

TUSKEGEE UNIVERSITY

University Policy: NET UNRESTRICTED BALANCE POLICY

Policy Category: Business and Fiscal Affairs

Subject: Net Unrestricted Balance

Office Responsible for Review of this Policy: Business and Fiscal Affairs

I. SCOPE

This policy shall establish a process for reaching and/or maintaining the set targeted level of unrestricted net assets and the priority for the use of resources in excess of the target set.

II. POLICY STATEMENT

The Net Unrestricted Balance Policy mandates the process of establishing an appropriate level of unrestricted net assets at Tuskegee University.

III. PURPOSE

The purpose of this policy is to provide management with the information necessary to ensure provisions for adequate professional management and reporting of unrestricted net assets and reserves at Tuskegee University.

IV. TO WHOM THIS POLICY APPLIES

This policy applies to all organizational units within the University.

V. EFFECTIVE DATE

This policy is effective immediately.

VI. SIGNATURE, DATE, AND APPROVAL

Approved:



Brian L. Johnson, Ph.D.
President

Date Approved: *This policy was approved unanimously by the Board of Trustees at the Annual Board of Trustees meeting held on October 17, 2015.*

TUSKEGEE UNIVERSITY

NET UNRESTRICTED BALANCE POLICY

I. POLICY PURPOSE

The purpose of this policy is to establish a target level for unrestricted net assets and to establish a process and criteria for the continued evaluation of that target level as conditions warrant. This policy shall also establish a process for reaching and maintaining the targeted level of unrestricted net assets and the priority for the use of resources in excess of the target. Finally, this policy shall provide a mechanism for monitoring and reporting Tuskegee University's unrestricted net assets. This policy applies only to unrestricted net assets.

II. BACKGROUND AND CONSIDERATIONS

Unrestricted net assets are intended to serve as a measure of financial resources. The Board of Trustees, management, and others monitor the levels of unrestricted net assets as an important indicator of the University's economic condition.

In establishing an appropriate level of unrestricted net assets, Tuskegee University shall consider the following factors:

- Net tuition revenues
- Debt profile
- Liquidity
- Budget management
- Future uses
- Capital planning.

It is the policy of Tuskegee University to maintain minimum unrestricted net assets of five percent (5%) of "basic budget" expenditures by the fiscal year ending June 30, 2017. In the event that the unrestricted net assets do not reach or fall below, this minimum level, the Vice President for Business and Fiscal Affairs/Chief Financial Officer will develop a plan, implemented through the annual budgetary process, to bring the balance back to the target level over a period of no more than two (2) fiscal years.

Amounts in excess of the targeted maximum of ten percent (10%) of general operating revenues may be used for capital improvements or other one-time expenditures as identified and approved by the Board of Trustees and management. Only mission critical one-time (either capital or non-capital) expenditures will be considered to be made when the net unrestricted balance is between five percent (5%) and ten percent (10%) of budgeted "basic budget" expenditures.

The Vice President for Business and Fiscal Affairs/Chief Financial Officer shall report unrestricted net assets in the appropriate classifications and make the appropriate disclosures in the Tuskegee University's financial statements. Unless already classified as restricted or committed, the following balances shall be classified as assigned, as a matter of policy. Additional amounts may be assigned by the Board of Trustees and/or management:

Encumbrances – Amounts encumbered at year-end by contract, including purchase order, or encumbered by some other means shall be classified as assigned.

Budget Appropriation – Amounts appropriated in the annual budget resolve, or in any supplemental budget resolves, for expenditures in ensuing fiscal year shall be classified as assigned.

Compensated Absences – Actual accumulated employees' vacation and sick pay balances at the end of each fiscal year.

III. POLICY ADMINISTRATION

During each regular board meeting, the Vice President for Business and Fiscal Affairs/Chief Financial Officer's financial report presentation to the Board of Trustees the University's shall include unrestricted net assets and the classification of the various components in accordance with this policy.

Should Tuskegee University fall below the minimum target level, the Vice President for Business and Fiscal Affairs/Chief Financial Officer shall prepare a plan to restore the unassigned unrestricted net assets to the target level prior to the ensuing fiscal year's budget adoption.

Should the Tuskegee University exceed the maximum target level, the President shall prepare a recommendation to utilize excess funds for capital improvements or other one-time expenditures.

APPROVED: _____ 2015