



## PHILANTHROPIC FOUNDATION

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### CSUDH Philanthropic Foundation Reserve Policy

#### **I. Background**

Each California State University auxiliary organization is required to conform to policies of the Board of Trustees and the campus (ref: Education Code, Section 89900(c)). Each campus President is responsible to require that auxiliary organizations operate in conformity with these policies. The following trustee policy shall be implemented by the campus president and the auxiliary organization governing board:

**10.2.1 Financial Standards; Annual Review.** Annually each auxiliary organization governing board shall conduct a review of the fiscal viability of the auxiliary organization, including:

- (a) A review of management functions to ensure adequate professional management. Cal. Ed. Code § 89904(a)
- (b) An evaluation of the need for reserves in the following areas:
  - 1. Working capital
  - 2. Current operations
  - 3. Capital replacement
  - 4. 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) Cal. Ed. Code § 89904(b); 5 CCR § 42401(d); E.O. 1059
- (c) The auxiliary organization shall establish or revise reserves and their funding level in accordance with the above evaluations
- (d) The auxiliary organization shall submit an annual report, including a plan to build and maintain appropriate reserves, to the campus president for review. The campus president's review should be documented. Such report may be a part of the annual budget submission. Cal. Ed. Code § 89904(a)

Each auxiliary governing board has authority and responsibility for the organization's affairs within the context of policies of the Board of Trustees and the campus. *The Compilation of Policies and Procedures for California State University Auxiliary Organizations* provides guidelines for auxiliaries to implement certain fiscally related policies applicable to auxiliary.

#### **II. Purpose**

The purpose of this policy is to ensure the long-term financial stability and sustainability of the Foundation by maintaining a reserve fund to cover emergency administrative operating expenses, offset unexpected

shortfalls in anticipated income as appropriate, and/or plan for future new business requirements. The reserve fund will be funded annually with surplus unrestricted operating funds.

**Definitions:**

- **Reserve Fund:** Unrestricted funds set aside by the Board of Directors for economic uncertainties, emergency expenses, losses, cash flow shortages, and/or for future planning purposes. Reserves are a one-time source of funding. Once reserves are spent, they are gone, unless replenished from an alternate source of funding.
- **Target Funding Levels:**
  - The minimum funding level shall be equal to six months of average operating expenses, determined by calculating an average for the past three years.
  - The maximum funding level shall be one full year's administrative operating budget, as determined by calculating an average for the past three years.

**III. Authority**

The policy is issued under the authority of the Foundation Board of Directors. Authority and accountability are herewith delegated to the Foundation Executive Director for implementation of this policy.

**IV. Use of Reserves**

- Building reserves is an important component of long-term strategic planning to meet the Foundation's objective.
- Reserves should be used to address temporary financial challenges, not to cover long-term or permanent income shortfalls.
- Reserves used to make up for unexpected revenue shortfalls or emergency expenses should be accompanied by a near-term plan to increase revenue or reduce expenditures to replenish the reserves.
- When it is appropriate to use reserves to resolve timing problems, reserves should be used only to provide a bridge to a solution rather than as a means to delay addressing a structural issue.
- All expenditures from the reserve fund must be pre-authorized by the Board of Directors' Executive Committee and documented, specifying the amount used, the purpose, and the projected impact on the Foundation's financial stability.

**V. Monitoring and Reporting**

- The Foundation's Finance and Investment Committee will conduct an annual review of the reserve fund. This review will include an analysis of the Foundation's financial health, current and projected reserve levels, and any factors that might affect the reserve fund's adequacy.
- A report will be presented to the Board of Directors for their approval; the report will detail the reserve fund's status and any recommendations for adjustments to the target amounts.
- The Foundation's customary financial reports will include balance information for the reserve fund.


**VI. Transparency and Accountability:**


- To maintain transparency, a summary of the reserve fund status will be made available to donors, stakeholders, and the public.
- Any deviations from the established reserve policy or target funding levels will require a formal justification and approval by the Board of Directors' Executive Committee.

**VII. References**

[CSU Auxiliary Organization Compliance Guide](#)

We hereby certify that the Foundation Reserve Policy was approved at the December 12, 2024, Board of Directors meeting.

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