

**HSU FOUNDATION
OPERATING RESERVE POLICY
PROPOSED AT FINANCE COMMITTEE MEETING
MAY 22, 2014 AND APPROVED AT EXECUTIVE
COMMITTEE MEETING JUNE 27, 2014**

I. PURPOSE

California State University Policy:

The establishment of adequate reserve 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. The following policy follows the “Financial Standards and Fiscal Viability” for Financing and Risk Management as stated in Appendix G of the CSU Policies for Auxiliary Organizations.

II. BACKGROUND

The CSU requires an annual reporting of auxiliary reserves be made to the President comparing actual reserves to reserves required by auxiliary policy. As a minimum, reserves in the following four areas need to be addressed:

- Working Capital
- Current Operations
- Capital Acquisition/Replacement
- Planned Future Operations

III. HSU FOUNDATION POLICY STATEMENT

It is the policy of the Board of Directors of HSU Foundation to maintain adequate financial reserves to cover working capital requirements, current operation protection for short-term revenue shortfalls, capital asset replacement, planned future operations, and contingencies. It is the goal of the Foundation Directors to work towards funding the reserves at the levels noted in the guidelines below.

The Board delegates the responsibility for reviewing financial reserves for conformance with policy guidelines to the Finance Committee. The Finance Committee will review reserve adequacy on an annual basis when the fiscal year operating budget is reviewed and approved. The individual reserve balances will be reported to the President at the time the President approves the Foundation’s Operating Budget.

IV. RESERVE POLICY GUIDELINES

- Working Capital – six months annual operating budget for cash flow
- Current Operations – three months annual operating budget
- Capital Acquisition/Replacement – as determined by the Finance Committee
- Planned Future Operations – as determined by the Finance Committee