remitted in accordance with a 30 day payment schedule with EFT/cheques issued every 2 weeks. The College successfully migrated 75% of vendors and 100% of Staff/Board members from cheques to EFT payments to reduce paper waste and decrease AP turnover.
Reporting	Financial Condition of the College was reported to the Executive/Finance Committee and the Board each quarter with the Financial Variance Report. The report includes quarterly actuals of the current and previous year, \$ differences from the previous year, % variance to the previous year, and % variance to the total budget.

**Public Interest Considerations:**

Does the Registrar, CEO's interpretation of the Policy serve or impact the public's interest or trust in the College?

**Diversity, Equity, and Inclusion Considerations:**

Does the Registrar, CEO's interpretation of the Policy impact the College's commitment to Diversity, Equity, and Inclusion?

**Recommendations/Action Required:**

The Board is asked to consider the following questions:

- 1) Was the Registrar, CEO's interpretation of the Financial Condition Policy reasonable?
- 2) In the Board's opinion, did the Registrar, CEO comply with this policy?

## POLICY TYPE: OPERATIONAL BOUNDARIES

### 2-03 Financial Condition Policy

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With respect to the ongoing financial health and condition of the COO, the Registrar, CEO shall not cause or allow the development of unnecessary financial risk, such that there would not be sufficient cash flow to meet obligations in the normal course of business. Further, the Registrar, CEO shall not cause or allow material deviation of expenditures from the Board priorities established in the Strategic Outcomes Policies.

Accordingly, the Registrar, CEO shall not:

#### Financial position

1. Finish the fiscal year in an annual operating deficit with expenditures that exceed revenues without prior approval of the Board.

#### Expenditure

8. End the fiscal year without sufficient liquidity to operate in the next year.
9. Make a single unbudgeted purchase or commitment of greater than \$30,000 without prior Board approval. Splitting orders to avoid this limit is not acceptable.
10. Deviate from the overall budget in any quarter by more than twenty-five percent (25%) without prior Board approval unless the financial plan for the remainder of the year is adjusted to address the deviation by year-end.
11. Receive, process, or disburse funds under controls which are insufficient to meet the Board-appointed auditor's standards.

#### Debt

12. Borrow from a financial institution without prior Board approval.
13. Without prior Board approval, indebted the organization by an amount greater than can be repaid by unencumbered revenues within 90 days or by the end of the fiscal year (whichever comes first).
14. Loan COO funds to any party.

#### Reserve Funds

15. Use internally restricted funds for purposes other than those designated in the budget, e.g. funding for sexual abuse therapy may not be allocated to other budget line items, such as investigations. (See Reserves Policy, 2-07).
16. Fail to ensure that reserves are maintained as per the Reserves Policy.

#### Payables and Receivables

17. Allow payroll, source deductions or other government payments to be overdue.
18. Fail to pay other accounts payable in a timely manner and according to the terms of any contractual agreement.
19. Fail to employ reasonable measures to pursue receivables after a reasonable grace period.

#### Reporting

20. Fail to report on the financial condition of the College to the Board on a quarterly basis.