



Campus Administrative Policy

Policy Title: Reserve Funds and Reserve Fund Transfers

Policy Number: 2005 Functional Area: Finance

Effective: July 1, 2014
 Date Last Amended/Reviewed: July 1, 2014
 Date Scheduled for Review: July 1, 2021
 Supersedes: N/A

Approved by: Vice Chancellor for Administration and Finance

Prepared by: Associate Vice Chancellor of Budget and Finance
 Reviewing Office: Executive Vice Chancellor for Administration and Finance |
 CFO, University of Colorado Anschutz Medical Campus
 Senior Vice Chancellor for Administration and Finance |
 CFO, University of Colorado Denver

Responsible Officer: Executive Vice Chancellor for Administration and Finance |
 CFO, University of Colorado Anschutz Medical Campus
 Senior Vice Chancellor for Administration and Finance |
 CFO, University of Colorado Denver

Applies to: CU Anschutz Medical Campus
 CU Denver Campus

A. INTRODUCTION

The University of Colorado Denver | Anschutz Medical Campus operates in a way that supports transparency and accountability in spending and reserving University funds. CU Denver | Anschutz also strives to receive an unqualified audit opinion which informs the readers that external auditors have determined, based on the test work they have done, that the financial statements are presented fairly, and in all material respects in conformity with Generally Accepted Accounting Principles.

Unrestricted Net Position (formerly Net Assets) is one component of the University’s financial statements. They represent the fund balances that are held by the collective units of the University as of June 30 on any given year. Balances fluctuate throughout the year and can only be measured as of a point-in-time. The University designates unrestricted

net position by their intended purpose for description in the financial statements.

The University of Colorado receives funds from a variety of sources. The General Assembly appropriates State funds and students pay tuition, both of which are unrestricted. Some of these funds are restricted by their source such as federally sponsored research, while others result from operations such as Parking and Extended Studies, which is required to generate at least enough revenue to cover all operating expenses and any debt payments. All funds received by the university are initially classified as either unrestricted or restricted. Funds received but not yet spent are held in fund balances.

While funds generated by operations are typically unrestricted, the Board of Regents and/or campus leadership may designate these resources to be used for certain purposes such as the purchase of specialized equipment or capital construction.

B. TABLE OF CONTENTS

A. Introduction	1
B. Table of Contents	2
C. Policy Statement.....	2
1. Definitions	2
D. Policy.....	6
1. Reserve Spending Plan	6
2. Student Fees.....	6
3. Transfers	6
4. General Fund Carryforward	7
5. Auxiliary Fund:	7
6. Unrestricted Net Position Reference Chart	8
7. Speedtype Designations.....	8

C. POLICY STATEMENT

This policy has been implemented to ensure consistent and appropriate reporting and categorizing of fund balances that make up unrestricted net position in all funds. This promotes the efficient use of funding and aids in the planning for spending that supports the mission and goals of the University. This policy covers all departments, schools and colleges, campus units, and campuses (CU Denver and CU Anschutz).

1. Definitions

The following definitions are provided to support the understanding of the areas covered by the Reserve Policy and the categories that separate these specific reserves.

a. Types of Funds

(1) General Fund

In the University sense, these are unrestricted funds used to account for the major revenue and expenses of the university's primary mission of instruction and its functions of academic, student services,

institutional support, operation of plant, and scholarships and fellowships. They are largely from State appropriations, program fees, tuition, and research indirect.

(2) *Auxiliary Fund*

Auxiliary Funds are used to account for the revenues and expenses of self-funded, self-sustaining and independent entities such as Extended Studies, Parking, and revenue generated through departmental activity such as consulting or laboratory testing, internal service centers, and most Student Purpose/Activity fees.

(3) *Restricted Fund*

Restricted Funds include sponsored research projects, federal and state financial aid programs, and gift funds.

(4) *Reserve Fund*

Reserve Funds (formerly Plant fund 72) are used to establish cash reserves for future needs such as debt payments, campus/departmental initiatives and capital expenses. Examples include but are not limited to: debt service reserves as required by a bond covenant, new building construction, building renovations, capital equipment purchases, faculty start-up funding, contingency reserve and general programmatic needs for campus support that may include health, life, and safety issues.

b. Types of Obligated Funds

Obligated Funds are unrestricted net position that are obligated to specific projects (see below), or are held for contractual payments (such as faculty start-up). The categories that follow are the approved designations of obligated funds.

