



<b>Category:</b> Finance	<b>Responsible Owner:</b> Director of Finance	<b>Effective Date:</b> June 9, 2022
<b>Policy Number:</b> 3.7	<b>Approval Body:</b> Board of Directors	<b>Policy Name:</b> Credit, Collections, and Bad Debt Policy

**A. POLICY:**

**PURPOSE/COMMITMENT:**

The revenue and associated debts owing to Columbia College represent an important component of the financial sustainability of the College as a charitable organization. The College must ensure that accounts receivable amounts are paid within a reasonable period of time and take necessary action on the collection of overdue accounts. The policy applies to all student and miscellaneous accounts receivable amounts, including faculty and staff receivables, owed to Columbia College as a result of services rendered or items sold to students or other customers of the College. Services rendered or items sold include student tuition, student fees such as activity and homestay fees, bookstore sales, and any miscellaneous non-student sales or contractual obligations. This policy outlines when and under what circumstances credit is extended by the College, the steps to be taken in the collection of overdue accounts, and the conditions under which an account will be written off as a bad debt.

**SCOPE:**

The purpose of this policy is to establish the responsibilities, internal controls, and procedures for the oversight, management, and accounting for receivables, collections, and write-off of bad debt for student accounts and non-student miscellaneous receivables. The College makes every effort to manage receivable balances in order to mitigate the risk of financial loss due to delinquent accounts and to evaluate and write off receivable balances as bad debts which are determined to be uncollectible to comply with generally accepted accounting principles.

**POLICY STATEMENT:**

**COLLECTIONS**

A receivable becomes past due if payment is not received by the payment due date. Written collection procedures must be followed in order to recover the outstanding receivable as quickly as possible. Collection actions may include but are not limited to sending written requests for payments, making phone calls, requesting student contact via the student's instructor(s), or requesting Student Services to follow up with the student. Any efforts to collect overdue accounts receivable performed by College employees must be documented. These efforts must be conducted according to the provisions of [Consumer Protection BC](#).

**WRITE-OFF OF BAD DEBT AMOUNTS**

Despite the robust collection procedures, some receivables will be determined to be uncollectible. Accounts should be written off of the College's financial accounting records when all collection actions have been completed and management determines the receivable to be uncollectible. The College maintains criteria and guidelines establishing the point when receivables become uncollectible and is responsible for maintaining the accounts receivable ledger by adjusting accounts as per write-off procedures. This ensures a stable and reasonable receivables balance and is an important element in reporting accurate financial information for the College, achieving reporting consistency and usefulness during the year, and reflecting the true net realizable value of the College's net assets. Amounts written off are no longer reflected as a receivable in the source system of record but historical notes will be maintained in the event there is current activity on an account that was previously written

off, and the accounting system will have a record of the amount written off plus any subsequent recovery of amounts previously deemed to be uncollectible per this policy.

#### **ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

The process of calculating the estimate for uncollectible accounts requires a rational estimate that follows GAAP. The College will use the allowance method in which estimates of the uncollectible student accounts are applied as a percentage of the tuition revenue earned in the coordinating period. This allows for the allowance of uncollectible accounts to match with the revenue which adheres to the matching principle in GAAP. The estimate the College will use is based on historical data on collections for each type of receivable. For tuition and fees associated with education, the allowance will be calculated using the total debit (receivable balance) of the aggregate of student ledgers in the student record system against tuition earned per semester. The goal in recording the Allowance for Uncollectible Accounts is to show, as accurately as possible, the net realizable value of accounts receivable on the College's financial statements.

#### **WHEN TO USE THE POLICY:**

The Credit, Collections, and Bad Debt policy will be used as follows:

- When determining the volume and timing of extending credit to students which may include installment payment options for tuition fees
- When determining the amount and timing of extending credit to non-students which will typically be captured in contract language or in College policies
- To set out collection standards and procedures for amounts owing to the College
- To set out the timing and procedure for assessing when an amount is considered to be uncollectible and when to write off the bad debt.

#### **DEFINITIONS:**

**ACCOUNTS RECEIVABLE** – amounts owed by a student for tuition and fees or a non-student based on contractual obligations.

**BAD DEBT EXPENSE:** When an Allowance for Uncollectible Accounts is credited the expense is recorded in the financial records to the Administration department.

**CAMS:** is the information technology system used to manage student records.

**DELINQUENT ACCOUNT:** means an Accounts Receivable that is late or overdue on a payment.

**DUE DATE:** means the last date by which an invoice must be paid by a customer or a student in accordance with the terms and conditions on the Columbia College website or as determined contractually.

**GAAP:** Generally accepted accounting principles.

**SERVICES RENDERED OR ITEMS SOLD:** the main service categories include those associated with a post-secondary and high school educational institution, including tuition and various fees such as application, medical, and homestay fees, textbooks, and supplies.

**STUDENT LEDGER:** means of communication via CAMS and issued to the student detailing the outstanding amount to be paid to the College.

**UNCOLLECTIBLE ACCOUNT:** means an Accounts Receivable for which collection efforts are in progress or have been exhausted without successful collection and for which an Allowance for Uncollectible Account adjustment will be recorded.

