

DOANE UNIVERSITY RESERVE POLICY

PURPOSE

The purpose of the Reserves Policy for Doane University is to define the objectives, sources and uses of reserve funds to ensure the stability of the mission, ongoing operations and capital projects of the University. The reserves outlined below serve a dynamic role and will be reviewed and adjusted in response to both internal and external changes and reviewed and adjusted accordingly.

DEFINITIONS AND GOALS

Operating Reserve

The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden unbudgeted increase in expenses or drop in enrollment, an unanticipated loss in external funding, or uninsured losses. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of Doane University for Operating Reserves to be used only when approved and replenished in accordance with this policy.

The Operating Reserve Fund is defined as a designated funds set aside either as quasi by action of the Board of Trustees or held as other investments. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs measured for a set period of time, measured in months. The target minimum Operating Reserve Fund is at least one month of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes one-time or unusual expenses and capital purchases. The amount of the Operating Reserve Fund target minimum will be calculated each year after approval of the annual budget, reported to the Audit & Business Committee/Board of Trustees, and included in the regular financial reports.

Annually, the budget will include the amount of reserves needed to replenish the fund to its target minimum. If there are additional annual operating surpluses in excess of the amount budgeted, those too will be set aside in the operating reserve fund, transferred to the investment custodians and subject to the current Investment Policy.

Building and Capital Asset Reserve

The Building and Capital Asset Reserve is intended to provide a ready source of funds for repair or acquisition of buildings, leaseholds, furniture, fixtures, and equipment necessary for the effective operation of the organization and programs. The target amount of the Building and Capital Asset Reserve will be equal to at least one year of annual depreciation.

The annual amount to fund the Building and Capital Asset Reserve is 2% of annual depreciation.

Working Capital

Currently, working capital is provided at the beginning of each term and invested in funds backed by US treasuries and is not a reserve covered under this policy. The policy governing working capital is discussed below in the section entitled "RELATIONSHIP TO OTHER POLICIES"

ACCOUNTING FOR RESERVES

The Reserve Funds will be recorded in the financial records and held in Quasi as Operating Reserve and Building and Capital Asset Reserve. The Funds will be invested as outlined per the Investment Policy for Quasi funds.

There is also one legacy fund (AIDP) held at Raymond James that is currently no subject to any Investment Policy and it is treated as an Operating Reserve.

FUNDING OF RESERVES

The reserves will be funded with surplus unrestricted operating funds as outlined above. There could also be additional amounts funded via the Unrestricted Gifts Policy (see detail below on "relationship to other policies").

USE OF RESERVES

Use of the Reserves requires three steps:

1. Identification of appropriate use of reserve funds. The Treasurer and staff will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be needed.
2. The Board of Trustee must authorize the use or restriction of the Reserve Funds. The Treasurer will submit a request to use Reserves to the Audit & Business Committee of the Board of Trustees. The request will include the analysis and determination of the use of funds. It is important the policy to reserve funds in the future is ongoing in order to replenish the funds for possible future use.

3. Reporting and monitoring. The Treasurer is responsible for ensuring that the Reserve Funds are maintained and used only as described in this Policy. Upon approval for the use of Reserve Funds, the Treasurer will maintain records of the use of funds. He/she will provide regular reports to the Audit & Business Committee/Board of Trustees a full report of the reserve funds and the continuing funding to replenish the reserve funds to restore the minimum amounts as outlined in this policy.

RELATIONSHIP TO OTHER POLICIES

Doane University shall maintain the following board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Reserve Fund.

- Cash Investment Policy (Implemented July 2016). This is how University manages the working capital for Doane University. This policy allows for these working capital funds to be invested in ways to provide a little more return.
- Investment Policy – some of the reserves discussed above are held in quasi-funds and subject to this policy as well.
- Debt Policy – a portion of the quasi has been reserved as additional debt reserve, on top of the funds required by the bonds and held in trust by the Bank of Oklahoma
- Unrestricted Gifts Policy – some unrestricted gifts may be assigned to quasi and designated as operating or building reserves.
- Strategic Innovation Fund - The purpose of the SIF is to provide an additional source of funding to grow and invest in strategic priorities.
- Capital Projects Submittal & Approval Policy-projects submitted to the Board for approval have are subject to use quasi funds if there are not enough operating, donated or grant funds to cover the costs.

REVIEW OF POLICY

This Policy will be reviewed every other year, at minimum, by the Audit & Business Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Audit & Business Committee to the Board of Trustees.

Approved by Board of Trustees on May 5, 2017