

**UNIVERSITY OF CENTRAL MISSOURI FOUNDATION  
UNRESTRICTED BOARD-DESIGNATED OPERATING RESERVE FUND  
POLICY**

**I. PURPOSE**

The general purpose of the Unrestricted Board-Designated Operating Reserve Fund (“Fund”) is to help to ensure the long-term financial stability of the University of Central Missouri Foundation (“Foundation”) and position it to respond to varying economic conditions and changes affecting the financial position and the ability to continuously carry out our mission. The Foundation will maintain a Fund to achieve the following objective(s):

- A. To enable the Foundation to sustain expenditures through market and fundraising down cycles.
- B. To promote donor confidence in the long-term sustainability of the Foundation by preventing chronic cash flow crises that can diminish its reputation and force its leaders to make expensive short-term, crisis-based decisions.
- C. To manage cash flow interruptions.

**II. FUND BALANCE**

The target amount to be attained and maintained for the Fund is approximately 12 months of annual expenditures equal to both the annual foundation operating expenses and annual payout. To establish the Fund, the Board can designate existing unrestricted net assets as the beginning balance of the Fund. The remaining balance shall be funded in increments through funding strategies incorporated into the Foundation’s annual fundraising plan and other sources the Executive Committee may deem to be appropriate.

**III. USES OF THE FUND**

Use of the Fund is only allowed by Executive Committee approval. Eligible uses for the Fund are the following:

- A. Funding for Foundation operating expenses.
- B. Funding for annual program and scholarship expenditures from the Funds Functioning as Endowments.

#### **IV. MANAGEMENT OF THE FUND**

Under the direction of the Finance Committee, the Executive Director will establish a separate unrestricted fund. This fund will be considered expendable and invested according to the guidelines set forth in the investment policy for those funds.

Disbursements will be governed by this policy as well as the current policies and procedures regulating the expenditure of Foundation Funds. The net asset balance of this fund will be listed separately in the net assets section of the Foundation's statement of financial position as "Board-Designated Operating Reserve".

#### **V. OPERATING RESERVE MAINTENANCE**

In the event operating reserves are less than the targeted reserve levels, this deficit must be eliminated in a minimum of three years, with at least one third of the deficit balance being required to be funded in the current operating budget, until the reserve is restored to the target balance.

If the operating reserves exceed the targeted reserve level, the finance committee will review during their annual spring meeting to determine what action, if any, should be taken.

The status of the Fund will be calculated at the end of each fiscal year based upon audited financial results. The Operating Reserve Ratio Calculation ("Calculation") formula will be as follows:

$$\frac{\text{Unrestricted Board-Designated Operating Reserve as of 6/30}}{[\text{Budgeted Annual Foundation Operating Expenses} + \text{Payout}]} = \text{No. of Months}$$

The Calculation will be presented to the Executive Committee at their meeting following approval of the financial audit results by the Audit Committee. The Committee will consider the adequacy of the Fund amount and will recommend any changes as deemed necessary.

#### **VI. RESPONSIBILITIES OF THE FINANCE COMMITTEE**

The Finance Committee will review the Fund Policy every three years, or sooner if conditions warrant, and put forward any necessary changes for Board approval.

Adopted 1/25/13

Revised 5/2/14

Revised 4/17/20