(1) Approved Capital Projects

Funds designated for future specific capital projects and facilities initiatives and debt service that have been formally approved.

- *Regent Approved >\$2 Million*: Funds designated for future specific capital projects and facilities initiatives and debt service that have been formally approved.
- *Campus Approved <\$2 Million*: These projects under \$2,000,000 are authorized in writing by campus leadership in accordance with Regent and state expenditure thresholds.
- *Regent approved Student Fee for capital purchase*: For example, approximately every five years the Dental Instrument Fee is used to replace the autoclave.

(2) Service Centers

Service Centers include net positions associated with campus cost centers which provide goods and services to service units across the university. Any surplus funds generated by service centers are obligated per federal cost accounting standards (OMB A-21) for use by the associated service center.

(3) Risk Financing Activities

Risk Financing Activities include net positions set aside in a trust for professional liability coverage associated with the clinical practices of university faculty and staff as part of the university's self-insured medical malpractice plan or the Graduate Medical Education (GME) Health Benefits self-insurance plan. They are protected by a Trust and cannot be used for any other purpose.

(4) Faculty Start-up and Research Initiatives

Faculty Start-up and Research Initiatives are funds obligated by campus leadership for contracted faculty start-up, cost sharing; and grant bridging, faculty development and matching programs. Fund sources include indirect cost recoveries returned to departments, budgeted allocations to support academic department hires, and unspent budget balances. In order to be considered obligated, a signed contract, grant, MOU, offer letter or similar official document must be on file to support the dollar amount.

(5) University Physicians Inc. (UPI)

University Physicians, Inc. (UPI) is a separate legal entity treated as a blended component unit for accounting purposes. Net position includes residual clinical revenues that are generated by Anschutz Medical Campus faculty who serve patients through affiliate hospitals and various clinical settings. UPI is shown on the Fall Regent Report as a bottom line adjustment to balance to the Unrestricted Net Assets, and these funds are considered fully obligated to a separate legal entity as defined below.

UPI is created under Colorado statute to operate as a separate, sustainable legal entity in support of the School of Medicine's clinical practice. In addition, obligated balances are held to satisfy UPI Bylaw requirements and covenants associated with UPI's letter of credit and public debt. Obligated balances are also held to manage payments associated with a capitated healthcare program and certain debt service costs. To continue to operate as an independent entity under C.R.S. § 23-20-114(2) and other state statutes, UPI must remain entirely separate and apart from the University. The operating agreement between the University and UPI explicitly states, "no action will be taken pursuant to this Agreement which impairs UPI's status as an independent entity, as an exempt organization under Section 501(c)(3) of the Internal Revenue Code, or as a supporting organization under Section 509(a)(3) of the Code. In this regard, interpretation and construction of all terms of this Agreement shall be made in order to give effect to and to preserve UPI's aforementioned status."

The operating agreement between the University and UPI confirms that the University cannot impose financial accountability on UPI (or vice versa) and the University cannot obligate the UPI funds for another purpose.

c. Types of Unobligated Funds

Unobligated funds are generally available for campus use or support of schools, colleges, departments, or units. These funds are generated by nonrecurring revenue surpluses (such as departmental share unspent indirect cost recoveries) or year-end balances resulting from lower than expected spending levels (such as vacancy savings from an unfilled position). Campus leadership holds these funds in general categories based on internal policy or intended use. Their designation may change in accordance with directives from leadership, including Regent directives. The speedtype title must support one of these categories.

