

**UNIVERSITY OF MASSACHUSETTS
RESERVE POLICY**

PURPOSE

To establish a policy that governs University reserve funds, the purposes for which they can be used, and associated reporting requirements

I. INTRODUCTION

University of Massachusetts' ability to fulfill its mission for the benefit of current and future students depends on sound fiscal management and the maintenance of adequate University reserves. Reserves are critical to the financial health of the University, preserving future flexibility, and maintaining strong credit ratings. This policy establishes the framework for reserves including size, use and funding, as well as oversight and reporting requirements.

II. POLICY STATEMENT

- A. The University of Massachusetts will establish targets to maintain sufficient financial reserves in order to ensure responsible long-term fiscal management, advance University priorities, and mitigate current and future risk.
- B. The University of Massachusetts will define, build, maintain, use, and replenish reserves in accordance with campus strategic plans and the University's Reserve Policy and Standards.
- C. In order to distinguish between unencumbered liquidity and reserves that are designated for a specific use, the University will account for and report unrestricted net assets in the designations defined by this policy.
- D. The University President's Office shall maintain a Stabilization Fund to support university system operations in the event of an unanticipated disruption in planned funding or catastrophic event. The Stabilization Fund shall be built and held centrally at the President's Office. The President shall have the authority to establish and amend standards that specify the size and the funding source of the Stabilization Fund.

III. COMPLIANCE/REPORTING

The President or his/her designee will annually review this policy. Consistent with the University's Five-year Forecast and upon the release of the University's annual audited financial statements, the Board of Trustees will be provided a report regarding the University's reserve levels. The Board Chair shall be notified by the President when funds are drawn from the Stabilization Fund.

IV. ADMINISTRATIVE STANDARDS

The President, in consultation with the Vice President(s) and Chancellors, shall promulgate administrative standards to define reserve targets, funding sources, and designations, and to otherwise implement this policy.