

**ANDERSON UNIVERSITY  
FINANCIAL POLICIES**

**The following financial policies have been approved for the purpose of guiding and directing the financial affairs of the university.**

**I. Operational**

A. The university will operate with a balanced budget presented annually by management to the Board of Trustees for approval prior to the beginning of the fiscal year. Adjustments to the budget can be made during the fiscal year as needed to maintain the budget in a balanced state. Budget revisions will be required if in aggregate the budget adjustment(s) varies more than one percent of the operating budget and the revision will be approved by the Board.

B. Budget estimates for enrollment and gifts will be made based on a minimum of three years of historical data. Other lines within the budget will be projected based on historical data and reasonable analysis.

C. A contingency will be built into the operating budget. This amount is to provide a margin of comfort for unexpected revenue shortfalls and expenditures over budget.

D. The budget committee will develop a rolling five-year comprehensive budget which will be updated annually. This multi-year budget, which includes operational and capital expenditures, will be made available to the finance committee in its fall meeting.

E. An updated Business Plan will be presented to the Board annually at its fall meeting.

**II. Debt**

A. Debt service for all borrowing will be a part of the multi-year comprehensive budget. Debt service on unplanned borrowing during a fiscal year must be fundable within the budget for that fiscal year and thereafter.

B. The university may operate an unsecured promissory note program for the purpose of providing a service to donors. All other terms and conditions of the note program will be outlined in a policy to be reviewed by the finance committee and approved by the Board.

C. Borrowing between the restricted, temporarily restricted and unrestricted funds is allowed within the following guidelines:

1. Borrowing must be approved by the Board.
2. A note must be signed indicating repayment terms.

D. New borrowing within a fiscal year for normal operations will be permitted without Board approval at an aggregate principal total of one percent of the operating budget. Any borrowing in excess of the one percent will require Board action.

**III. Capital**

Capital projects in excess of one percent of the operating budget will be approved by the Board in advance. Funding for the project must be composed of liquid assets in hand, collectible pledges in hand and/or approved borrowing. Debt service on borrowed funds will be a part of the construction budget until the project is complete and the operating budget when complete. A plan for covering operating expenses resulting from new construction will be developed prior to beginning construction.

#### **IV. Endowment**

- A. Endowment funds shall be invested in accordance with the Investment Policy reviewed by the finance committee and approved by the Board.
- B. The spending policy for endowment earnings will be reviewed annually by the finance committee and approved by the Board in accordance with UMIFA regulations. This policy will address both earnings to be recognized as income and earnings to be distributed to temporarily restricted funds.
- C. The university will remain in compliance with the terms of endowment agreements.

#### **V. Gift Procurement**

Gifts will be *accepted* within the gift procurement policy reviewed by the advancement committee and approved by the Board.

#### **VI. Investment Policy**

The university's investments will be maintained within the guidelines of an investment policy reviewed by the finance committee and approved by the Board.

#### **VII. Reporting**

- A. Reporting for budget operations comparing budget to actual will occur monthly to management and department chairs, quarterly to the executive committee of the Board and to the full Board at all regular meetings. Significant variances from budget will be explained to the Board. The multi-year comprehensive budget projection (five-year rolling projection) will be presented to the finance committee at its fall meeting.
- B. A 12-month cash flow projection will be completed following the third week of the fall semester. Monthly reporting comparing actual with the projection will be made to management. Reporting for cash flow will also be done at the regular meetings of the executive committee and at all regular meetings of the full Board.
- C. A current Statement of Financial Position will be provided quarterly to management and to the executive committee of the Board.

#### **VIII. Finance Committee**

On behalf of the full Board:

- A. The finance committee will receive the audited financial report, the management letter and all other reports provided by the designated external audit firm.
- B. The finance committee will monitor compliance with university financial policy, investment policy and gift procurement policy.
- C. The finance committee will review financial and investment policies and recommend changes to the full Board as needed.

#### **1. IX. Repair and Replacement Reserve**

Funding of a repair and replacement reserve for buildings and equipment will be budgeted annually. The president will approve expenditures from this reserve.

2. X. Asset Protection

Adequate insurance protection for property and casualty risk, worker's compensation, director and officer's liability coverage, life and health insurance coverage will be in effect at all times.

**XI. Other**

A. The budget committee of the university will be composed of personnel designated by the President of the university. They will meet on a regular basis and as needed to deal with the comprehensive budget of the university. Their responsibilities include preparation of the multi-year comprehensive budget, recommending tuition, room and board rates to the Board and presentation of a budget for Board consideration at its spring meeting.

B. The university *financial* records will be audited annually by an external audit firm as designated in the spring by the executive committee. *Evaluation of the audit firm will be done annually by the finance committee and a recommendation made to the executive committee. A report will be made by the external auditing firm to the full Board in its fall meeting.*

C. Designation of unrestricted surplus and major unrestricted gifts in excess of the planned surplus will be recommended by the President and approved by the Board.

D. Covenants in loan documents will be kept at all times.

E. Department of Education financial ratios will remain within the zone or above.

F. Compliance with governmental regulations for filing of form 990, 990T, submitting of payroll withholding and student financial aid audit reporting and all other governmental reporting will be done as required by law.

G. Contractual agreements will be signed by officers of the university *or as otherwise* designated in the bylaws.

H. The university will operate within generally accepted accounting principles and report its financial condition within those same standards.

I. Competitive bids for externally contracted work will be required for amounts in excess of \$50,000.

Exceptions to this financial policy may be granted by the executive committee as needed and reported to the full Board.

A statement of financial goals will be developed and updated annually for presentation at the fall Board meeting.

**Office of the Treasurer  
May 1, 2000**