

Section:	XII.1.9	
Title:	Reserves Policy	
Effective Date:	February 18, 2020	
Approved By:	Board of Trustees	
Responsible Unit:	Office of the Treasurer (609) 771-2186	
Related Documents:	<ul style="list-style-type: none"> • Debt Policy Statement • Budget Decision-Making Principles and Process 	
History:		
<u>Version</u>	<u>Date</u>	<u>Notes</u>
2.0	February 18, 2020	Reviewed; no changes made
2.0	February 26, 2013	Revised
1.0	December 4, 2007	New policy; Initial release

I. INTRODUCTION

The purpose of the Reserves Policy for The College of New Jersey (TCNJ) is to ensure the financial sustainability of the mission, programs, and ongoing operations of TCNJ. The Reserves Policy will take into account funding for institutional strategic priorities such as asset renewal and replacement, strategic management of debt and investment in academic excellence. The Reserves Policy will be implemented in concert with other Board of Trustees approved financial policies and is intended to support the College’s strategic goals and operational plans.

II. DEFINITIONS

N/A

III. POLICY

Unrestricted Reserves

Unrestricted Reserves are intended to provide source of funding for situations such as significant non-recurring expenses, the asset renewal and replacement program, funding for organizational capacity building such as academic lab equipment, or investment in start-up strategic initiatives that will build long-term financial capacity. Unrestricted Reserves are not intended to replace a permanent loss of funding or eliminate a structural budget deficit. The Unrestricted Reserves are defined as the designated funds set aside by action of the Board of Trustees. The minimum amount to be designated as ***Un-expendable Reserves*** will be established in an amount sufficient to provide financial flexibility, enhance long-term financial

sustainability and preserve TCNJ's investment grade bond ratings as outlined in the Board of Trustees approved Debt Policy.

The minimum target for the designated ***Un-expendable Reserves*** will be equal to ***(six months of the current fiscal year average operating expenses)***. Amounts in excess of the minimum target will be designated as ***Expendable Reserves***. The calculation of average operating expenses includes all recurring, predictable expenses such as instructional costs, institutional scholarships, debt service, and ongoing operation and maintenance of facilities. Depreciation expense, fringe benefits paid by the State of New Jersey, and other non-cash expenses are excluded from the calculation of average operating expenses as illustrated in the attached **Appendix A**.

The designated ***Expendable and Un-expendable Reserves*** will be calculated each year after the approval of the annual operating budget, the issuance of the audited financial statements, and included in the regular financial reports to the Trustees for their next public meeting.

ACCOUNTING FOR UNRESTRICTED RESERVES

The Reserve Funds will be recorded in the financial statements as Unrestricted Net Assets or in accordance with applicable Generally Accepted Accounting Principles in the United States. Reserves will be invested and managed in accordance with the Board of Trustees approved investment policies and guidelines for The College of New Jersey.

FUNDING OF UNRESTRICTED RESERVES

The Reserve funds will be funded with surplus from unrestricted operating funds, dedicated fees approved by the Board of Trustees and interest earnings on the cash and investment balances. Management may from time to time direct that a specific source of revenue be set aside for Reserves. Examples could include a one-time contribution, indirect cost recovery on grants, or dedicated revenue enhancement initiatives.

USE OF UNRESTRICTED RESERVES

The President and Treasurer will identify the need to access Reserves 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 and replenished, if necessary.

AUTHORITY TO USE RESERVES

Authority for use **of up to the current amount designated as Expendable Reserves** is delegated by the Board of Trustees to the President in consultation with the Treasurer and both the Chair of the Board of Trustees and the Chair of the

Finance and Investment Committee of the Board of Trustees. The use of Reserves will be reported to the Executive Committee of the Board of Trustees at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the Reserve Fund to the target minimum amount. The President must receive prior approval from the Executive Committee of the Board of Trustees for use of Reserves in excess of **the current amount designated as Expendable Reserves.**

REPORTING AND MONITORING

The Treasurer is responsible for assuring 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 and plan for replenishment, if required. He/she will provide regular reports to the Finance and Investment Committee of the Board of Trustees of progress to restore the Reserve Funds to the target minimum amount, if required.

RELATIONSHIP TO OTHER POLICIES

The College of New Jersey shall maintain the following Board of Trustees approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Unrestricted Reserves:

- **Debt Policy Statement**
- **Budget Decision-Making Principles and Process**

REVIEW OF POLICY

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

EXCEPTIONS TO THE POLICY

Exceptions to this Reserves Policy are prohibited without the prior approval of the Board of Trustees.