

INTER-INSTITUTIONAL AND INTER-FUND LOANSI. Purpose

The purpose of this policy is to establish system-wide requirements for administration and accounting for inter-institutional and inter-fund loans. Units of the University of Arkansas System are expected to manage expenditures within limits specified by their approved budgets. There may be circumstances where an inter-institutional or an inter-fund loan may be necessary to meet the mission, goals and objectives of the University of Arkansas System.

II. General

- A. Responsibility for the supervision and coordination of inter-institutional and inter-fund loans are assigned to the University of Arkansas System Vice President for Finance and CFO.
- B. For purposes of this policy, a loan is defined as a movement of funds between institutions or between funds within an institution, with a definite plan to repay the money within a specified period of time. Inter-institutional and inter-fund loans are not intended, and will not be used, to cover deficit spending. Deficit spending will be identified and accounted for consistently, in accordance with procedures established by the University of Arkansas System Vice President for Finance and CFO, and will be cleared annually through the appropriate unrestricted reserve accounts of the campus.
- C. The University of Arkansas System requires a certain level of cash balances to be available at all times to cover its day-to-day operating expenses. Inter-institutional or the inter-fund loans cannot compromise the operational liquidity of any institution of the University of Arkansas System and the University of Arkansas System taken as a whole, or detract from the performance of the University's investment portfolio.

III. Provisions of Inter-institutional and Inter-fund Loans

- A. Each unit seeking an internal loan must submit a fiscally responsible and achievable plan in support of a timely repayment that includes the following information on the "Request for Internal Loan" application form to the University of Arkansas System Vice President for Finance and CFO:
 - 1. Description of the internal borrowing need, how the proposed project advances the mission of the units, all related costs, amount of the loan and a loan draw schedule;

2. Time frame over which the borrowed funds will be expended;
 3. Time frame over which the borrower proposes to repay the loan;
 4. Documentation for the costs to be covered by the borrowing request;
 5. Other financing options available and why an internal loan is favored over other options;
 6. If repayment will be from private gifts, a signed statement from the head of the unit and the Chancellor that pledges received to date are of sufficient certainty to reasonably assure repayment over the duration of the loan; and
 7. Each inter-institutional loan agreement should also be accompanied by a debt service schedule, which shows fiscal payments for the inter-institutional loan and all other outstanding loans, including bonded debt (if any) of the institution requesting the inter-institutional loan. This schedule must indicate a source of revenue that is of sufficient certainty to reasonably assure repayment over the duration of the loan and that the source of repayment is forecasted to generate sufficient revenue to cover the debt service payments as scheduled.
- B. For inter-institutional and inter-fund loans, the University of Arkansas System Vice President for Finance and CFO will submit the application to the President and Board of Trustees for approval. A written loan agreement detailing the terms of the loan will be prepared for each loan between institutions or between funds or fund types after approval by the Board of Trustees. No monies should be expended until the inter-institutional or inter-fund loan is approved and documented in accordance with this policy. Loans will be advanced as invoices are received for services and/or assets received.
- C. In the event that a unit wishes to change any of the following loan elements, a new application must be submitted referencing the initial approved loan and providing the same information for the additional request.
- D. The minimum amount for inter-institutional and inter-fund loans is \$100,000. Loan repayments terms on loans less than \$500,000 are limited to five years. Loan repayment terms on loans greater than \$500,000 are limited to ten years. The term of the loan should not exceed the useful life of the assets financed. Loans may be prepaid, in whole or in part, at any time without penalty.
- E. Interest charges may be agreed upon during loan application, up to the current U.S. Prime Lending Rate, with final approval by the President and Board of Trustees. Interest charges may be subject to restrictions by Federal grant regulations.

- F. Loans will be accounted for consistently, in accordance with procedures established by the University Arkansas System Vice President for Finance and CFO.
- G. All outstanding inter-fund loans cannot exceed 10% of the institution's available unrestricted net position, as defined in accordance with Governmental Accounting Standards Board (GASB). All outstanding inter-institutional loans cannot exceed 10% of the University of Arkansas System's available unrestricted net position.

September 12, 2014