

	<p style="text-align: center;"><b>POLICY &amp; PROCEDURE MANUAL</b>  <i>California State University</i>  <i>Channel Islands Foundation</i></p>	<p style="text-align: right;"><i>Policy No.: 1.03</i>  <i>Number of Pages: 4</i></p> <p style="text-align: right;"><i>Revised March 9, 2021</i>  <i>August 2005</i></p>
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**PURPOSE**

To provide guidelines for establishing adequate reserves for CSU Channel Islands Foundation (the Foundation) current operations, campus initiatives and future business requirements. The Foundation shall establish, review, and approve the funding levels annually in accordance with the established budget process and the availability of funds.

**BACKGROUND**

The establishment of adequate reserves for auxiliary organizations is required to meet the California State University (CSU) financial standards established in Education Code, Section 89940(b). *The Foundation is adopting this requirement as an entity to ensure the provision of critical resources in times of economic uncertainty as well as when needed to support future Foundation business requirements.* The guidelines established in this policy will serve as a foundation for establishing fund specific reserves.

**POLICY**

**Accountability:**

The University President has delegated authority and responsibility for effective oversight of all funds held by the Foundation and all funds held in a fiduciary capacity. The campus Chief Financial Officer (CFO) shall be the primary campus financial officer in respect to administration of these delegations of authority and responsibility. (See attached policy link for reference: ICSUAM 02001.00 <https://calstate.policystat.com/policy/8559140/latest/>).

**Applicability:**

The policy applies to the Foundation.

**Text:**

The establishment of guidelines for Foundation reserves will help to support the Foundation’s operations and future business requirements which generate philanthropic gifts, grants, and contributions that support University

- **Reserve:** a set-aside of Unrestricted funds for a defined purpose.
- **Fund:** A fiscal and accounting level within the Foundation with a self-balancing set of accounts recording cash and other financial resources, all related liabilities, and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives.
- **Fund Balance:** Cumulative carry-forward of accrual-basis revenues net of expense.
- **Carry-Forward:** Year-end unspent funds.

- **Total Foundation Budget:** Total budgeted Foundation expenses for all fund types: Endowment, Scholarship, Temporarily Restricted, and Unrestricted.
- **Annual Operating Budget:** Budgeted Foundation Expenses for Administrative and Direct Fund-raising costs.
- **Foundation Operating Expenses:** A category of expenditures that result in normal business operations related to Administrative and Direct Fund raising.
- **Chief Financial Officer:** The person designated by the Campus President pursuant to Executive Order No 731.
- **Foundation Fund Types (source):**
  - **Endowment funds** include permanent funds invested to generate income which is then allocated in accordance with the Foundation Investment Policy and of which the principal amount or corpus cannot be spent unless allowed by the endowment agreement.
  - **Scholarship funds** are specific to providing scholarships.
  - **Temporarily Restricted funds** are designated for a specific area of use, such as, but not limited to, academic programs or projects, capital projects, or student support programs. This includes funds raised during campaigns that are designed to support designated programs.
  - **Unrestricted fund** includes carry-forward fund balance and contributions given in support of the University's highest priority needs. Unrestricted operating funds will be used to fund Foundation reserves as well as any initiative or priority not otherwise funded. Unrestricted funds are for use at the discretion of the University President or designee.

**Source of Reserve Funds:**

Reserves will be funded by fiscal year end Unrestricted fund net revenue and will be allocated as a contribution to the Foundation reserves.

**RESERVE REQUIREMENTS:**

- I. The Foundation shall maintain adequate levels of reserves in accordance with the University reserve policy which requires reserves to be established for the following if applicable:
  - a. Economic Uncertainty
  - b. Working Capital
  - c. Future Business Requirements
  
- II. Reserve balances shall maintain a minimum as outlined within the Reserve Fund Designations and Funding Priority of this policy (below). Additionally:
  - a. If a reserve balance falls below the established minimum, a contingency plan must be created to restore the minimum balance requirement.
  - b. If a reserve balance is in excess of maximum at the end of the fiscal year (June 30), the the reason behind the excess shall be documented.

**RESERVE DESIGNATIONS and FUNDING PRIORITIES:**

The following reserve designations provide a description of the reserve fund. Any carry-forward associated with fiscal year end Unrestricted fund net revenue shall be reallocated annually according to the priority and requirements outlined below. After reserves are funded, the remaining annual net excess will be designated for the support of the University's highest priorities needs.

**A. Economic Unc.**