- (1) Campus Designed Capital: Funds set aside for possible future specific capital projects and renovations. These projects will be planned, requested and authorized in accordance with Regent policy and state guidelines.
- (2) Unobligated Capital: Cash reserves held by departments, for non-specific capital construction or capitalized equipment purchases. These cash reserves have not been identified with specific projects, but rather general capital needs including renewal and replacement. Schools, Colleges, or Units should establish speedtypes in the following categories for unobligated capital reserves:
 - New Capital Construction
 - Renovation
 - Equipment
- (3) General Programmatic Reserves: General departmental reserves for campus support or support of schools, colleges, departments, or units. This category of funds is reserved for campus or departmental non-capital initiatives and is flexible for campus planning and continuity. Schools, Colleges, or units may establish speedtypes in the following categories for general programmatic reserves:
 - Faculty Start-up (without a specific contract or letter of offer)
 - Programmatic or Administrative Initiatives
 - Contingency (such as emergency, rainy day, revenue reserve, base funding for tenured faculty if supported by an established policy or is based on historical data or incidents) See section D. Policy, 1.
 - Undesignated programmatic
- (4) Auxiliary Balances (formerly “Facilities”) Nonpledged - Includes net position held by auxiliary programs; continuing education reserves are the majority of activity in this category.

D. POLICY

1. Reserve Spending Plan

Before a reserve is established or supplemented via a carry forward or transfer, a spending plan must be approved in writing by the AVC Budget, Controller or designee that clearly identifies the purpose of the reserve, the dollar amount added, the new total amount or balance, the date monies will be spent, and how the purchase/use complies with and supports the mission of the school, college, unit, and campus. If the reserve is a contingency reserve of any kind, an internal policy signed by the dean or applicable associate vice chancellor that describes the rationale and methodology for the established amount must accompany the plan.

2. Student Fees

Revenue and the related expenses for course or program fees must be accounted for separately in a unique speedtype and not comingled with any other departmental revenues and expenses. If a school or college collects two or more fees for different purposes, each unique fee and the related expense shall be accounted for separately. An annual report showing the fees collected and how they are used must be made available each year by the schools, colleges or units. The Finance and Budget Offices will work with schools and colleges to establish a standardized report for this information. Student fee balances are subject to the following:

- a. Unspent fee revenue must be kept to a minimum. At the end of the fiscal year, any unspent fee revenue must be carried forward to the new fiscal year and into the same course or instructional program fee speedtype(s). Year-end balances may not be transferred to another departmental speedtype.
- b. The only exception is that a balance may be transferred into a reserve fund speedtype for the future acquisition of capital equipment or an allowable project. In this case, the school, college or unit must comply with section D.1 of this policy. The Finance and Budget Office will routinely monitor fund balances. Budget and Finance will require a school, college, or unit that repeatedly transfers balances of unspent fee revenue to provide a spending down plan and possibly reduce the fee in order to eliminate the balance in a timely manner.
- c. Spending down plans will be subject to internal review. Spending student fee revenue on purposes other than those approved by the Regents will be subject to payback. If the school, college, or unit wishes to use the fee balance on a purpose other than original approved for the fee revenue, a fee request must be submitted to the Board of Regents.

3. Transfers

In order to move cash balances to/or from an Auxiliary or General fund or to/or from a Reserve fund the following procedures apply:

- a. All reserve funds must have specific spending plans in place that detail how these funds are to be spent in the future. The spending plan is to be submitted to the AVC Budget, Controller or designee by May 31st. Transfers in or out of reserve funds will require Controller or designee and AVC Budget approval of spending plan and transfer schedule.
- b. All Denver campus Obligated Faculty Start-up and Research Initiatives reserves must have a Provost approved hiring plan in place.
- c. Unspent Unobligated General Programmatic Reserves Fund 72 and Carry Forward balances held in reserves for longer than two years may be swept at the end of the 2nd fiscal year and transferred to the Chancellor's reserve unless a documented exemption is approved. This does not apply to contingency reserves within the designated policy amount.
- d. Unspent Unobligated Auxiliary and Capital Reserves may be swept at a rate of 20% if not spent within three years of transfer, carry forward, or end of Capital project.
- e. Compliance with spending plans will be subject to internal review. Noncompliance with plans may result in pay back. Updates to spending plans must be coordinated with Controller or designee and AVC Budget before changing expenditure plans.

4. General Fund Carryforward

The General Fund Carryforward is the unspent revenue and/or budget balance available at the end of a fiscal year after transfers that is carried forward to the next fiscal year as stated in the Carry Forward Report approved by the Regents. Any funds not transferred out to Reserve Funds with an approved spending plan are subject to the carry forward process.

