

UNIVERSITY OF PUGET SOUND
DESIGNATION OF UNRESTRICTED FUNDS POLICY

Last Revised May 16, 2008

Last Reviewed May 16, 2008

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INTRODUCTION AND OVERVIEW

This Designation of Unrestricted Funds Policy was adopted by the University of Puget Sound to establish a framework for designating the use of unrestricted funds, which are resources not subject to donor imposed restrictions.

The Board of Trustees has ultimate authority and responsibility to designate the use of unrestricted net assets. Such uses include support for projects, programs, activities, and initiatives that enable the university to fulfill its mission and reach its goals.

The Board of Trustees has delegated authority to designate the use of unrestricted net assets as outlined in this policy statement.

This policy shall be effective until the Board of Trustees approves modifications. It is anticipated that the Finance and Facilities Committee will review this policy annually and will recommend modifications as needed to the Board of Trustees.

ASSIGNMENT OF RESPONSIBILITIES

The Board of Trustees

The Board of Trustees is responsible for establishing and approving modifications to this policy.

Executive Committee of the Board of Trustees

The Board of Trustees has delegated to the Executive Committee the authority to designate unrestricted net assets in accordance with this policy statement. The Executive Committee may seek the recommendation of the Finance and Facilities Committee if it is useful and timely to do so.

Finance and Facilities Committee of the Board of Trustees

The Finance and Facilities Committee is responsible for reviewing this policy and recommending modifications as needed to the Board of Trustees. Upon request, the Finance and Facilities Committee will provide recommendations to the Executive Committee regarding designations in accordance with this policy.

The President

The Board of Trustees has delegated to the President the authority to designate unrestricted net assets in accordance with this policy.

Vice President for Finance and Administration and Controller

The Board of Trustees has delegated to the Vice President for Finance and Administration and Controller the authority to designate unrestricted net assets in accordance with this policy.

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UNRESTRICTED NET ASSETS AVAILABLE FOR DESIGNATION

The following categories of unrestricted net assets are available for designation. These items will be reflected in the university's Budget Variance Reports and will typically be designated at the end of the fiscal year, except as otherwise provided by this policy.

Unrestricted Gifts

Unrestricted gifts are received without a donor stated preference or restriction. Unrestricted gifts may be received in support of The Puget Sound Fund, in response to a campaign, or during non-campaign periods. Unrestricted gifts also include unrestricted bequests from estates or trusts, which are not budgeted but are counted toward campaign goals. Consistent with generally accepted accounting principles, the receipt and any designation of unrestricted gifts will flow through the unrestricted operating budget.

Unrestricted Net Proceeds from Maturing Split-Interest Agreements

Proceeds from maturing split-income (deferred giving) agreements are received periodically and are not budgeted.

Unrestricted Trust Distributions

Distributions from discretionary and revocable trusts are received periodically and are not budgeted.

Year-end Operating Surplus

Operating surplus is generated and available for designation when unrestricted operating revenues less expenses exceed that in the operating budget.

Other

Includes other sources of unrestricted net assets that are not budgeted.

AUTHORITY TO DESIGNATE UNRESTRICTED NET ASSETS

In general, unrestricted net assets will be designated to support the priorities identified in the university's strategic plan, including sub-strategies within its campus master plan, technology plan, and other supporting plans. Designation authority is as follows:

1. In the event that the enrollment contingency within the operating budget is not needed to balance the operating budget, the Vice President for Finance and Administration, after consultation with the president, is authorized to designate such funds to the following purposes and will report such designations to the Board at their next regularly scheduled meeting:
 - a. quasi-endowment in support of the general operating budget in order to reduce the dependency on tuition revenues over the long term,

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- b. planned major maintenance to address deferred maintenance needs, and/or
 - c. fund purchases of equipment, software, and other one-time high priority needs identified through the budget task force process or otherwise.
2. The Vice President for Finance and Administration and Controller, in consultation with other Vice Presidents and their delegates, may authorize on an exception basis the carryover of unspent budget funds from one fiscal year to the next when in their judgment it makes sense to do so and the aggregate annual amount does not exceed \$150,000. Such carryover is akin to a designation of unrestricted net assets and thus included in this policy. The \$150,000 annual limit does not apply to budget items that are regularly carried forward, including but not limited to faculty travel funds, planned major maintenance funds, faculty and student research funds, accessibility funds, and hazardous material funds. Individual amounts less than \$10,000 are typically not eligible for carryover.
3. Operating surpluses from auxiliary operations will be used as follows:
 - a. To fund auxiliary services' contribution to the educational and general budget, which includes auxiliary's share of overhead expenses.
 - b. Any excess surplus after the above use will be transferred to the auxiliary projects funds to support facilities and equipment purchases and renewal.
4. Unrestricted gifts below \$10,000, except unrestricted bequests, will be credited to The Puget Sound Fund. Unrestricted gifts of \$10,000 or more received in response to the campaign that are not directed by the donor to The Puget Sound Fund will generally be designated and transferred to quasi-endowment in support of the operating budget (unrestricted quasi-endowment) as they are received, rather than at fiscal year-end. With the approval of the President, these gifts may be designated to another campaign goal that has not yet been reached.
5. The President may designate up to \$1 million in available unrestricted net assets to the following purposes and will review such designations with the Board Chair and report such designations to the Board at their next regularly scheduled meeting:
 - a. quasi-endowment for financial aid to help meet the financial need of students over the long run and to reduce the proportion of financial aid that is funded by tuition,
 - b. reserves for high priority capital projects identified in the master plan to supplement gift sources and to minimize the need to borrow, and/or
 - c. other one-time expenditures in support of the university's strategic interests.

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Though the President will typically finalize his/her designations at fiscal year end when the total amount of available funds is known, the President may designate unrestricted bequests mid-year as received when he/she, in consultation with the Board Chair and Vice President for Finance and Administration, deems it prudent to do so.

The President's \$1 million authority is in addition to specific presidential discretionary amounts funded by the operating budget, endowment, or gift funds.

6. For available unrestricted net assets in excess of the above limits, the President will recommend a use to the Executive Committee and approved uses will be reported to the Board at its next regularly scheduled meeting.