

PACIFIC UNIVERSITY
YEAR END FINANCIAL STRATEGY & DECISION MAKING POLICY
Adopted by the Board of Trustees, May 22, 2009
Revised May 21, 2010

Purpose

This policy provides the framework needed for making decisions when designating proceeds or surpluses of unrestricted resources. Examples of unrestricted resources are included in this policy. In addition, the timing of designation may occur at fiscal year-end or during the fiscal year. Timing may be influenced by the receipt of large unanticipated unrestricted contributions and the outlook between the variance of budget to actual report in Operations. In delegating authority and designating funds, the Board of Trustees has authority and responsibility to guide the University in matters when determining designating the use of unrestricted net assets. This governing body has the ability to delegate authority as outlined in this policy statement.

Assignment of Authority

The Board of Trustees with recommendations from the Finance Committee is responsible for establishing and approving modifications to the guidelines set forth in this policy.

The Finance Committee is responsible to review this policy periodically and make recommended changes as needed. Additionally, the Finance Committee will receive financial reports from the University and any report of available funds for designated will be reflected in those reports along with how those funds were designated.

The Vice President for Finance and Administration and Controller will make recommendations to the President who has final authority to designate unrestricted resources as stated in this policy.

Categories and Examples of Unrestricted Net Assets

The following listed groups provide specific examples of unrestricted net asset categories where by additional resources may be considered available for designation. This list is not all inclusive. Typically, designation occurs at fiscal year-end but under certain circumstances a designation may be made any time during the year. Additionally, at fiscal year-end these resources will be included or noted in the Budget Variance Report, Financial Statements, and Bond Covenant calculations presented to the Finance Committee.

- Unrestricted gifts:
Includes all unrestricted gifts from donors without any imposed restriction. These gifts should be placed into the annual fund for recognition and may also include bequests from estates or trusts. If these gifts exceed the operating budget, the Budget Variance report will reflect this surplus which may be available for allocation.
- Unrestricted proceeds from split-interest agreements that have matured:
These include matured deferred giving agreements that are received periodically and are not included in the budget.

- Year-end Operating surplus:
This includes surpluses (revenues less expenses and transfers) in unrestricted Operations resulting in a positive balance. A nominal amount will stay in Operations and the remaining balance will be available for allocation.

Designation of Unrestricted Surplus Funds

Surpluses from unrestricted net assets will be designated in such a way as to allow the University to strengthen its financial statement by building Board Restricted Reserves or contributing to the Plant Fund for future uses in capital projects. Building Board Restricted Reserves (Quasi Endowment) improves the University's financial outlook and improves bond ratings. It also helps Operations by making funds available from the Total Return Spending Policy for broad uses in the Operating Budget. Once funds have been designated a reallocation to a different designation will not be allowed without the approval by the Finance Committee and Board of Trustees. Designations are outlined below:

- Long-term Investments – Board Restricted Reserves:
 - Contribute towards a debt reserve
 - Target amount of \$2,000,000
 - Total return dollars generated for spending annually will be available to pay current debt service.
 - These funds will be available for debt service but not pledged to bondholders.
 - Scholarships and other designations
 - Specifically designate a portion of the funds for scholarships or other purposes in order to honor a donor who did not specify a restriction of the funds (i.e., unrestricted gift, unrestricted bequest, etc.).
 - General Operations
 - Designate a percentage to increase the general Board Restricted Reserves.
 - Total return dollars generated for spending will help fund operations.
- Plant Fund - Capital designation:
 - Capital equipment
 - Capital deferred maintenance projects
 - Capital infrastructure and buildings

Allocation Guidelines for Management

The following percentage allocations represent guidelines that management should take in distributing surplus funds. However, percentage allocations of surplus funds at year-end may change depending on the University needs at that time. Management will be responsible in determining what those needs might be and making adjustments accordingly.

- 1) Contribute resources towards a \$2,000,000 debt reserve.
- 2) Remaining surplus funds will be allocated as follows:
 - a. 40 percent will be allocated to capital needs
 - b. 40 percent will be allocated to Board Restricted Reserves
 - c. The Vice President for Finance and Administration and the Controller will have the ability to make recommendations of the remaining 20 percent and submit those recommendations to the President for approval.