Category: Community Colleges Financial Responsible Office: Community Colleges	**Other Requirement Title:** Unrestricted Net Assets, Guidelines for Document Number: 2401 Effective Date: May 23, 2003 This procedure item applies to: Community Colleges

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Summary

This statement offers a guideline and recommendation for establishing and maintaining adequate unrestricted net assets (fund balance) for community colleges.

Requirement

The Government Financial Officers Association (GFOA) recommends that governments establish a formal policy on the level of unreserved fund balance for government organizations. One index of a community college's fiscal well-being is the level of its unrestricted net assets.

Bond rating agencies also look to the level of unreserved fund balances (and unrestricted net assets in the case of colleges and universities and not-for-profit institutions) as one of the measures of financial strength when assessing an institution's creditworthiness. The Middle States Commission on Accreditation looks at the level of unrestricted net assets as a measure of financial strength of colleges and universities and is considered as part of the fiscal component of the accreditation process.

The State University of New York recognizes that the operational and financial circumstances of its community colleges vary greatly. While all community colleges should maintain an unrestricted net balance, determining the appropriate amount for each college will depend on an evaluation of the circumstances of each campus.

As a general guideline, each community college, regardless of size, should work to establish unrestricted net assets ranging from five percent to fifteen percent of its operating expenses, although there may be some instances where it is prudent to have unrestricted net assets that either are less than or exceed the range suggested above. Once determined, unrestricted net asset levels will be measured on an annual basis at the end of the community college's fiscal year based on amounts reported in its certified financial statements presented in accordance with generally accepted accounting principles for public colleges and universities as promulgated by the Governmental Accounting Standards Board (GASB).

Definitions

There are no special definitions relevant to this requirement.

Related Procedures

There is no related procedures relevant to this requirement.

Forms

There are no forms relevant to this requirement.

Other Related Information

Government Financial Officers Association – "Appropriate Level of Unreserved Fund Balance in the General Fund (2002)"

Middle States Commission on Higher Education – Characteristics of Excellence in Higher Education, 2002

Governmental Accounting Standards Board

This policy for unrestricted net assets was expressed in the form of a memorandum from the chancellor to the community college presidents on May 16, 2003.

Appendicies

There are no appendicies relevant to this requirement.