

May 2015

3.433 University Reserves

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ANTIOCH UNIVERSITY

Type of Policy <input checked="" type="checkbox"/> University <input type="checkbox"/> <i>Campus</i> <input type="checkbox"/> <i>Department/Unit</i> <input type="checkbox"/> <u>Interim</u>		University Reserves Policy 3.433	
Business Management Policies		Effective date: July 1, 2012	
Policy History:	Approved by:	Resolution #	Date:
Approved	Board of Governors	2.26.11:9	February 26, 2011
Revised	Chancellor	N/A	March 1, 2011
Revised	Board of Governors	10.27.12:11	October 27, 2012
Revised	Board of Governors	2.28.15:10	February 28, 2015
Revised (Non-substantive):	Office of University Counsel	N/A	May 2, 2017
Revised (Non-substantive):	Chancellor	N/A	April 13, 2018
Responsible Office:	Responsible Administrator:	Contact information:	Applies to:
Office of University Chancellor	Vice Chancellor / CFO	937-769-1304	University

I. Introduction and Purpose

The purpose of this policy is to define the process for accumulating, allocating, investing, accessing and accounting for Antioch University’s reserve funds, which provide for investment in new initiatives of importance to the University.

A stable level of aggregate reserve balances is an important component of the University’s financial health, and is looked upon by regulators, accreditors and financial institutions as an indicator of the University’s financial performance. Reserve levels are included as part of bond covenants for financial institutions holding University bonds. In addition to being critical to the University’s immediate financial health, reserve balances provide the capital required to ensure long-term sustainability and allow for growth.

II. Reserves Generally

A. The operating divisions of the University are expected to operate with sufficient surplus budgets to generate reserves necessary to ensure the long-term sustainability of the University.

B. Budget guidance shall be developed each year to inform the operating units of the University of the surpluses expected to be achieved. Such budget guidance shall be developed by the Chancellor and Vice Chancellor/CFO, with approval from the Finance Committee of the Board of Governors (“BoG” or “Board”) and the Board of Governors.

III. Campus/Unit Reserves

The allocation of operating unit surpluses to operational unit reserve accounts was discontinued effective June 30, 2014.

IV. University Reserve Account

A. Any year-end surpluses shall be allocated to the University reserve accounts. This includes, but is not limited to, any surpluses generated, in whole or in part, from the following:

1. An increase in revenues;
2. A reduction in expenses; and
3. The sale of buildings, land, or other asset(s)

B. Projects funded by reserves may be approved by the Chancellor up to \$100,000. Any proposed projects over \$100,000 must be recommended by the Finance Committee of the Board of Governors and approved by the Board of Governors. Ordinarily, no more than 50% of the total University Reserve balance may be requested for one project, and the University should strive to maintain a ratio of unrestricted cash to debt of 100%.

C. Requests to access University reserves shall ordinarily be part of the budget approval process, and follow the request procedure as outlined in section D below. Projects funded for capital improvements ordinarily will not require repayment, but a capital campaign may be required depending upon the project. A project funded for program development or other projects that result in revenue generation may be required to repay the funds to the University Reserve on a predetermined payment schedule.

D. All project requests from the reserve account should be explored with the Chancellor as they are developed. Provosts should review and recommend these requests for action with the VCAA prior to submitting them to the Chancellor or Board of Governors for approval. Project requests less than \$100,000 may be approved by the Chancellor. Project requests over \$100,000 require the approval of both the Chancellor and the University Board of Governors. All project requests funded from the reserve account shall primarily be capital projects, program development, major equipment purchases and special projects that cannot be funded from annual budgets. Project requests with on-going funding requirements such as personnel expenses and multi-year contracts must have an accompanying business plan that will show how these

expenditures will be funded with other sources of revenue in future years. Use of reserves to fund operating expenses is strongly discouraged. However, in extenuating circumstances, they may be used to offset budget deficits.

E. The Chancellor, in conjunction with the VC/CFO and VCAA will evaluate all requests, prioritizing the projects and their timing as it relates to the overall cash needs of the University and the alignment of the request to the University strategic plan. It is anticipated that the University will use its strategic planning priorities and the guidance of the Board of Governors to develop and prioritize investment plans of University reserves.

F. The Corporate Controller shall provide a report to the VC/CFO and Finance Committee of the Board of Governors detailing the sources and uses of all reserve funds at the conclusion of each fiscal year.

V. Use of Reserves to Offset University Budget Deficits

In extenuating circumstances, the University may use reserves to offset budget deficits. Access to reserves for this purpose will be provided upon the recommendation of the Chancellor, and approval of the Board of Governors, and will require justification and supporting documentation, including a mitigation plan designed to increase revenue or reduce costs to minimize the future call on reserves.

VI. Custody and Investment of Reserve Balances

A. Reserves are held and invested by the Office of the Chancellor. The reserves are invested under the provisions of the Short-Term Investment Policy or the University Investment Policy, depending upon the anticipated liquidity needs of the University.

B. Final reserve balances are calculated annually by the Office of the Corporate Controller when the books are closed on the fiscal year, and distributions are made as appropriate to reserve accounts.

C. Investment returns on reserve balances will accrue to the University reserve balances.

VII. Policy Cross References

Short-Term Investments	Policy # 3.439
University Investment and Expenditure Policy	Policy # 3.443