**WRITE-OFF:** means to remove an Account Receivable that is deemed uncollectible from the College's financial records.

#### **RESPONSIBLE OWNER:**

Director of Finance

#### **CATEGORY:**

3.0 Finance

## **B. PROCEDURES:**

### **CREDIT**

1. The Director of Finance shall be responsible for setting out reasonable credit terms and the collection of overdue accounts. This includes tuition, fees such as homestay, library, and student activity fees, bookstore sales, and other debts owing to the College including faculty and staff debts and miscellaneous transactions where the College is owed amounts resulting from an obligation under contract.
2. At the time an event triggers an accounts receivable amount owing to the College, payment must be collected or else credit terms for subsequent payment must be established with the College.
3. The Director of Finance is responsible for establishing the allowance value which will be determined before the August 31, 2022 fiscal year-end as follows:
  - 3.1. For the initial allowance calculation, for the April, 2022 month-end, produce a CAMS student ledger aging report "Aging Summary by Terms" for debit (receivable) balances.
  - 3.2. Compute the ratio of debit balances by semester against the tuition revenue earned for the same semester for the period of Summer 2020 through to Winter 2022. Compare the average percentage of these six semesters as a percentage of the tuition revenue earned in each of these semesters to confirm reasonableness of the average allowance percentage of 0.2%. Remove any anomalies that distort the average calculation.
  - 3.3. Record the entry in the accounting records as a debit to bad debt expense and a credit to Allowance for Uncollectible Accounts.
  - 3.4. Review the bad debt allowance on a semesterly basis to validate the percentage calculated in Section 3.2. Should the allowance percentage be higher or lower than 0.2% for more than two semesters, adjust the allowance percentage to the new rate.
  - 3.5. The method of calculating the Allowance for Uncollectible Accounts will be reviewed upon the policy review date or when an unusual event or significant change in College operational policies creates the need for a review.

### **COLLECTIONS**

1. When an account becomes overdue, the Accounting Department will notify the debtor and if payment is not forthcoming will take appropriate action to recover the amount owing.
2. The College shall generally not permit a student to enroll for classes in a given semester if that student has an outstanding balance on their account from any prior semester(s) that is more than \$200. The Accounting Team is responsible for managing the business holds on student accounts and will remove them only when all outstanding amounts are paid from previous semesters. Students who are owing less than \$200 will be permitted to register but must pay the outstanding balance before registration in the selected courses for the current semester is confirmed.
3. The College shall place a business hold on the student's account as a tool meant to drive any future student requests to Accounting (transcript requests, T2202 slip access etc) until such time as they pay their entire balance owing in full. The Accounting Team is responsible for actively managing all business holds on student accounts in CAMS.
4. The College must have written credit and collection procedures that are sufficiently specific and clear to guide the day-to-day work of the Accounting Team in the collection process and management of student receivables. These detailed procedures will include detailed email templates for student collection purposes, interaction with Student Services or instructors as needed to connect with students and determine their current situation, and arranging for payment terms on the amount owing to the College.
5. Amounts owing to the College by faculty and staff are expected to be settled immediately via cheque or cash payment to the Accounting department. Payroll related items such as short or long-term disability premiums (STD and LTD premiums) may be deducted from the employee's payroll after their return to work.
6. The College will occasionally provide travel expense advances to Recruiting staff with the expectation that any net amount owing to the College after the recruiting trip has concluded and the travel expense receipts have been validated by Accounting, will be reimbursed to the College no later than one month after the conclusion of the recruiting trip.
7. Any miscellaneous receivables will be managed on a case by case basis.

**WRITE-OFF OF BAD DEBT and INACTIVE SMALL BALANCES**

1. Once per fiscal year semester the Director of Finance will review the Aged Accounts Receivable report and determine which receivable accounts (debit balances) should be written off on an account by account basis, based on an aging report and collection notes on the account. Amounts will be written off when they are 240 days old (eight months or two semesters) after their last payment due date.
2. Once per fiscal year all student ledger balances will be reviewed and debit or credit balances under \$5.00 will be written off for accounts that have been inactive for at least 240 days (eight months or two semesters).

**LINKS TO SUPPORTING FORMS, DOCUMENTS, WEBSITE:**

N/A

**REFERENCE TO EMPLOYMENT AGREEMENT CLAUSES:**

N/A

**REFERENCE TO BYLAWS:**

N/A

**RELATED ACTS AND REGULATIONS:**

Consumer Protection Act BC

Personal Information Protection Act BC

**RELATED POLICIES:**

3.1 – Tuition and Fees Policy

3.9 – Bank Reconciliation and Month-end Approval Policy

3.20 – Revenue Management Policy

**C. APPROVALS:**

**IF APPLICABLE:**

<b>Chair, Academic Board</b> Not applicable	<b>Date:</b>
<b>Chair, Marketing and Recruitment Committee:</b> Not applicable	<b>Date:</b>
<b>Chair, Finance Committee:</b> William Pirrie	<b>Date:</b>

**APPROVAL FOR ALL POLICIES:**

<b>Responsible Owner:</b> Linda Ford, Director of Finance	<b>Date:</b>
<b>Principal or Designate:</b> Robin Hemmingsen	<b>Date:</b>

<b>Chair, Board of Directors:</b> Lee Blanding	<b>Date:</b>
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<b>Proposed Review Date:</b> June 2025	<b>Dates(s) revised:</b> June 9, 2022	<b>Replaces Policy Number:</b>
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