

## Restricted and Unrestricted Net Assets and Surplus Policy

**Policy #:** 007  
**Created:** January 2018  
**Last reviewed:** November 2020  
**Amended:** N/A

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### 1.0 Purpose and Scope:

The purpose of this policy is to supplement section 5.0 of the organization's Investment Policy: Sufficient Reserves Principles

The accumulation of an operating surplus in a not-for-profit sector organization is not a desirable goal. The general expectation is that the Bereavement Authority of Ontario ("BAO") will use its funds to provide services in terms of its mission and mandate.

However, it is prudent management to set aside a minimum level of accumulated surpluses to be retained on an ongoing basis to offset any future excesses of expenditures over revenues. This serves to manage risk for the organization and helps to effectively manage cash flow levels.

Restricted and Unrestricted net assets will be reported and segregated on the organization's financial statements.

### 2.0 Scope / Limit

This policy applies to the BAO Board of Directors and the Management Team.

### 3.0 Definitions

**Accumulated surpluses:** Represent the aggregate of prior year annual surpluses achieved, net of any annual deficits incurred and capital asset transactions. Such funds offer flexibility in terms of use and accessibility as designated by the Board.

**Internally restricted surplus:** Those surpluses restricted by the Board for a specified future purpose.

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## **4.0 Policy Statements**

- 4.1 The BAO will manage its assets in a sustainable manner to meet its mission and mandate.
- 4.2 Restricted assets shall be accumulated to a minimum level of six months and to a maximum level of eighteen months of operating expenditures of the previous annual operating budget. These assets are intended to offset future excesses of expenditures over revenues.
- 4.3 At any given time, unrestricted assets shall represent the difference between the overall net assets of the organization and the balance of restricted assets.
- 4.4 Accumulated surpluses in excess of the minimum level required may be utilized for the following:
  - 4.4.1 address one-time budget allocations as part of the annual budget process;
  - 4.4.2 address an annual operating budget deficit;
  - 4.4.3 address other one-time expenditures deemed necessary by the Board;
  - 4.4.4 establish internally restricted surpluses for future requirements.
- 4.5 Management will recommend to the Board appropriate transfers to internally restricted accumulated surpluses as required. Board must give final approval for all transfers.

## **5.0 Policy Review**

This policy will be reviewed annually, at a minimum, to ensure it remains relevant to BAO's activities and reflects both the organization's expectations and legal requirements.

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