



POLICY 4.6

FINANCIAL MANAGEMENT

Investments and Reserves

POLICY INTENT

The purpose of this Investment Policy is to establish the principles and parameters guiding the prudent management of the funds held by the Athabasca University Graduate Students' Association (AUGSA). This policy promotes responsible financial stewardship, with an emphasis on capital preservation, liquidity, and modest growth in line with the Association's non-profit mandate.

POLICY

Investment Objectives

- 4.06.1. **Capital Preservation:** The foremost priority is to protect the principal. The organization adopts the philosophy: "We earn money but never lose money."
- 4.06.2. **Liquidity:** Investments must remain sufficiently liquid to meet foreseeable obligations.
- 4.06.3. **Modest Return:** The portfolio should generate modest returns to offset inflation and provide long-term support for operations and strategic initiatives.

Risk Tolerance

- 4.06.4. The Association has a **low risk tolerance**. Investments shall be conservative, minimizing exposure to market volatility and the risk of capital loss. The Association accepts lower returns in exchange for stability and security.

Time Horizon

- 4.06.5. The investment time horizon is generally **2-5 years**, recognizing that a portion of funds may be required within a shorter timeframe to support operations or council-approved initiatives.

Permissible Investments

- 4.06.6. Permitted investment vehicles include the following, provided they are issued or held

with federally or provincially regulated Canadian financial institutions:

- a. Guaranteed Investment Certificates (GICs)
- b. Government of Canada or provincial bonds
- c. High-quality Canadian money market funds
- d. Investment-grade bond mutual funds or ETFs
- e. Low-cost, conservative balanced funds focused on capital preservation

Prohibited Investments:

4.06.7. To maintain compliance with the Association's low-risk profile and its obligations under Canadian non-profit law, the following investments are prohibited:

- a. Individual equities (stocks)
- b. Derivatives or options
- c. Cryptocurrencies or other digital assets
- d. Leveraged or inverse ETFs
- e. High-yield (non-investment grade) bonds
- f. Private equity, hedge funds, or illiquid alternative investments

Investment Guidelines

4.06.8. The maximum amount of any one investment shall not exceed \$300,000 CDN.

4.06.9. The maximum term of any one investment shall not exceed 24 months.

Oversight and Responsibilities

4.06.10. **Executive Director:** Responsible for day-to-day oversight and execution of investment activity in accordance with this policy.

4.06.11. **Council:** Provides governance oversight, approves any material changes, and reviews compliance with the policy. These responsibilities may be carried out through the Finance Committee.

4.06.12. **Investment Advisor (if engaged):** Must be registered with the appropriate provincial securities commission and be a member of the Canadian Investment Regulatory Organization (CIRO).

Monitoring and Rebalancing

4.06.13. The investment portfolio shall be reviewed at least annually by the Council. Rebalancing will occur if allocations deviate more than $\pm 5\%$ from targets or if organizational needs change. All changes must be documented and reported to the Council.

Reporting

4.06.14. An annual investment report shall be provided to the Council, including:

- a. Portfolio performance summary
- b. Asset allocation breakdown
- c. Commentary from the Chair of the Finance Committee

Legal and Regulatory Compliance

4.06.15. All investments must comply with the Canada Not-for-profit Corporations Act (CNCA), applicable provincial legislation, and Canada Revenue Agency (CRA) guidelines for non-profit organizations. Investments must not jeopardize the Association's tax-exempt status or involve speculative, profit-seeking activity outside its operational purpose.

Reserve Fund Guidelines

4.06.16. The Association shall maintain a minimum reserve fund to ensure financial stability and operational continuity. This reserve represents the portion of invested or liquid assets that shall not be encumbered for discretionary or long-term investment purposes.

4.06.17. **Minimum Reserve Threshold:** The reserve shall be set at a minimum of 6 to 12 months of average operating expenses, based on the most recent audited financial statements or budgeted annual expenses.

4.06.18. **Liquidity Requirement:** Reserve funds must remain fully liquid and accessible within 30 days, and may only be held in cash, GICs, or high-interest savings or money market accounts.

4.06.19. **Use of Reserves:** Withdrawals from the reserve fund must be approved by the Finance Committee and ratified by the Council, and shall only be permitted for:

- a. Emergency operating needs
- b. Cash flow stabilization due to delayed revenues or extraordinary events
- c. Council-approved initiatives where no alternative funding is available

4.06.20. Any use of reserves must be clearly documented, with a plan for replenishment if the balance falls below the minimum threshold.

RELATED REFERENCES AND POLICIES

This Policy References

N/A

This Policy is Referenced by

N/A

POLICY RESPONSIBILITY

Chair, Finance Committee

POLICY HISTORY

Original Approval Date:	July 15, 2025
Last Review Date:	July 15, 2025
Review by Date:	July 31, 2028