

**RESOLUTION OF THE FOUNDATION BOARD OF DIRECTORS APPROVING AND ADOPTING
THE RESERVE POLICY**

WHEREAS, the California State University, Dominguez Hills Foundation is a recognized auxiliary organization of The California State University incorporated as a 501(c)3 non-profit public benefit corporation in April 1968; and

WHEREAS, as an auxiliary organization, the Foundation exists as a separate legal entity that operates pursuant to a Master Operating Agreement with the CSU Board of Trustees governed by Chapter 7, Part 55, Division 8, Title 3 (Sections 89900 et seq.) of the Education Code and Subchapter 6, Article 1, Part V (Sections 42400 et seq.) of Title 5 of the California Code of Regulations (CCR) and is governed by a Board of Directors that is responsible for the administration of the organization; and

WHEREAS, said Master Operating Agreement requires the Foundation to comply with CSU Trustees' policies on expenditure of funds including, but not limited to, the Trustees' guidelines for disposition of revenues in excess of expenses ("Net to Reserves") and guidelines related to the maintenance of appropriate reserves; and

WHEREAS, the Reserve Policy authorizes Foundation management to implement and, as needed, develop acceptable fiscal controls, including adequate reserves within these policies and this policy statement.

THEREFORE, IN CONSIDERATION OF THE FOREGOING, IT IS RESOLVED AS FOLLOWS:

RESOLVED, that the Board of Directors of the Foundation recognizes the above recitals as true and correct and adopts them as findings of fact; and

RESOLVED, that Foundation approves and adopts the California State University Dominguez Hills Foundation Reserve Policy; and

RESOLVED, that the Foundation Executive Director shall be directed to take all actions as may be necessary and proper in connection with the execution and implementation of this resolution.

Adopted this 17th day of June 2021.

Del Huff

Del Huff (Jul 2, 2021 18:03 PDT)

Del Huff, Chair
CSUDH Foundation
Board of Directors

Cornelia Brentano

Attest: Cornelia Brentano (Jul 6, 2021 16:30 PDT)

Dr. Cornelia Brentano, Vice-Chair
CSUDH Foundation
Board of Directors

Reserves Policy
California State University, Dominguez Hills Foundation

PURPOSE

This Reserves Policy is established to ensure the stability of the mission, programs and ongoing operations of the California State University, Dominguez Hills Foundation (“Foundation”) and to ensure provisions for adequate management of unrestricted net assets.

To operate as an auxiliary of California State University, Dominguez Hills (“University”), the Foundation and the California State University (“CSU”) agreed to a master operating agreement, which requires the Foundation to comply with CSU Trustees’ policies on expenditure of funds including, but not limited to, the Trustees’ guidelines for disposition of revenues in excess of expenses (“Net to Reserves”) and guidelines related to the maintenance of appropriate reserves. The operating agreement between the University and the Foundation contains the following section on the disposition of Net to Reserves: “This policy authorizes Foundation management to implement and, as needed, develop acceptable fiscal controls, including adequate reserves within these policies and this policy statement.”

California Education Code sections 89904-89905 and Title 5 of the California Code of Regulations, section 42402, require that auxiliaries comply with CSU financial standards, best practices and policies in order to ensure that auxiliaries maintain best practices for fiscal controls, fiscal viability and adequate reserves. The CSU also issued best practices for auxiliary fiscal controls in its Compilation of Policies and Procedures for CSU auxiliaries. The establishment of an adequate reserve policy for CSU auxiliaries is a requirement of California Education Code section 89904(b). This statute states that auxiliaries will implement financial standards which assure their fiscal viability. Such standards shall include proper provisions for professional management, adequate working capital, adequate reserve funds for current operations and capital replacements, and adequate provisions for new business requirements.

POLICY AND PROCEDURES

I. The following types of reserves are acknowledged by the Foundation:

- a. Working Capital Reserve.** The Working Capital Reserve is set to support short-term cash flow and expenditure variations and cash balance requirements in covenants to debt services, credit or other agreements. The target limit is set to equal the current portion of long term and non-variable current liabilities. This includes, but is not limited to, the current portion of notes payables, deposits held in custody of others, the current portion of post-retirement benefits, and the current portion of accrued salary and benefit payables.
- b. Current Operating Reserve.** The Current Operating Reserve is intended to provide funds for unanticipated losses in funding or uninsured losses. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs measured for a set period of three months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, program, interest

expenses and ongoing professional services. Non-cash expenses are not included in the calculation.

- c. **Capital Replacement Reserve.** The Capital Replacement Reserve is intended to provide a ready source of funds for repair or acquisition of buildings, leaseholds, furniture, fixtures and equipment necessary for the effective operation of the organization and programs. The target amount of the Capital Replacement Reserve will be set at 25% of total accumulated depreciation and amortization.
- d. **Venture Capital/Opportunity Reserve.** This reserve is intended to provide funds to meet special targets of opportunity or future, new business recognized by the University and the Foundation as appropriate and within the educational mission of the campus. The Opportunity Reserve is also intended for organizational capacity building such as staff development and investment in infrastructure. The target amount of the Opportunity Reserve will be set at 10% of the unrestricted funds. This reserve is optional and may be funded at the discretion of the Board of Directors.
- e. **Post-Retirement Medical Benefits Reserve.** This reserve consists of retirement medical benefits to be provided to the current employees after retirement. The target reserve amount shall be determined annually, based on the actuarially accrued benefit obligation as determined by the actuarial study. This reserve will be funded in a Voluntary Employees Benefit Association (“VEBA”) trust.
- f. **Other Reserves.** The Board of Directors may establish other reserves. Current designations include Grants and Contracts Indirect Cost (IDC) allocations, THE FOUNDATION’s annual contributions to University and other Board designated funds.

2. The Reserve Funds will be held in the financial records in the net assets of each fund as a designated reserve. The reserves will be funded and available in cash or cash equivalent funds. Reserves will be commingled with the general cash and investment accounts, with the exception of the Post-Retirement Medical Benefits Reserve, which will be funded in a VEBA trust account designated specifically for the post retirement benefit expenditure.

3. Reserves will be funded with the surplus of net unrestricted assets. The amount of a reserve fund target minimum and fiscal viability will be reviewed annually and calculated after approval of the annual budget. The Board of Directors may, from time to time, direct that a specific source of revenue be set aside for reserves. The use of reserves will be reported to the Executive Committee/Board of Directors at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds.