



## Survey of College and University Balances and Investment Strategies

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# Objectives

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- Summarize institutional responses to cash management and investment survey coordinated by SCHEV
- Provide an overview of cash, cash equivalent, and investment balances not held by the Treasurer as of June 30, 2016

## Higher Education Restructuring

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- Level of institution will have significant impact on cash, cash equivalent, and investment balances not held by the Treasurer of Virginia
- Level III institutions will maintain larger balances not held with the Treasurer due to Restructuring and the authority to invest nongeneral fund and auxiliary balances

## Included Items

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- Items included in this presentation include balances not specifically identified as restricted cash, cash equivalents, or investments
- Some funds presented may be internally restricted or reserved for a particular purpose by an institution's Board of Visitors
- Auxiliary balances and Higher Education Operating Fund balances are included for level III institutions, but not for level I or level II institutions

## Excluded Items

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- The amounts noted in this presentation do not include balances maintained or invested by the Treasurer of Virginia
- This presentation does not include balances considered externally restricted or not under the control of the institution
  - Foundation balances, endowment balances, restricted cash and investment balances (donor, contractual, bond covenants)

## Cash, Cash Equivalent, and Investment Balances

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- Balances represent amounts at a point in time as of June 30, 2016 and have not been reduced to reflect any outstanding commitments or payables. Balances as of June 30, 2015 have been provided for comparison.

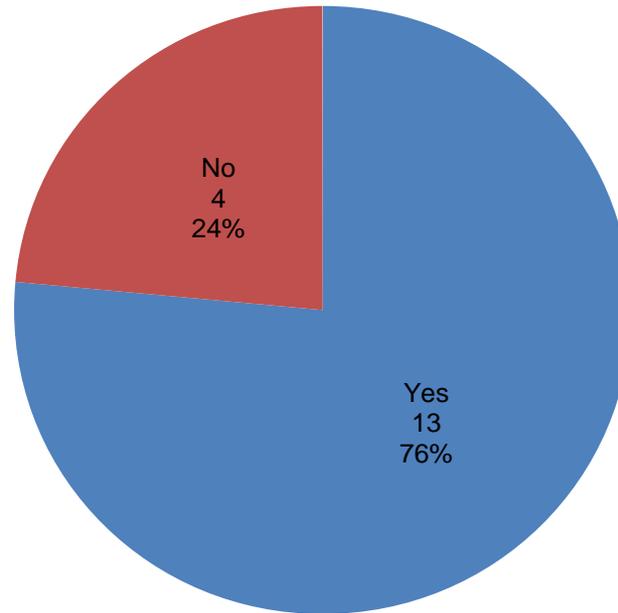
## Managing Daily Cash Needs

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- The majority of level I and level II institutions indicated cash is held by the Treasurer of Virginia. Local fund balances may be swept into overnight cash equivalents.
- Level III institutions manage daily cash needs in accordance with investment and working capital policies approved by their respective Boards. Excess amounts are transferred for investment.

**Has your board approved policies relative to aspects such as the source, size, investment, and use of unrestricted cash balances exceeding the institution's immediate cash flow needs?**

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Note - Institutions responding 'No': CNU, LU, UMW, and VMI. UMW is the only institution without a board-approved policy that indicates it invests excess unrestricted cash balances.

# Managing Daily Cash Needs

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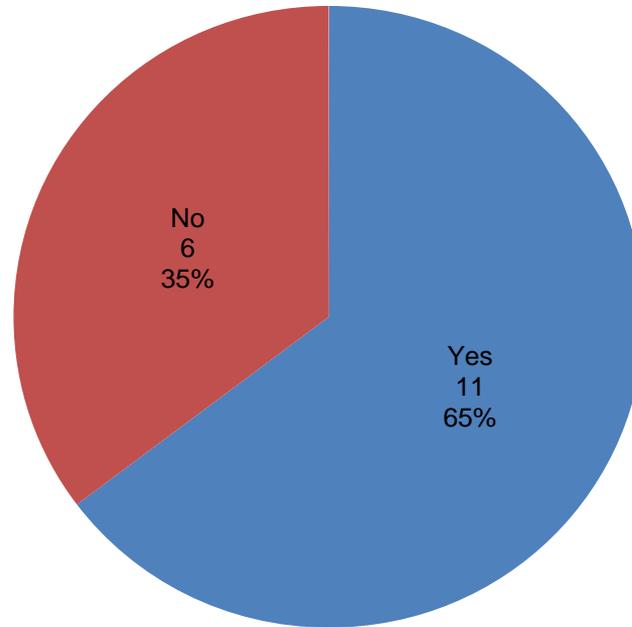
**When did the board most recently approve or revise any policies relative to these funds?**

<b>Time Period</b>	<b>Number of Institutions</b>
<b>Within Current Year</b>	<b>5</b>
<b>Between 2010-2015</b>	<b>7</b>
<b>Before 2010</b>	<b>1</b>

*Note: ODU's policy was approved in 1990.*

## Does your institution invest unrestricted cash balances that exceed its immediate cash flow needs?

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Note - Institutions Responding 'No': CNU, LU, RU, RBC, VMI, VSU

# Investing Unrestricted Cash Balances

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Level I and II institutions:

