

<b>Title</b>	<b>Accumulated Surplus</b>		
<b>Classification</b>	Administrative	<b>Oversight Responsibility</b>	Office of the Vice-President, Finance and Operations
<b>Category</b>	Financial Management	<b>Responsible Office</b>	Financial Services and Financial Planning
<b>Approval</b>	Board of Governors	<b>Effective Date</b>	2022-Dec-08
		<b>Document No.</b>	1078

This policy is applied in a manner consistent with applicable statutory and legal obligations, including university collective agreements and terms of employment.

The most up-to-date versions of the university's policies are posted on the policy & procedure website. If you've printed this policy, check the website to ensure you have the current version.

**NOTE:** The first appearance of terms in **bold** in this document (except titles) are defined terms – refer to the Definitions section.

## 1.0 POLICY STATEMENT

The purpose of this **Accumulated Surplus** policy to guide Royal Roads University (the “University”) in the deployment of **Available Accumulated Surplus** funds in accordance with responsible fiscal management for the allocation and utilization of resources to meet the University’s priorities.

## 2.0 SCOPE

This policy extends to the University’s board members and employees, and all administrative and operations activities undertaken by the University.

## 3.0 POLICY TERMS

- 3.1 The University is committed to using resources prudently and responsibly and is mindful of its position within the public sector.
- 3.2 All planned uses of the available Accumulated Surplus and operating surpluses must be reviewed by the Finance and Audit Committee and approved by the Board of Governors (the “Board”).
- 3.3 Use of the available Accumulated Surplus, within the current Board guidelines, legislative and government policy requirements, include:
  - a. Capital infrastructure and technology upgrades and additions;
  - b. **Extraordinary Operating Results**; and
  - c. Other non-recurring expenditures.
- 3.4 Use of available Accumulated Surplus to fund major capital projects and initiatives should be prioritized for projects that maximize funding capacity and achieve capital plan objectives. Such uses will be identified in the form of a business case for approval by the Board. Amended Accumulated Surplus balances will be updated and presented in conjunction with business case approvals so the overall impact to the organization and existing approved projects and surplus balances can be considered.

- 3.5 Smaller projects including small asset replacement and routine capital maintenance projects will be identified in the annual operating plan and approved by the Board.
- 3.6 Rolling five-year strategic plans will identify five-year capital frameworks that maximize funding capacity and meeting long term objectives. This will include prioritization and level of use of available accumulated surplus to fund capital initiatives.
- 3.7 Use of operating surpluses shall be identified through rolling five-year strategic plans and annual operating plans.
- a. The rate of growth of surplus over time should consider the balancing of long-term and short-term needs including the priority of identified capital requirements, the priority of identified strategic operational investments and the ability of the University to generate additional surplus from operations.
  - b. Annual operating plans should continue to target operating costs that do not exceed 95.0 per cent of revenues. Use of Available Accumulated Surplus should be identified separately from the 95.0 per cent guideline and included in annual operating plans for approval by the Board, followed by quarterly financial reporting for monitoring purposes.
  - c. The Board may at any time adjust, amend, defer or restrict previous approvals for the use of operating surpluses based on financial projections or as deemed necessary to ensure the University's strategic financial objectives are met.
- 3.8 A reserve for operating deficit purposes will be maintained in the Available Accumulated Surplus to allow for future and unforeseen operating deficits and capital.
- 3.9 Audited financial statements should contain a note of disclosure that identifies the intended use of Available Accumulated Surplus through identification of board-approved internal restrictions.
- 3.10 Restrictions
- a. University Act - As per the University Act, the university is not permitted to post an operating deficit without the approval of the Minister of Finance. As such, Accumulated Surplus cannot be drawn down to fund operating activities except in extreme or unusual circumstances.
  - b. Borrowing Restrictions for Post-secondary Institutions - Due to government policy, conventional borrowing options are limited for post-secondary institutions. As such, financing of capital expenditures must generally be accomplished through a combination of third-party contributions or from the University's cash flow.
  - c. Board Guideline - 5.0 per cent excess of revenue above cost - The Board has adopted a guideline whereby annual operating costs are targeted not to exceed 95.0 per cent of revenues with the intent that the increase in accumulated surplus would help to fund tangible capital asset additions. Use of operating investments from the 5.0 per cent excess of revenue above cost will be identified for approval by the Board in annual operating plans.
- 3.11 The University will comply with all required disclosures concerning expenditures, including appropriate responses to Freedom of Information and Protection of Privacy Act requests.

## **4.0 AUTHORITIES, ROLES, AND RESPONSIBILITIES**

- 4.1 Board of Governors
- a. The Board of Governors is responsible for the oversight and governance of the uses of the available Accumulated Surplus and operating surpluses for the university.

#### 4.2 Executive

- a. The President, as delegated by the Board of Governors, has accountability for the management and implementation of strategies to ensure the uses of the Available Accumulated Surplus and operating surpluses support the University's business objectives and mission.
- b. The President and Vice-Presidents are accountable for promoting a culture of high standards of ethical conduct and integrity in supporting the prudent and judicious use of university funds.
- c. The Vice-President, Finance and Operations, as delegated by the President, leads the coordination of activities aimed at ensuring consistent and appropriate uses of the Available Accumulated Surplus and operating surpluses.

#### 4.3 Vice-President, Finance and Operations

Administration of the Accumulated Surplus policy and processes are delegated to the Vice-President, Finance and Operations whose responsibility is to:

- a. coordinate accumulated surplus activities and procedures;
- b. monitor and report on Accumulated Surplus through periodic review of activities associated with the University's financial reporting framework; and
- c. articulate this Policy and subsequent revisions.

#### 4.4 Responsible Office

As delegated by the Vice-President, Finance and Operations, Financial Services and Financial Planning coordinates all Accumulated Surplus activities and procedures and maintains appropriate internal controls that support consistent and appropriate financial reporting and use of university funds.

## 5.0 DEFINITIONS

For the purposes of this Policy:

**Accumulated Surplus** means the accumulation of annual net operating income.

**Available Accumulated Surplus** means the result of the accumulation of annual net operating income (accumulated surpluses), less additions to capital and major projects, plus deferred capital contributions. Available accumulated surpluses are also net of endowments when presented on a consolidated basis.

**Extraordinary Operating Results** means unforeseen revenue shortfalls or unexpected expenditures not contemplated in annual operating plans that cannot be mitigated through cost containment measures and result in a net loss for the year.

## 6.0 INTERPRETATION

Questions of interpretation or application of this Policy or its procedures will be referred to the Vice-President, Finance and Operations whose decision is final.

## 7.0 RELATED DOCUMENTS

Legislation and Information

- [Budget Transparency and Accountability Act, SBC 2000, c.23](#)
- [University Act, RSBC 1996, c.468](#)

### Review, Revision and Approval History

<u>Date</u>	<u>Activity</u>
2018-Oct-12	Approved by Board of Governors / Implementation
2019-Oct-10	Approved by Board of Governors
2021-Oct-20	Transferred to new template – no content change
2022-Dec-08	Approved by Board of Governors
2025-Dec-08	Next Review

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