



BUDGET PRINCIPLE: 1.11

Date First Approved by ACET: June 29, 2022

**Activity Reporting and Reserve
Contribution Allocations**

Date Last Reviewed: June 29, 2022

Mandatory Review Date: Annually

INTRODUCTION

The College engages in a variety of operating activities with numerous funding sources. To ensure that ongoing financial sustainability of the College can be monitored by activity, and to reduce the risk associated with reliance on a single funding source, the College has identified four operating activities:

1. Funded Activity
2. Contract and Other Non-Funded Activity
3. Campus Services, and
4. International Education Centre.

In addition to these operating activities, the College also undertakes investments to fulfil capital requirements. This activity has been identified as Strategic Investment Priorities.

DEFINITIONS

Campus Services	Commercial activity that provides goods and services to students, employees, and the public in exchange for payment under the management of the Campus Services Department. This activity is self-sustaining and cannot receive support from Provincial funding or tuition fees. Revenues realized must be sufficient to cover all operating and capital costs while reserving funds for future investment requirements. This activity includes, but is not limited to, retail and food services, parking, student residence, printing services, room rentals, conference services and locker rentals.
Contract & Other Non-Funded Activity	Education, training and related services that are delivered by the College as a commercial activity in exchange for payment as part of a contract with a specific termination date, as well as non-credit courses and training offered to the public. The counterparty to the contract may be a government, corporate or private entity, or an individual. This activity also includes other non-essential but important services in a post-secondary education context including, but not limited to, Advancement, Applied Research, AC Way, and the Public College Private Partnership.
Financial Sustainability	An institution is being managed on a financially sustainable basis if it is recovering its full economic costs and is investing in its infrastructure (physical, human, and intellectual) at a rate adequate to maintain the existing the future productive capacity needed to deliver its strategic plan, and to serve its students and other customers.
Funded Activity	Post-secondary education and training where successful completion results in granting an Algonquin College or Provincial credit to a student. Typically includes activity that is funded from Provincial operating grant(s), tuition, and student fees. Also includes essential College services that are traditionally required to support the core activities of a post-secondary institution including, but not limited to,

	human resources, facilities, finance, information technology, marketing and student services. Certificates, diploma, advanced diploma, applied degree, collaborative degree and apprenticeship are the primary programs of Funded Activity.
Internally Restricted Net Assets Continuity Schedule	Annual report detailing the year-to-year contributions, expenditures, interest earned and any other adjustments for all internally restricted reserve accounts, as well as the fiscal year-end balance in each account.
International Education Centre	Recruitment and support of international students participating in College programs at Algonquin College campuses, partner campuses and online. This activity also includes partnership development with international education and training agencies including the establishment of satellite campuses. The International Education Centre also recruits and supports international students enrolled through Algonquin College's Private College Public Partnership (PCPP), however the financial results for the PCPP are reflected in the Contract & Other Non-Funded Activity and not in the International Education Centre Activity.
Modified Cash Flow Net Contribution	Net contribution margin calculated on an accounting basis and adjusted with the addition of the following expenditures: <ul style="list-style-type: none"> • principal portion of scheduled, annual debt payments, and • budgeted contribution to reserves.
Reserves (Reserve Accounts)	Reserve accounts represent the accumulated surpluses of the College which are available to invest in future capital projects. All expenditures from reserve accounts must be approved by the Board of Governors.

PURPOSE

The purpose of this Budget Principle is to define the activities of the College for budgeting and reporting purposes. This Budget Principle also sets out the desired minimum required net contribution margins to be targeted during the annual budgeting process for each activity to support the achievement of financial sustainability for the College.

PRINCIPLE

The annual budget is an entity level internal control of the College. Defining and organizing the activities of the College into an appropriate budget structure should be done objectively and independent of the current financial opportunities and challenges facing the College. College administration has a fiduciary responsibility to establish a budget structure that will support the financial sustainability of the College. Overall, budgeted revenues are required to be sufficient to fund budgeted operating costs, in-year capital investments and contributions to reserve balances to fulfil future capital investment requirements.

There are four operating activities of the College:

- Funded Activity
- Contract and Other Non-Funded Activity
- Campus Services, and
- International Education Centre

Each operating activity is required to generate a positive net contribution margin, on a Modified Cash Flow Net Contribution basis, unless an exception is approved by the Algonquin College Executive Team. The net contribution margin generated on a Modified Cash Flow Net Contribution basis will be used to invest in the College's reserves and strategic investment priorities (in year capital project expenditures).

