**California State University, East Bay**

**Enterprise Operations & Foundation**

**RESERVE POLICY**

Adopted by Board Executive Committee May 2009

**BACKGROUND AND PURPOSE:**

California State University Board of Trustees guidelines and education code 89904 require auxiliaries to implement fiscal policies to ensure the financial viability and stability. As with any corporation, appropriate reserves are a necessity to provide for planned projects as well as unplanned and negative revenue or expense situations.

The purpose of reserves are to set aside a portion of the Fund Balance corresponding to the portion of an organization’s assets that are being used to conduct its business and are therefore not available for spending. When reserves are not in use, they are invested to ensure they bear interest in the most appropriate investment vehicle and in accordance with the Foundation’s Investment Policy. There are a number of types of reserves that are needed to ensure financial viability and stability as shown below. The reserve policies below should be adhered to when the corporation is financially able. If the reserve cannot be met, then the Executive Director would notify the Executive Committee and obtain an interim reserve policy until the policy below could be met.

1. **Working Capital and Sponsored Programs Reserve:**

The purpose of this reserve is to provide cash on hand or liquid assets to meet expenditure needs of the corporation, for both operating expenses and sponsored program expenses. Sponsoring agencies sometimes advance funding to cover expenditures, however many sponsors reimburse after costs have been incurred by the corporation. The reimbursement process can include a considerable time lag before funds are received and thus the corporation must carry the financial burden. The reserve shall be at least 20% of the annual operating and sponsored program expenditures from the prior fiscal year.

1. **Capital Replacement Reserve:**

The purpose of this reserve is to set aside appropriate funds to replace fixed assets as needed. It enables the organization to meet ongoing plant and equipment needs in a systemic way and prevent sudden or large demands on current operating funds and cash. The reserve shall be held at a level of no less than $100,000.

1. **Planned Future Operations Reserve:**

The purpose of this reserve is to provide funding for new operations, campaigns or development projects specifically adopted by the Board. It is distinct from the capital replacement reserve which is intended to replace existing assets. The reserve shall be held at a level of no less than $100,000 however would be increased as needed by the Board if a particular project is approved for future funding.