

Financial Policies

NAME OF POLICY	Financial Policy No. 8 - Financial Reserves Policy		
APPLICABLE SECTIONS OF THE ACT, BY-LAWS AND REGULATIONS and/or PURPOSE	By-law S.6(1), 43 Ensuring Effective Stewardship of CPATA Assets		
RESPONSIBILITY	CEO & Registrar and CFO		
APPROVED BY	EFFECTIVE	REVIEWED	REVISED
Board of Directors	09/22/2023	09/08/2025	12/10/2025

1. Rationale

The College’s primary sources of revenue include annual licensee fees, examination fees, and application fees. These fees are established by the Board of Directors with the objective of covering the College’s annual budgeted expenditures and maintaining financial reserves to address potential regulatory contingencies.

As the College continues to develop its programs and operational infrastructure, there remains a possibility of reduced revenue and/or the emergence of unforeseen and unavoidable expenses. Such circumstances may necessitate the allocation of additional financial resources to ensure continuity of operations.

Consistent with the experience of all professional regulatory bodies, expenditures related to regulatory functions—such as investigations, complaints, disciplinary proceedings, and matters involving unauthorized practice—are inherently unpredictable. These costs are influenced by both the volume and complexity of cases received. In particular, cases involving significant public interest concerns may require extensive resources, including legal representation, expert testimony, transcription services, and hearing-related expenses. The timing and nature of such cases are beyond the College’s control, yet they can substantially impact the budget.

2. Policy

To ensure financial preparedness and sustainability, the College will establish two distinct reserve funds:

- **Operating Reserve Fund**
- **Professional Regulation, Unauthorized Practice, and Litigation Reserve Fund**

These reserves are intended to provide financial flexibility and support the College’s ability to respond effectively to unexpected regulatory demands.

The oversight of the Reserves is the responsibility of the Audit & Risk Committee, who are to make recommendations to the Board of Directors on transfers to and from the Reserve Funds along with the annual budget.

3. Protocol

1. Operating Reserve Fund

The Operating Reserve Fund is designated to provide for extraordinary expenses that exceed or fall outside of the provisions of the College's operating budget and are not otherwise covered by the Professional Regulation, Unauthorized Practice and Litigation Reserve Fund. The College's policy is to maintain the aggregate of the Operating Reserve Fund at no less than six (6) months of Operating budgeted expenses.

A. Use of funds from the Reserve:

The fund may be required to be used to fund the College's obligations in extreme circumstances as determined and approved by the Board of Directors of the College including in the event that the College ceases to exist as a statutory body corporate.

In any fiscal year in which costs exceed budget and the College runs an operating deficit in excess of funds transferred from the Professional Regulation, Unauthorized Practice and Litigation Reserve Fund, funds may be transferred from this fund to cover the cost overrun.

B. Fund balance falls below minimum policy benchmark:

If the projected total balance of the Operating Reserve Fund is less than six (6) months of budgeted Operating Fund expenses, the Board of Directors will budget for an annual surplus(es) to restore the Fund balance to its minimum policy benchmark. The minimum policy benchmark should be restored within two (2) fiscal years and ideally within one year.

C. Fund balance exceeds target policy benchmark:

Should the policy target change and/or an event occurs causing the reserve balance to exceed the target policy benchmark the Board of Directors may utilize the excess funds to:

- Transfer the excess to the Professional Regulation Unauthorized Practice and Litigation Reserve Fund if that fund balance is below its stated policy benchmark.
- Use the funds to offset and reduce licensee fees for a certain period; and/or
- Hold the excess fund in Unrestricted Net Assets for future use.

2. **Professional Regulation, Unauthorized Practice and Litigation Reserve Fund**

The College's policy is to maintain the aggregate of the Professional Regulation, Unauthorized Practice and Litigation Reserve Fund at a minimum amount which represents the estimated costs for two major discipline matters and includes such costs as legal fees, hearing and investigation costs, committee and panel remuneration, translation fees, etc. Currently this minimum amount is \$2,000,000.

A. Use of funds from the Reserve

The College budgets costs for discipline, litigation and unauthorized practice related cases each year. The Reserve is established to offset costs that exceed the annual budgeted costs. In any fiscal year in which these costs exceed budget and the College runs an operating deficit for that year, the Board of Directors may authorize that funds be transferred from the Professional Regulation, Unauthorized Practice and Litigation Reserve Fund to cover the overrun cost.

B. Reserve balance falls below target policy minimum:

Should this transfer or another event cause the Professional Regulation, Unauthorized Practice and Litigation Reserve Fund to fall below the minimum target, the Board of Directors will budget for an annual surplus(es) to restore the Fund balance to its target benchmark as soon as possible, this may also include a transfer from another reserve fund if available. The target benchmark should be restored within two (2) fiscal years.

C. Reserve balance exceeds target policy benchmark:

Should the target change and/or an event occurs causing the reserve balance to exceed the target policy benchmark the Board of Directors may utilize the excess funds to:

- Transfer the excess to the Operating Reserve Fund if that fund balance is below its stated policy benchmark.
- Use the funds to offset and reduce licensee fees for a certain period; and/or
- Hold the excess fund in Unrestricted Net Assets for future.

3. **Net Assets**

Any Net Asset funds above these two reserve amounts will be held as unrestricted net assets. The Audit & Risk Committee and Board of Directors will review periodically to determine if the reserve amounts should be adjusted and/or if additional strategic reserves should be established.