COLLEGE OF MICRONESIA-FSM

BOARD POLICY NO. 1440

Reserves Fund Policy

Date Adopted: Pending Board approval

Date Revised:

Date Reviewed:

References: Board Policy No 1400 Financial Management; Board Policy No 1401 Limitations on Authorized
Expenditures; Board-approved Reserves Fund Investment Policy Statement (IPS)

Purpose

The College shall maintain a Reserves Fund to protect continuity of essential operations and provide financial resilience against significant unforeseen needs.

The Reserves Fund is distinct from the Endowment Fund. The Reserves Fund provides liquidity and financial protection for significant institutional needs, while the Endowment Fund supports the College's long-term financial sustainability.

Fund Protection and Use

The Fund shall be separately accounted for and may receive Board-approved contributions from unrestricted resources.

The minimum uncommitted balance shall be equivalent to three months of annual unrestricted cash operating expenditures, with a target of six months. The Board shall review the adequacy of the Fund annually.

The Fund may be used for significant revenue disruptions, emergencies, essential institutional protection, or other nonrecurring needs approved by the Board. It shall not be used as a routine source of operating revenue or to support recurring deficits.

All withdrawals or transfers for College expenditure require prior approval of the Board of Regents. Use below the minimum shall be limited to emergencies or essential continuity needs and shall include a plan for replenishment.

Investment and Oversight

Investment and management of the Fund shall be governed by the Board-approved Reserves Fund Investment Policy Statement. Investment authority under the IPS does not authorize expenditure from the Fund.

The President & CEO is accountable for implementation of this policy. The Board shall receive regular reports on the Fund's balance, use, investment performance, and replenishment.

Administrative procedures shall establish requirements for reserve calculations, requests for use, replenishment, accounting, reporting, and other implementation matters.