Each of the operating activities of the College will incorporate a budgeted contribution to reserves to ensure funds are available for future capital investments. Based on need and affordability, the planned contributions to reserves (internally restricted, with the exception of the Campus Services Reserve) will be shared between Funded Activity, Contract and Other Non-Funded Activity and the International Education Centre with each contributing a share appropriate to their net contribution margin (inclusive of internal charges). Campus Services will contribute 100% of their Modified Cash Flow Net Contribution to the Campus Services reserve fund to be re-invested in facilities, infrastructure and information technology requirements necessary to fulfil their mandate.

Effective with the 2023-24 Annual Budget, total reserve contributions (excluding Campus Services) will be funded from net revenues of the following three activity groups:

1. Funded Activity
2. Contract & Other Non-Funded Activity
3. International Education Centre

The allocation of the reserve contributions to each activity will be reviewed and approved by the Algonquin College Executive Team during the 2023-24 Annual Budget cycle.

Campus Services will contribute 100% of their modified cash flow net contribution (budgeted and actual) to the Campus Services reserve. Any capital expenditures (Strategic Investment Priorities projects) to support Campus Services will be funded from Campus Services reserves and will not draw on other College reserves or capital grants for funding.

POLICY

1. Authority
The authority to define College operating activities and assign budget targets on an Activity basis to Algonquin College Executive Team members is held by the Algonquin College Executive Team. Activity net contribution targets cannot be consolidated to achieve compliance.
2. Accountability
Finance and Administrative Services is responsible for the pro forma budget, and corporate reporting processes.

Each budget holder and Algonquin College Leadership Team member of the College is accountable for appropriate planning (given the assumptions and information known at the time), reporting, and achieving of financial targets for the area of responsibility.

Each budget holder/cost centre manager is accountable for the correct identification of activity type when a new cost centre is requested, and for the timely update of activity type when a change is identified to an existing cost centre.

3. Reporting
Each Department is responsible for appropriate budgeting (given the assumptions and information known at the time), forecasting, accounting, measuring, and reporting of financial outcomes, and non-financial benefits. The Finance and Administrative Services department is responsible for consolidated reporting of the budget, forecasting and final results reporting of the College.

4. Time frame

Financial reporting and forecasting will be completed each fiscal quarter in alignment with the Quarterly Projection Schedules issued by Finance and Administrative Services. Budgeting will be completed annually in alignment with the Annual Budget Schedule issued by Finance and Administrative Services.

5. Transparency

Finance and Administrative Services will present the three-year pro forma budget to the College Budget Committee and the Algonquin College Executive Team on a regular basis during the annual budget preparation period. These reports will clearly identify the planned reserve contributions for each activity. Additionally, detailed updates on the contributions and uses of reserves and remaining balances (Internally Restricted Net Assets Continuity Schedule) will be presented to the College Budget Committee and the Algonquin College Executive Team at the end of each fiscal year to identify both actual contributions and withdrawals from the College's reserve accounts.

Each budget holder of the College is responsible for ensuring transparency of information, assumptions and other projections (such as enrolment) that are relied upon for budgeting and forecasting. In addition, budget holders will ensure that all direct costs and revenues are allocated to the operating units they support to ensure transparency in reporting on College activities is as accurate as possible.

PROCEDURES

During the annual budget preparation process:

- Finance and Administrative Services will review the calculation of minimum net contribution margins with the College Budget Committee and the Algonquin College Executive Team.
- Finance and Administrative Services will clearly identify reserve contributions required from each activity within the three-year pro forma and present these documents to the College Budget Committee for recommendation to the Algonquin College Executive Team.

At the fiscal year end:

- Finance and Administrative Services will provide the College Budget Committee and the Algonquin College Executive Team with the College Internally Restricted Net Assets Continuity Schedule.

During the fiscal year:

- If new cost centers are requested, Budget Holders will ensure correct categorization of activity type for each new cost center as part of the cost center setup request. If a cost center activity is misaligned, budget holders will request a correction to Finance and Administrative Services. If budget holders are unsure of the correct activity categorization, they can consult with Financial Services via FinServices@algonquincollege.com.

RELATED POLICIES:

Budget Principle 1.06: Internally Restricted Funds

RELATED DOCUMENTS: