

 UNIVERSITY OF DENVER	UNIVERSITY OF DENVER POLICY MANUAL WORKING CAPITAL	
<u>Responsible Department:</u> Controller's Office <u>Recommended By:</u> Provost, SVC Business and Financial Affairs <u>Approved By:</u> Chancellor	<u>Policy Number</u> FINA 2.20.040	<u>Effective Date</u> 8/1/2026

I. INTRODUCTION

Working capital or operating funds are defined as funds that are managed separately from investments of endowment, bond funds, and funds held by others. "Operating Funds" result from positive unrestricted operations, transfers to gainsharing and other designated funds, unexpended gift funds, unexpended endowment spending distributions, additions to plant funds, and all other sources other than activity within endowment, bond funds and funds held by others.

Operating Funds are the primary source of liquidity of the University and include reserves, which can provide working capital to fund operations, strategic plans, or capital initiatives, and that provide a buffer for endowment volatility or operating deficits. A line of credit or other short-term facility may be utilized by the University for liquidity if deemed appropriate by management, recommended by the Finance and Budget Committee and approved by the Board of Trustees. The dollar amount of the line of credit or other short-term facility shall count toward the days Cash on Hand metric as used by the University to measure liquidity.

Liquidity represents a two-fold risk to the University. Too little liquidity risks the principal of Operating Fund Investments arising from the inability to meet obligations when they become due without incurring unacceptable losses upon investment liquidation. Too much liquidity risks under-performing investment earning when otherwise investing in longer-maturity vehicles generally enhances returns. Liquidity requirements are a function of uncertainties in assumptions in annual operating and capital budgets and access to balance sheet reserves, whether planned or by necessity.

Within the Higher Education sector, inflows and outflows of cash throughout the year are reasonably predictable. In addition, a substantial amount of accounts payable and accrued liabilities, while churning throughout the year, reflect a reasonably reliable source of liquidity.

II. POLICY OVERVIEW

A. Objectives

The University's primary objectives in investment of Operating Funds are capital preservation and liquidity. Maximization of yield is important, but a secondary objective.

B. Credit Standards – Permitted Investments

Operating Funds will be invested in highly rated instruments of strong credit quality in order to preserve capital. "Permitted Investments" include the following:

1. Demand Deposit Accounts with A-rated or better commercial banks;
2. U.S. Government, Agency, and Government-guaranteed securities;
3. Repurchase Agreements fully collateralized by U.S. Government securities;
4. Certificates of Deposit from A-rated or better issuers; and
5. Money Market Funds rated AA or Aa with stable Net Asset Values.

C. Portfolio Diversification

Investments held in the Operating Funds portfolio will be diversified to minimize risk of loss resulting from the concentration of investments of a specific maturity, issuer, fund, or class of securities. No more than 10% of the portfolio will be invested in any single security.

D. Duration

Maturities for individual investments will be such that duration of the portfolio of Permitted Investments will not exceed a duration of one year. Duration is understood to mean that a one percent change in interest rates, for example, will produce an opposite one percent change in market value of the investment.

III. PROCESS OVERVIEW

A. Implementation

The Senior Vice Chancellor for Business and Financial Affairs/Treasurer, in consultation with the Chancellor and Associate Vice Chancellor of Finance/Controller, will develop operating procedures to ensure that the Policy's credit standards, liquidity, and yield objectives are met. Daily cash

management activities will be overseen by the Senior Vice Chancellor for Business and Financial Affairs/Treasurer, the Associate Vice Chancellor of Finance/Controller and their staff.

The University's liquidity requirements will be assessed annually at the time of the completion of the ensuing year's operating and capital budget in connection with the annual review by Finance and Budget and Investment Committees. The University will observe liquidity metrics utilized by credit rating agencies and industry "best practice" metrics for day's cash on hand from other agencies such as the Education Advisory Board (EAB). *Currently the EAB recommends a "best practice" benchmark of a minimum of 90 days' cash on hand.*

B. Compliance and Oversight

The Senior Vice Chancellor for Business and Financial Affairs/Treasurer will ensure compliance at all times with the objectives of this Policy.

At least annually, the Investment Committee of the Board of Trustees will review the performance, Permitted Investments, portfolio diversification, and duration of funds invested pursuant to this Policy. The Finance & Budget Committee of the Board of Trustees will review the University's liquidity requirements and the status of reserves in connection with its review and recommendation to the Board of Trustees of the annual Operating and Capital Budget.

IV. DEFINITIONS

1. "**Operating Funds**" – see Section I.
2. "**Permitted Investments**" – see Section II B.

Revision Effective Date	Purpose
<i>6/1/2011</i>	<i>Policy adopted</i>
<i>6/8/2018</i>	<i>Omnibus update and added to online policy library</i>
<i>6/28/2021</i>	<i>Minor revisions</i>
<i>8/1/2026</i>	<i>Minor revisions to update logo and clean up formatting</i>