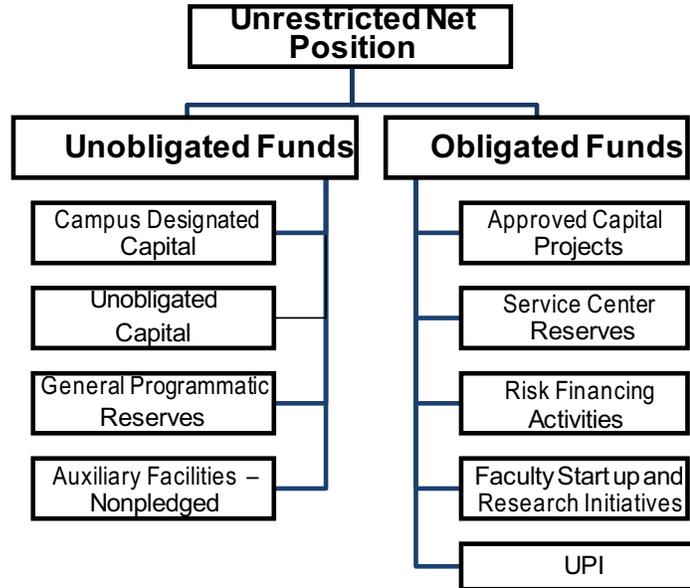
- a. All carryforward balances at the end of the year must have a specific spending plan in place detailing the use of these funds in the future. Carry forward spending plans should include dollar amounts, description, and estimated date of purchase, which will be due to the AVC Budget and Controller by August 15th.
- b. Carryforward and one time reserve fund transfers where the original source was from Fund 10 must be transferred to and expended in a Fund 11 speedtype, except in the case of student fees where the funds need to be transferred back to the original speedtype that carryforward was generated in.

5. Auxiliary Fund:

Any Auxiliary program with net position greater than \$750,000 or 90 days of working capital whichever amount is higher will need a spending plan. This threshold includes amounts for working capital. Working capital allows a departmental auxiliary activity to ensure it is able to continue operations and it has sufficient cash flow to satisfy operational expenses and short- term maturing debt obligations. The amount of allowable working capital (net position) is equal to 90 days of operating expenses, on average, over the fiscal year. Auxiliary funds

with 90 days working capital over \$750,000 must document the calculation for the 90 days capital to the Finance Office in writing. The Finance Office will determine that a spending plan is not due based on information submitted by the program.

6. Unrestricted Net Position Reference Chart



7. Speedtype Designations

Based on the type of speedtype, the Finance office will use the following designations to identify Unrestricted Net Position speedtypes. Except as approved by Controller

VALUES FOR DESIGNATION OF UNRESTRICTED NET POSITION												
	Funds											
		10	11	20	26	28	29	30	31	71	72	73
Auxiliary Facilities Operating Reserves (non-pledged)	AUXR			D			D				X	
Unobligated Capital Reserves	CAPR										X	
Campus Designated Capital	CACR										X	
General Programmatic Reserves	PEPC	D	D		D			D	D		X	
Approved Capital Projects	OCIP									D	X	D
Service Center Reserves	ISUR			X		D					X	
Risk Financing Activities	RFIN			X								
Faculty Start-up and Research Initiatives	STRT				X		X				X	
University Physicians, Inc.	UPIR			X								

¹D is the default code for each applied fund

²X is an allowable code

Excluded are restricted funds (34, 35, 36, & 50) and funds whose net position is zero (80 & 99)

Notes

1. Dates of official enactment and amendments:
July 1, 2014: Adopted by Associate Vice Chancellor for Budget and Finance
2. History:
November 29, 2018: Modified to reflect a Campus-wide effort to recast and revitalize Campus policy sites into a standardized and more coherent set of chaptered policy statements organized around the several operational divisions of the university. Article links, university branding, and formatting updated by the Provost's office.
3. Initial Policy Effective Date: July 1, 2014
4. Cross References/Appendix:
 - Administrative Policy Statement 4058, *Budget and Finance Reporting*