



RESERVES POLICY

Background and Purpose

The establishment of adequate reserves policies for CSU auxiliaries is required to meet the California State University financial standards established in Education Code, Section 89904(b). Section 89904(b) states that auxiliaries shall implement financial standards that will assure fiscal viability by the establishment of reserve funds for current operation, capital replacement, and new business ventures.

Policy

The University Corporation Reserves Policy provides for an annual review of the financial status of The University Corporation and an adjustment, if necessary, to the reserve fund balances at the end of each fiscal year.

Reserve Funds are identified as follows:

Reserve per Education code: This reserve was established to provide adequate working capital, adequate reserve funds for current operations and capital replacement that occur outside of the normal annual capital funding.

Real Estate Fund: The Purpose of this fund is to provide for the real estate needs for the University not easily funded from State sources. The Board of Directors establishes the Real Estate Fund balance, which is to be replenished as acquisitions are made.

Planned Future Operations: A reserve for future new business requirements, which have been recognized by the campus and the University Corporation as appropriate and within the educational mission of the campus. The Planned Future Operations Reserve will recognize each specific project, and allocated amount, as identified by the Board of Directors.

Undesignated Reserves: These are funds held by The University Corporation that are additional to the other reserves. This is a multi-purpose fund to address a variety of reserve policy and operational requirements, including providing replenishment allocations to the Real Estate Fund; the Current Operations reserve; the Unplanned Capital Replacement reserve; and the Working Capital Reserve. Additionally, Undesignated Reserves includes gains and losses to the investment portfolio (non-endowment); coverage for earning shortfalls to meet the annual allocation to campus; and funding for potential future capital projects.

Other Reserves: As warranted by Board action other reserves may be created.

Supersedes Reserves Policy adopted by The University Corporation Board of Directors on September 29, 2004.

Rick Evans

Rick Evans, Executive Director

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