

Guidelines for Liquidity Measures

- The purpose for establishing a Liquidity Measure Policy is to provide guidance to the universities regarding acceptable levels of working capital. Well defined guidelines and appropriate benchmarks will support evaluation of institutional liquidity and ending balances in the operating funds of the institution. The current and projected ending balances are one of several factors that can be used in the tuition setting process.
- The recommended process for Board review of the universities' liquidity measure contains the following elements:
 1. The method used to measure the liquidity of the universities' funds is the monthly days cash on hand measure, as defined by Moody's.
 2. Monthly days cash on hand represents the number of days the university can fund expenses with cash and investments that can be liquidated (i.e., sold) within one month. The ratio is calculated by dividing unrestricted cash and investments by university expenses times days in the year.
 3. The universities shall calculate the monthly days cash on hand consistent with Moody's methodology to support comparison to published peer data. The current methodology is stated below:
 - a. The numerator of this ratio – unrestricted cash and investments, includes the cash and cash equivalents, and the short and long term investments balance sheet line items obtained from the university's statement of net assets. This measure does not include the assets of the affiliated foundations; however, it does include unrestricted quasi-endowment amounts. Information on the quasi-endowment amounts shall be provided by the universities, as it cannot be derived from the universities' annual audited financial statements.
 - b. The denominator of this ratio – total operating expenses; includes the total operating expenses line item from the university's statement of revenues, expenses, and changes in net assets (SRECNA) less the amounts for scholarships and fellowships and depreciation, plus the interest on debt and other expenses line items from the university's SRECNA.
 - c. This Guideline will be continuously updated to comport with Moody's methodology.

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4. The universities shall calculate the monthly days cash on hand as of June 30 of each fiscal year, based on actual data from the universities' annual audited financial statements.
5. The universities shall calculate the projected monthly days cash on hand as of June 30 of each subsequent fiscal year and include this information in the university's annual operating budget submission.
6. The universities shall update the projected monthly days cash on hand in conjunction with the financial status update reports.
7. In preparation for the tuition setting process, the universities shall provide to the University Governance and Operations Committee the updated monthly days cash on hand projection for the current fiscal year.
8. The goal of the universities shall be to maintain the monthly days cash on hand ratio within a range of plus or minus 25% of Moody's most current published median for monthly days cash on hand, among rated public colleges and universities.
9. For any university that has actual or projected fiscal year-end monthly days cash on hand outside of the above established range, an explanation for the deviation shall be provided to the University Governance and Operations Committee detailing the reason for the deviation, how it ties to the university's strategic plan, and any corrective action that will be taken to bring the ratio in line with the range.