



**POLICY ON FINANCIAL STABILITY**  
**Effective Date: March 1, 2018**

**Purpose:**

During the recent economic downturn in New Mexico's economy and added concerns with our recent Higher Learning Commission (HLC) Focus visit, New Mexico Highlands University needs to put in place a much more vigorous Financial strategy. This policy's intent is to address the issues raised during the visit as well as recognize the volatility of our current and future revenue sources.

If approved, the Board of Regents is directing the NMHU Administration to provide long-term financial stability to the university through this robust policy.

The Policy will address the following areas:

1. Building a reserve fund;
2. Establishing sound Financial reporting to the executive management team and the Board of Regents on a quarterly basis;
3. Establishing sound corrective action plans to address reoccurring audit findings.

**Building a reserve fund**

In establishing appropriate level reserves, the following methodology will be implemented and reported on:

Based on fiscal year 2018 Financial data, the ability to absorb a 15% decline in state appropriations plus a decline in enrollment resulting in a 20% loss of tuition and fees, and maintaining NM higher education's department (HED) requirement of 5% reserves in Instruction and General:

State Appropriations	\$4.0M
Tuition and fees	\$2.5M
HED required reserve	\$2.0M
<b>Estimated total reserve fund</b>	<b>\$8.5M</b>

Upon reaching the appropriate reserve amount of \$8.5 million dollars, any new surplus or tuition and fees will be reallocated to new programs, presidential

initiatives, or any other need recommended by the administration and approved the Board of Regents.

### Financial Reporting

On a quarterly basis, the Vice President for Finance and Administration or his/her designee will provide quarterly financial updates to the Executive Management Team and Board of Regents.

### Auditing Finding

In order to address audit findings, the Vice President for Finance and Administration or his/her designee will provide an update, status of action plans, timelines, and responsible persons list that addresses prior year audit findings during the first quarter of the calendar year. This information will be brought to the Executive Management Team and Board of Regents during the first quarter of the calendar year and a final update will be provided at the beginning of 2<sup>nd</sup> quarter of the calendar year.