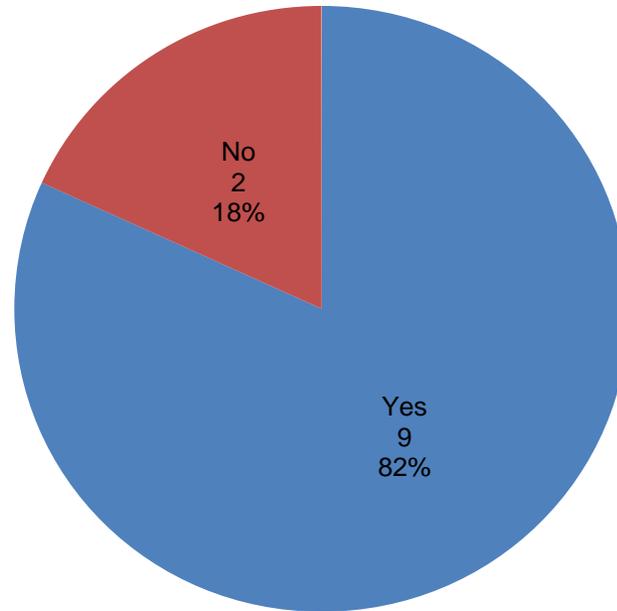
- Overnight funds/short-term assets
- Certificates of Deposit
- Overnight repurchase agreements

Level III institutions:

- Based on investment policy
- Per one policy, E&G funds intentionally invested in short-term instruments

## With regard to investing unrestricted excess cash balances, does the institution pool resources for investment purposes?

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Note - Institutions Responding 'No': NSU and VCCS

## Pooling resources

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Most institutions pool resources for investment purposes, but maintain accounting records disaggregating cash, cash equivalents, and investments at the departmental level

Pooled resources may be invested by the institution or by an external investment manager or investment management company

# Allocating Income on Investments

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**Which of the following scenarios best describes how your institution allocates income earned on these investments?**

Scenario	Number of Responses
Maintains earnings centrally to support priority needs of the institution.	5 (45.45%)
Allocates earnings directly to the schools, departments or other business units.	0 (00.00%)
Maintains a portion centrally and allocates some earnings to schools, etc.	4 (36.36%)

Other Responses:

GMU - University has no unrestricted excess cash balances invested at this time.

VCCS - Resources are not pooled across colleges for investment purposes and each college decides how to best utilize income earned on investments.

# Investment Management

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**Which of the following scenarios best describes the institution's current approach for managing the investment of unrestricted cash balances?**

Scenario	Number of Responses
My institution manages its own investments.	6 (54.55%)
My institution contracts with an investment management company or companies.	5 (45.55%)
My institution uses both approaches.	0 (00.00%)

Note: CNU, LU, RU, RBC, VMI, and VSU did not answer this question as they indicated they do not invest unrestricted cash balances exceeding immediate cash flow needs

# Investment Management Companies

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- Five institutions use investment management companies or external managers, including the four level III institutions and one level II institution (ODU)
- Two institutions (UVA and VCU) have established foundations operating as investment management companies for the institution and its related entities (UVIMCO and VCIMCO).
- VT, W&M, and ODU contract with external investment managers.

## Unrestricted Cash, Cash Equivalents, and Investments not with the Treasurer of Virginia by institution (in dollars)

Reporting Entity	Entity	2016	2015
CNU	CNU	3,722,204	3,344,078
GMU	GMU	39,748,695	18,983,061
JMU	JMU	29,807,408	26,764,489
LU	LU	1,317,107	1,560,000
NSU	NSU	6,225,761	5,593,725
ODU	ODU	50,925,705	50,666,312
RU	RU	8,828,236	7,801,430
UMW	UMW	11,267,888	11,095,621
UVA*	UVA	2,388,813,195	2,291,324,557
VCCS	VCCS	163,784,384	154,078,488
VCU	VCU	452,874,551	459,070,408
	VCUHS	1,273,684,194	1,271,696,866
VMI	VMI	15,314,387	15,532,440
VSU	VSU	1,133,929	1,001,971
VT	VT	465,028,000	391,418,000
W&M	RBC	251,792	218,573
	VIMS	14,521,805	15,982,351
	W&M	51,761,666	34,320,964
<b>Grand Total</b>		<b>4,979,010,907</b>	<b>4,760,453,334</b>

\* UVA line includes amounts related to UVA-Wise

## Unrestricted Cash, Cash Equivalent, and Investment Balances for Level III Institutions (in dollars)

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Reporting Entity	2016	2015
UVA <sup>1</sup>	2,388,813,195	2,291,324,557
VCU <sup>2</sup>	1,726,558,745	1,730,767,274
VT	465,028,000	391,418,000
W&M <sup>3</sup>	66,535,263	50,521,888

1. Includes UVAW and UVA Medical Center
2. Includes VCU Health System Authority
3. Includes VIMS and RBC

## Notes on Reported Balances

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- Institutions prepare a yearly submission to the Department of Accounts, which includes information on cash, cash equivalents, and investments not with the Treasurer of Virginia
- The detail from the previous tab was pulled from these submissions and cannot be compared one-to-one to the institutions' financial statements due to the level of aggregation

## Other Considerations

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- Level III institutions indicated they must maintain compliance with bond rating requirements under institutional Management Agreements
- Bond rating agencies require certain levels of liquidity to attain or maintain ratings, which lowers borrowing costs for the institution
- Many Universities (including VT) do not handle gifts directly. Gift funds are handled and invested by University foundations. Income on those investments are maintained by the Foundation until needed for specific University purposes.

## Other Considerations

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- Endowment funds may be invested by the institution or a related foundation.
- Respondents who reported receiving distributions from their endowment as part of its endowment spending policy were W&M, ODU, RBC, and UVA. UVA's endowment spending distribution was approximately \$190 million for fiscal year 2016, while the next highest distribution was \$3.7 million for ODU. VT reported it receives endowment draws, but the majority are restricted for specific purposes.

# QUESTIONS?

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