

FOUNDATION RESERVES POLICY

Revised June 2015

BACKGROUND AND PURPOSE

California State University, Financial Standards and Fiscal Viability policies for CSU Auxiliary Organizations, require auxiliary governing boards to establish an adequate reserves policy.

Annually each auxiliary governing board shall review the fiscal viability of the auxiliary organization, including:

1. A review of the management functions to ensure provisions for adequate professional management (Reference: Ed. Code, 89904[b]).
2. An evaluation of the need for reserves in the following areas:
 - Working Capital
 - Current Operations
 - Capital Replacement
 - Planned future operations (including future new business requirements which have been recognized by the campus and the auxiliary organization as appropriate and within the educational mission of the campus)
 - Investments
3. The establishment or revision of reserves and their funding level in accordance with the above evaluations.
4. The submission of a report annually to the Board and President, which includes the status of reserves.

POLICY

This Reserve Policy is established to provide the basis for the annual review of fiscal viability, to comply with accepted accounting principles relative to balance sheet presentation of net assets, and to provide the criteria for distribution of unrestricted net assets.

The Board delegates the responsibility for the review of the Foundation's financial reserves and their conformance with policy guidelines to the Finance and Investment Committee. The Finance and Investment Committee will review the adequacy of the reserves and will report to the Board of Directors and the University President during the annual budget process as required under CSU Auxiliary Policy.

PROCESS

A. Appropriation of Funds

As part of the annual budget process, the appropriation of Unrestricted Net Assets to the Allocated Reserves shall be as follows:

- Working Capital – six months annual operating expenditure budget for cash flow
- Current Operations – two years annual Foundation operating budget
- Capital Acquisition / Replacement – as determined by the Committee
- New / Future Operations – as determined by the Committee
- Non-Endowment Investment Portfolio Risk – percentage of non-endowment portfolio as deemed appropriate by the Committee
- Scholarship Endowment Reserve – percentage of gifts designated to scholarship endowment in the previous five (5) fiscal years
- Uncollectible Receivables Reserve – the amount calculated based on historical uncollectibility of pledges over the previous five (5) fiscal years

The allocation or release of funds from the Reserves will be outlined in the Foundation's Annual Operating Budget. Funds designated for the above appropriations shall be maintained in a separate general ledger account.

If a balance remains in Unrestricted Net Assets after the above appropriations, these funds shall be available for allocation by the Board of Directors to support University Advancement and the University.

B. Fiscal Viability Report

The analysis and review of the reserves and the actions taken by the Finance and Investment Committee and the Board of Directors will be reported to the campus President as required by the Board of Trustees of the California State University policy.

Approved by the Foundation Board of Directors on March 14, 2016