

<b>University Enterprises, Inc. Policies and Procedures</b>	<b>Policy No. 2045</b>
<b>Section:</b> Business Services <b>Policy:</b> Unrestricted Net Asset Reserve Policy <b>Effective or Revised:</b> May 9, 2017	

## University Enterprises, Inc. Unrestricted Net Asset Reserve Policy

### I. PURPOSE

To provide management with policies and regulations governing UEI's net asset reserves.

### II. SCOPE

This policy applies to all UEI personnel.

### III. POLICY

#### I. Background

Net assets represent an accumulation of excess net revenue since the inception of UEI's business. Net assets are categorized as either restricted net assets or unrestricted net assets. Restricted net assets represent excess net revenues legally restricted by a donor or by the terms of a grant or contract. Unrestricted net assets represent unappropriated net assets and/or net assets designated for a particular purpose(s) by the Board of Directors. The Net Assets Reserve Policy outlines Board approved designated uses for the unrestricted net assets.

#### II. Policy and Regulations

##### A. Policy Provisions

1. Appropriate reserves shall be established to ensure UEI's solvency and to provide for growth or expansion of its operations to support the mission and goals of UEI and the University.
2. Annually, the Board of Directors shall review the appropriateness of the types of reserves and related funding levels. In accordance with Chancellor's Office policies, an annual report shall be submitted for approval to the University President, which includes a plan to build and maintain the appropriate reserves.

3. At the close of each fiscal year, the annual unrestricted net revenue will be allocated to unrestricted net asset reserves in accordance with Board of Director policy and guidelines:

	<b>Description</b>	<b>Reason Needed</b>	<b>How Determined</b>
	<b>MANDATORY</b>		
1	Reserve for Post-Retirement Health Benefits	Represents present value of estimated future health benefits to be provided to current employees after retirement. Accounting rules will require this liability to be recorded in future years.	Amount based on 50% of the Actuarially Accrued Liability as determined by most recent outside actuarial study.
	<b>NON-MANDATORY</b>		
2	Reserve for Working Capital	Provide for ongoing liquidity and unexpected business interruptions.	Minimum of highest consecutive 6 months operating costs in prior fiscal year.
3	Reserve for Contingencies	Existence of current business risks and potential of future unusual costs, such as disaster recovery.	Judgmental determination
4	Reserve for Future Business Development	Equity is needed for future business development, such as improving current and continuing product and service activities; and enhancing diverse revenue-generating capabilities.	Judgmental determination
5	Reserve for Future Building Projects	Anticipated future building projects.	Judgmental determination-subject to Board direction as to new capital projects
6	Reserve for Plant Improvement and Replacements	Provide for replacement and repair of equipment, maintenance, and renovation of facilities.	Judgmental determination
7	Reserve for University Support Programs (USP)	Provide for ongoing liquidity and unexpected business interruptions of UEI's University Support Programs.	Judgmental determination
8.	Reserve for pension (effective 2015-16 fiscal year)	Provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.	Projected pension obligation at June 30 of current fiscal year.

**B. Regulations**

Consistent with the policy provisions in Section A above, the following regulations apply:

At the conclusion of the annual budget process, UEI management shall prepare a report of projected net assets reserve levels based on budgeted net revenue with recommendations for any change. After presentation to the Budget and Finance Committee, the Committee shall recommend approval to the Board of Directors a plan for the disposition of unrestricted net revenue to build and maintain appropriate reserves. Once approved, this plan shall be included in the budget submission to the University President.

**C. Implementation**

The Executive Director is charged with the responsibility of implementing this statement through management guidelines.

**IV. RELATED POLICIES**

N/A - None