

**THE AGRICULTURAL FOUNDATION OF
CALIFORNIA STATE UNIVERSITY, FRESNO**
Reserve Policy
(Revised December 6, 2019)

Each California State University auxiliary organization is required to conform to policies of the Board of Trustees and the campus (ref: Ed. Code, 89900(c)). Each campus President is responsible to require that auxiliary organizations operate in conformity with these policies (ref: Title 5, 42402).

The Chancellor's Office is required to implement financial standards applicable to all California State University auxiliary organizations to assure their fiscal viability (ref: Ed. Code, 89904 (b)) and to implement policies for the uses of indirect costs (ref. Ed Code 89904 (d)). These guidelines for fiscal viability, use, and division of indirect costs are to be consistent with the educational mission of the campus and are to be implemented by the Board of Trustees before July 1, 1983 (ref: Ed. Code, 89904, 89905).

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 following guidelines are policy of the Board of Trustees and, therefore, shall be implemented by the campus President and the auxiliary governing board.

Annually each auxiliary governing board shall review the fiscal viability of the auxiliary organization to include:

1. A review of management functions to ensure provisions for adequate professional management (ref: Ed. Code, 89904(b)).
2. An evaluation of the need to establish reserves in the following areas:
 - (a) Working Capital for Operations
 - (b) Capital Replacement/Planned Future Operations (including capital improvements and 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)
3. The establishment and/or revision of reserves and their funding levels in accordance with the above evaluations.
4. The submission of a report annually through The Agricultural Foundation Board to the President which includes a plan to build and maintain appropriate reserves. A Report on Net Assets is prepared annually after the completion of the annual external audit. Such report may be a part of the annual budget submission.

Annually, The Agricultural Foundation of California State University, Fresno, presents to the Audit Committee, the Board of Directors, and the University CFO fund balances for each reserve which is included in the Report on Net Assets. The Report on Net Assets includes the Board established minimum reserve limits as well as the methodology used to determine adequate reserve levels as compared to annual operating expenditures. During management's presentation of this Report, both

the Audit Committee and the Board evaluate the type of reserve accounts required and funding levels of each reserve.

The Agricultural Foundation Board of Directors has approved the establishment of the following reserves:

- A. Working Capital/Current Operations Reserve for the Agricultural Farm (Net Assets without Donor Restriction)
- B. Capital Replacement Reserve/Planned Future Operations -The Agricultural Foundation Endowment Fund – (Net Assets without Donor Restriction – Designated Funds)
- C. Working Capital/Current Operations Reserve for Poultry – (Net Assets with Donor Restrictions)
- D. Capital Replacement Reserve – Farm Operations – (Net Assets with Donor Restrictions)

WORKING CAPITAL/CURRENT OPERATIONS RESERVE (without Donor Restriction)

a. **Business Objective**

The working capital reserve shall ensure that The Agricultural Foundation can adequately meet the cash flow requirements necessary for its normal daily operations. The Board of Directors can approve the transfer of funds to operations for major expenditures such as capital repairs, renovations, equipment, etc.

b. **Minimum Reserve Requirement**

The limit of this fund shall be reviewed annually by the Board of Directors. The minimum amount for this reserve shall be \$750,000 or 15% of the budgeted annual operating expenses (excluding depreciation) for the next fiscal year, whichever is greater. Of the minimum amount, \$250,000 in cash shall not be invaded for any purpose except in the case of extreme financial hardship with the authorization of both the University President and Chair of the Board of Directors.

c. **Contribution Method**

Annually, any surplus (deficit) funds generated from operations that are not otherwise designated or donor restricted will be transferred to this reserve.

CAPITAL REPLACEMENT RESERVE/PLANNED FUTURE OPERATIONS (Endowment Fund- without Donor Restriction)

a. **Business Objective**

The Capital Replacement/Planned Future Operations Reserve (Endowment Fund) shall exist to make equipment acquisitions for the University Farm Laboratory and for the relocation, partial relocation and/or expansion of the agricultural laboratory upon Board approval. The income generated by this fund may be used only for the purpose of equipment acquisition and other funding needs of the University Farm Laboratory subject to approval of the Agricultural Foundation Board. These funds are invested and managed as part of the Fresno State Foundation's Endowment (Pool A).

b. **Minimum Reserve Requirement**

There is no minimum amount for this reserve.

c. **Contribution Method**

The endowment fund will accept proceeds received as compensation for the non-agricultural uses or dispositions of University Farm Laboratory lands as well as the income earned on those funds. Additions may include donations, bequests and Board approved transfers of surplus funds from annual operations.

OPERATING RESERVE – POULTRY (with Donor Restriction)

a. **Business Objective**

The reserve is to provide funding for instructional management of the Foster Farms Facility located on the Fresno State campus.

b. **Minimum Reserve Requirement**

There is no minimum amount for this reserve. The funds must be expended in accordance with the Foster Farms operating agreement dated January 15, 2012.

c. **Contribution Method**

The Poultry Reserve will accept annual donations from Foster Farms per the operating agreement dated January 15, 2012.

OPERATING RESERVE – FARM OPERATIONS (with Donor Restriction)

a. **Business Objective**

The initial fund source of \$250,000 for this reserve was provided by the Fresno State Foundation for capital repair and replacement for the University Agricultural Lab (Farm) subject to consultation with the Agricultural Foundation board.

b. **Minimum Reserve Requirement**

There is no minimum amount for this reserve.