

## EXTERNALLY RESTRICTED CONTRIBUTIONS

This document is the parent policy for any College procedures. Questions regarding this policy are to be directed to the identified Policy Owner.

<b>Category:</b>	Financial/Administrative
<b>Policy Number:</b>	B32
<b>Approval Date:</b>	April 15, 2021
<b>Effective Date:</b>	April 15, 2021
<b>Policy Owner:</b>	Chief Financial Officer

<b>Objective:</b>	<p>To outline principles and guidelines relating to the identification, evaluation and reporting on externally restricted contributions.</p> <p>This policy must align with but is not intended to replace the Public Sector Accounting Standards (section 4210).</p>
<b>Policy:</b>	<p>Externally restricted contributions are contributions where the contributor has outlined that the funds received are to be used for a specific purpose or spent in a specified period.</p> <p>Olds College will be bound by the stipulations within all funding agreements with respect to the dates and allowable expenses.</p> <p>Expenditures can commence on an externally funded project once the criteria and specified period as documented in the funding agreement have been met. Restricted funds reports outlining how the funds are spent are provided upon request.</p> <p>Restricted contributions that will not be used in the manner stipulated are returned, unless the contributor gives permission for another use.</p> <p>Externally restricted contributions fall under one of the following two categories</p> <ol style="list-style-type: none"> <li><b>1. Deferred Revenue</b> <p>Revenue recognition for externally restricted contributions follows the deferred method of accounting. Using this method, contributions for which externally imposed restrictions remain unfulfilled are identified as deferred revenue on the statement of financial position until the stipulations have</p> </li> </ol>

been met.

The deferred revenue balances reported on the statement of financial position will represent the amount of externally restricted contributions that are related to expenses of future periods or the purchase of capital assets that will be amortized. When these contributions are recognized as revenue, they will be matched in the same period as the expenses that they were intended to fund.

Deferred Revenue includes the following externally restricted contributions:

Externally restricted contributions received for expenses of future periods including:

- Grants, contracts, donations, bursaries, scholarships, and sponsorships
- Spendable investment income earned on endowments

When the externally restricted contributions are received in the same year that the funds are spent, the restrictions associated with these revenues have been met, and the restricted funds are recognized as revenue in the same period.

Externally restricted contributions received for the purchase of capital assets

Externally restricted contributions for the purchase of capital assets that will be amortized will be deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital asset. These contributions will be recognized as revenue over the useful life of the acquired capital asset to reflect that the contribution provides benefits in all the periods that the college has use of the capital asset.

Deferred Revenue associated with revenue that does not have external stipulations but for which services have not yet been provided is excluded from the scope of this policy.

## **2. Net Assets**

Net Assets include the following externally restricted contributions which are a direct increase in net assets:

- the principal portion of Endowments and,
- externally restricted contributions for non-depreciating assets (for example land)

<b>Definitions:</b>	<p><b>External Restrictions</b> - are stipulations outlined within a funding agreement with an external party, that specify the purpose or purposes for which resources are to be used.</p> <p><b>Externally Restricted Contributions</b> – Contributions received that have externally imposed stipulations that specify how or when the funds received are to be used. These restrictions are imposed by organizations or individuals outside of the college. These restrictions bind the organization to use the resources contributed for the purposes or in the time period specified in the signed agreement.</p> <p><b>Deferred Revenue</b> – A means to account for externally restricted contributions whereby restricted contributions are deferred to future periods if there are still restrictions. This ensures that revenue is recognized in the same period that the operating and/or amortization expenses were incurred.</p> <p><b>Funding Agreement</b> - An agreement including but not limited to a grant, a funding contract and an endowment, donation, scholarship, bursary, or sponsorship agreement signed by all designated parties.</p>
<b>Related Information:</b>	<p><a href="#">A23 Fraud and Irregularities Policy</a></p> <p><a href="#">A41 Gift Acceptance Policy</a></p> <p><a href="#">B100 Signing Authority for Contracts and Obligations Policy</a></p>
<b>Related Procedures:</b>	<p><a href="#">B32 Deferred Revenue Procedure</a></p>
<b>Review Period:</b>	<p>1 Year initially, followed by 3 year review</p>
<b>Revision History:</b>	<p>April 2021: New</p>