

# BRIEFING NOTE

**TO:** Council

**FROM:** Executive Committee

**DATE:** May 28, 2018

**SUBJECT:** 2017 College Reserve Fund Allocations

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**Purpose:**

To discuss and propose the allocation of surplus/reserve funds for council approval.

**Background:**

Each year when the Draft Audited Financial Statements are prepared by the College's auditor, Council is tasked with allocating the surplus into appropriate reserve and contingency funds. These funds are placed in two categories: Internally Restricted Funds (reserves of money that can only be used for specific purposes) and Unrestricted Funds (reserves of money that are free from any external restrictions and available for general use).

The Finance Committee makes recommendations to Council on both Internally Restricted and Unrestricted funds in accordance with any legislatively mandated requirements and other considerations.

**For Consideration:**

Total (restricted and unrestricted) reserve (surplus) funds for 2017 equal \$3,493,820.

After a fulsome review of the 2017 financial year-end draft financial statements and a discussion with the College Auditor, Executive/Finance Committee is putting forward to Council the following proposal for consideration with regards to the College's 2017 net accumulated surplus:

<b>Reserve Funds</b>	<b>2016</b>	<b>Draft 2017</b>	<b>Rationale/Notes</b>
<b>Restricted</b>			
Funding for Therapy	\$ 45,000	\$ 96,360	As per Bill 87 amendments to the RHPA, Section 85.7 (1) of the <i>Health Professions Procedural Code, 1991</i> was "There shall be a program, established by the College, to provide funding for the following purposes in connection with allegations of sexual abuse by members: (1) Therapy and counselling for persons alleging sexual abuse by a member. (2) Any other purposes prescribed in regulations made under clause 43(1)(y) of the Regulated Health Professions Act,

<b>Reserve Funds</b>	<b>2016</b>	<b>Draft 2017</b>	<b>Rationale/Notes</b>
			1991, Sched. 5, s.28". Funds for this program must be set aside (internally restricted) to facilitate any claims made to the College. The current maximum amount of funding that can be awarded to an applicant is \$16,060. The Draft Reserves Policy going forward to Council on May 28, 2018 states that the College will maintain a minimum amount of 4 times the maximum award which can be made under the RHPA. Based on legislative changes that have come forward recently from the Ministry aimed at making funding more accessible for patients of alleged sexual abuse, the recommendation is to set aside 6 times the minimum amount.
<b>Unrestricted</b>			
Invested in Capital Assets	\$ 38,452	\$ 413,475	Capital assets are reflected on the balance sheet and include items such as computers, furniture and fixtures and other items utilized in the day-to-day operation of the College (or business). This figure has climbed significantly with the move of the College to new premises.
Operating Contingency	\$ 942,000	\$ 1,100,000	The figure noted represents six (6) months' operating expenses based on a five-year average. Council motioned in 2016 to have amounts in this contingency reflect the actual costs of operating the College in emergency situations.
Unauthorized Practice Contingency	\$ 700,000	\$ 700,000	As the College awaits a decision from the courts in a large injunction case and in dealing with other unauthorized practice matters, it is prudent that the College keep this contingency fund at the current amount.
Relocation Contingency	\$ 650,000	\$ -	The College successfully completed an office move to its new location in 2017 under budget. This contingency fund is no longer required.
Premises Contingency		\$ 650,000	With the completion of the office move it is recommended that funds be accumulated in a Premises Contingency fund to address requirements at the end of the current lease ranging from a lease extension with premises refurbishment, moving to a new premise and associated leasehold improvements or a possible purchase of a premise. It is further recommended that the amount of \$650,000 be allocated here and placed in a fixed term investment.
General Contingency	\$ 719,141	\$ 533,985	This contingency fund is a general reserve. The amount noted represents the remainder of the surplus funds after the other restricted and unrestricted amounts are taken into consideration and subject to change depending on Executive's recommendations.
<b>TOTAL SURPLUS</b>	<b>\$3,094,593</b>	<b>\$ 3,493,820</b>	

**Action Required:**

Council is required to finalize the allocation of the 2017 accumulated surplus and reserve funds.