



**The American University of Kurdistan**  
**Policy of Contingency Reserve Fund**  
**\*Subject to Board Approval**

Policy Number: BF014  
Interim Effective Date: October 30, 2025

- 1. Policy:** This policy defines the principles, objectives, and procedures for the establishment, funding, usage, and oversight of a Contingency Reserve Fund at the American University of Kurdistan (AUK). The policy ensures that the University maintains financial resilience and is able to respond effectively to emergencies and disruptions. It will be published on the AUK website and reviewed regularly to maintain alignment with institutional risk management strategies and financial planning priorities.
  - a. Purpose:** To safeguard the University's core functions—such as payroll, utilities, academic operations, and contractual obligations—during periods of financial stress or operational emergency by maintaining a financial reserve.
  - b. Scope:** This policy applies to the University's overall financial planning and budgeting processes, and its application involves all academic, administrative, and operational units whose continuity is essential for AUK's functioning.
  
- 2. Definition of Terms:**
  - Contingency Reserve Fund:** A financial reserve set aside to address unanticipated disruptions or emergencies.
  - Essential Operational Funding:** Includes salaries, benefits, utilities, maintenance, critical IT infrastructure, legal and compliance costs, and minimum academic delivery.
  - Non-Essential Expenditures:** Includes expansion projects, discretionary spending, and capital investments not required for core operations.
  
- 3. Responsibilities:**
  - a. Issuing Unit:** The Office of Vice-President of Administration and Finance (VPAF) proposes the annual allocation amounts and, in coordination with the President, recommends the utilization of reserve funds during emergencies. The final approval of usage conditions rests with the Board of Trustees, based on recommendations reviewed by the University Cabinet. The VPAF also conducts the monitoring, reporting, and periodic reassessment of reserve targets, and presents these findings to the University Cabinet and the Board of Trustees.
  - b. Other Stakeholders:**
    - The Office of Finance incorporates annual contingency reserve contributions into the University's budget
    - University Cabinet: Reviews proposed reserve usage, approves the annual contribution levels, and endorses reassessed reserve targets prior to submission to the Board of Trustees.
    - Board of Trustees: Grants final approval for the use of reserve funds, approves any adjustments to reserve targets, and receives periodic reports on the fund's status and utilization.

#### **4. Procedures**

##### Funding Strategy

- The annual contribution to the Contingency Reserve Fund shall be determined at the discretion of the Board on an annual basis, taking into consideration institutional financial performance, liquidity position, risk exposure, and prevailing economic and geopolitical conditions. The Board shall also determine and periodically reassess the appropriate target reserve level, based on the institution's risk profile and operating environment.
- Operational funding will be classified into essential and non-essential categories, according to AUK's mission to determine eligibility for inclusion in the reserve calculations. Only essential expenditures, such as those required to sustain core functions, will be considered.
- Contributions to the reserve will be prioritized during periods of surplus or controlled expenditure, with specific amounts to be proposed by the VPAF and approved by the Board of Trustees.

##### Usage Conditions

Reserve funds may be used in the following circumstances:

- Disruption of major revenue sources. This includes significant and unexpected reduction, delay or cessation of primary funding streams such as tuition, government scholarships, grants, or donor contributions.
- Natural disasters or geopolitical crises, including, but not limited to large-scale events (e.g., earthquakes, regional conflict, war, or sanctions) that pose an immediate and material threat to the University's operations or personnel.
- Significant unforeseen liabilities not covered by insurance. These are substantial and unanticipated financial obligations arising from legal, operational, or contractual matters, where no insurance coverage applies.
- Other board-approved emergencies deemed critical for university operations.

##### Reserve Fund Access Protocol

- All requests for reserve fund utilization must be accompanied by a formal justification memo detailing the nature and magnitude of the emergency, and a recovery or replenishment plan timeline.
- The use of the reserve fund shall be linked to institutional risks defined in AUK's Enterprise Risk Management (ERM) framework. Reserve access may be triggered when a risk's score exceeds the established risk appetite and is classified as urgent in the institutional risk register, subject to approval by the Board.
- Use of the contingency reserve fund requires a joint recommendation by the President and VPAF, with the endorsement of the University Cabinet, and final approval granted by the board.

##### Monitoring and Reporting

- The reserve's status will be reported annually to the Finance and Administration Committee of the Board by the VPAF.
- Any usage must be reported to the Board with justification and a financial recovery plan as stated under section 6.
- The reserve target will be reassessed every three years, or as needed, by the President and VPAF, and presented to the University Cabinet for endorsement prior to submission to the Board of Trustees for approval.

##### Audit and Compliance Oversight

- The VPAF conducts a review to ensure fund usage is aligned with Board approved conditions and policy intent.
- External audit verification is conducted as part of the University's annual financial statement audits.
- The Internal Auditor provides independent and objective assurance that reserve fund activities comply with the approved policy, established financial controls, and applicable governance standards.

## 5. Timeline and Communication/Implementation Plan

Activity	Responsibility Party	Timeline	Communication Channels	Details
<b>Policy Details Dissemination</b>	VPAF	February – March, 2026	Emails and website updates	Provide detailed information about the policy and support resources.
<b>Policy Enforcement Roll-out</b>	VPAF, Finance	February – March, 2026	Staff meeting	Communication by the VPAF with the Office of Finance will be initiated to coordinate the start of implementation in the annual budget.
<b>Emergency Use Reporting</b>	President, VPAF	As needed	Board Reports	Provide usage justification and recovery planning, including balances, contributions, withdrawals, and replenishment schedule.
<b>Periodic Reviews and Updates</b>	OIEP, University Leadership	Annually or as needed	Website, email, staff meetings	Review the policy and its enforcement mechanisms annually or as necessary to ensure continued relevance and compliance.

## 6. Related Documents

- Approved Contingency Reserve Plan
- [Policy of Enterprise Risk Management](#)
- AUK Risk Register

## 7. Ways to Measure Success

- **Reserve Adequacy:** Annual measurement of how close the reserve fund is to reaching the target.
- **Response Capacity:** Effectiveness of reserve usage during emergencies.
- **Frequency of Emergency Fund Requests:** Track how often the reserve is requested.

## 8. Policy History

- Approved by: University Cabinet
- Adopted (**INTERIM**): October 30, 2025