

Net Asset Reserve Policy

Date of creation: Dec. 4, 2020

Revisions:

Purpose

The purpose of the Canadian Nuclear Association (CNA) Net Asset Reserve policy is to ensure the organization has sufficient reserves to allow for the orderly windup of the operations.

Definitions

The Net Asset Reserve is a designated fund (the “Fund”) set aside by action of the executive committee of the board of directors.

The minimum amount to be designated as the Fund will be in an amount sufficient to provide for an orderly windup of the operations including payment of all liabilities and obligations.

The Net Asset Reserve policy serves a dynamic role, and the Fund will be reviewed and adjusted on an annual basis.

Goal

The target minimum Fund is equal to all outstanding liabilities (as detailed below) plus three (3) months of average operating costs.

The calculation of average monthly operating costs includes all recurring, predictable expenses such as:

- salaries and benefits
 - occupancy
 - office
 - travel
 - program; and
 - on-going professional services
- } *3 months = \$400K
- } *3 months = \$200K
- Total: \$600M

*NB: Taken from 2021 budget

Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes certain expenses such as pass-through programs or one-time or unusual capital purchases.

The outstanding liabilities include the remaining term of any outstanding leases such as office space and equipment, statutory severance or contractual termination costs for employees, termination cost per notice provisions for any professional consultants notwithstanding that

management will provide notice effective the decision date of windup. A schedule of said liabilities will be updated on a regular basis and at a minimum not less than annually during the budget approval process. An example of the schedule is included as Schedule A.

Rationale

The CNA is a member supported organization with the majority of its revenue derived from membership fees. The operations are contingent on the continued support of the members. If the membership determines that it is not in their best interest to continue supporting the organization, then the board may determine that it must wind up the operations.

The Fund under the Net Asset Reserve policy is intended to provide sufficient funding to allow for an orderly wind up of the operations and the discharging of all outstanding liabilities.

The Net Asset Reserve policy will be implemented in concert with the other governance and financial policies of the CNA and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

Timing

The amount of the Net Asset Reserve fund target minimum will be set each year during the annual budget approval process; reported to the finance committee of the board of directors and included in the regular financial reports.

Accounting for Reserves

The Net Asset Reserve fund will be recorded in the financial records as Restricted Assets in the Statement of Financial Position.

The Fund will be invested in cash or cash equivalent funds as provided for by CNA’s Investment Policy.

Procedure

Step	Action	Comments
<p>1. Identification of the requirement to access the Net Asset Reserve fund</p>	<ul style="list-style-type: none"> • CEO and board will identify the need for access to reserve funds. • Confirm that use of funds is consistent with the purpose of the policy. 	<ul style="list-style-type: none"> • Analyze the reason for the need to implement the policy and access the Fund.

Step	Action	Comments
2. Authority to use the Fund	<ul style="list-style-type: none"> • The CEO will submit a request to use the Fund to the finance committee of the board of directors. • The request will include the analysis and determination of the use of funds. 	
3. Reporting	<ul style="list-style-type: none"> • Upon approval for the use of the Fund, the CEO will maintain records of the use of funds. • The CEO will provide regular reports to the finance committee/board of directors on the use of the Funds and the discharging of the organization's liabilities. 	
4. Responsibility	<ul style="list-style-type: none"> • The CEO is responsible for ensuring that all obligations of the organization are discharged and is to provide a final report to the finance committee / board of directors. 	

Review of Policy

This policy will be reviewed every other year, at minimum, by the finance committee, or sooner if warranted by internal or external events or changes. Changes to the policy will be recommended by the finance committee to the board of directors.

Related Policy

- Investment Policy
- Signing Authority Policy
- Capitalization and Amortization of Assets Policy