

Responsible Officer:	Vice Chancellor for Planning and Budget and Chief Financial Officer
Responsible Office:	Planning and Budget
Origination Date:	07/01/2018
Date of Revision:	01/6/2020
Date of Last Review:	01/06/2020
Scope:	Guidance on Overall Campus Cash Reserves including Gifts and Endowment Payouts

GUIDING PRINCIPLES

The University of California, Riverside (UCR) is committed to strategic management of all funds to ensure business continuity and thus a sustained student-centered quality education. It is required that adequate reserves be maintained to meet unanticipated funding disruptions, current liabilities and operational needs, working capital, debt service payments, facilities maintenance repair and replacement, and planned future operations as appropriate.

In addition, the University has a responsibility under California trust law to fulfill the terms of charitable gifts. Donors provide charitable gifts specifically with the intention that they benefit the institution and have impact.

In order to ensure proper donor stewardship and adherence to the terms of gifts, the campus must use prudent methods to ensure timely and appropriate expenditures of expendable gifts and endowment payouts, balances with investment growth of the corpus.

DEFINITIONS

Reserve: An accumulation of unrestricted unobligated funds set-aside for economic uncertainties, unexpected expenses, losses, cash flow shortages, large repair or renovation projects, the acquisition and development of new facilities, and/or for future planning purposes. Reserves are a one-time source of funding.

Unrestricted Funds: Funding that is not designated for a specific purpose or use by an outside entity or requirement.

Endowment: A donor designated gift, where the principal is invested in perpetuity. Also includes Funds Functioning as Endowment (FFE), which are the result of allocation

Guidelines Title: UCR OPERATING RESERVE

Guidelines Number: 300-XX

of donor funds, or reallocation of campus funds, with the intention that the principal will be invested in perpetuity or until such time as all or a part of the FFE designation is rescinded.

Endowment Payout: A calculated amount per The Regents or Campus Foundation Guidelines-determined rate that is taken from the value of the principal each year and provided for expenditure to meet the specified donor and campus use.

Accumulated payout: The balance of any unexpended endowment payout. The number of years of accumulation is computed using the balance divided by the payout received during the most recent fiscal year completed.

Expendable gift: A non-endowed gift, given with the expectation that it will be fully spent.

GUIDELINES ON OPERATING RESERVES

Central Campus Unrestricted Operating Reserve

To provide sufficient funding to meet reserve needs, the campus will set a target goal for unrestricted cash reserves (balances), less plant and auxiliary fund balances, of up to 50% of Annual Campus Spend, but above 35% of annual cash spend. This goal recognizes that a significant amount of the cash is unrestricted, but not unobligated. Unrestricted, unobligated true reserves should be at least 10% of this cash balance thus representing a true reserve.

Organizational Unrestricted Operating Reserves

- **Recharge Operations:** Reserves should be targeted at 20%-25% of annual expenses. Exceptions based on business need can be approved by the Vice Chancellor of Planning and Budget/CFO.
- **Auxiliary Enterprises:** Operating reserves should be targeted at 20% - 25% of annual expenses. In addition, sufficient maintenance and renewal funds should be held in reserve in amounts appropriate to the support the physical assets operated by the auxiliary.
- **Campus Organizations on Appropriated Funding Sources:** Reserves should be targeted between 10% - 20% of annual expenses.

RESPONSIBILITIES

Financial Planning and Analysis

Guidelines Title: UCR OPERATING RESERVE
Guidelines Number: 300-XX

Annually, Financial Planning and Analysis shall report on the balances of the unrestricted operating reserves to the Vice Chancellor for Planning and Budget/CFO, as well as the unrestricted, unobligated true central cash reserve.

Vice Chancellor for Planning and Budget/CFO

Should any reserve balance not meet the Guidelines targets, the Vice Chancellor will work with the appropriate organizational leadership, including the Chancellor and Provost, to develop appropriate plans to bring balances to the targeted levels, including moving cash assets into Funds Functioning as Endowments as appropriate. Conversely, with respect to the central campus reserve, should the unrestricted, unobligated true reserves should fall below 10% of this cash balance, the Vice Chancellor will develop plans to bring the reserve back to the minimum 10% requirement.

GUIDELINES ON ENDOWMENT AND EXPENDABLE FUNDS

Endowed Funds

The annual payout generated by any endowed fund, whether Regents or Foundation-held, should be expended within 2 fiscal years of receiving the payout.

Accumulated payout balances, including those from endowed chairs, will be reviewed annually as of each June 30. The accumulated payout in excess of two years will be added to the principal of the fund within 90 days of the following fiscal year, as long such addition is permitted by the donor agreement. A justification and plan for the overage may be submitted by the responsible Dean or Vice Chancellor within the 90 day period to the Executive Director of Foundation and Donor Relations for ultimate review and approval by the campus Vice Chancellor Planning and Budget/CFO and the Vice Chancellor for University Advancement.

Expendable Funds

Balances in expendable gift funds must be spent within reasonable times specific to the unique circumstance of each gift. If no material spending occurs within two years of the receipt of a gift, a spending plan must be provided and approved by the responsible Dean within 90 days of notice from the Office of the Vice Chancellor for Planning/CFO. If an acceptable spending plan is not submitted and approved, the Chancellor will be notified and the Chancellor may direct appropriate action, subject to the terms of donor agreements.

Guidelines Title: UCR OPERATING RESERVE
Guidelines Number: 300-XX

Any exceptions to this Guidelines must be approved by the Vice Chancellor/CFO and the Vice Chancellor for University Advancement. Exceptions granted will be reported to the Chancellor annually.

RESPONSIBILITIES

Department Financial Personnel

Inform and advise gift and endowed fund holders of this Guidelines and ensure annual budgets include use of gift and payout plans; monitor balances and use at least semi-annually for adherence to this Guidelines.

Vice Chancellors and Deans

Review plans for expenditure in conjunction with financial personnel to ensure compliance with applicable policies and donative intent; and approve additions of payout to principal as appropriate. Submit justifications for requests to retain the use of payout greater than 2 years to the Executive Director of Foundation and Donor Relations.

Financial Planning and Analysis

In the Fall of each year, provide an annual summary on expendable gift and endowment payout balances to Vice Chancellor Planning and Budget/CFO and the Vice Chancellor for University Advancement Campus Budget related to funds not in compliance.

Executive Director of Foundation and Donor Relations

Based on the information provided by Financial Planning and Analysis, contact department financial officers regarding pending actions. Review submitted justifications for requests to retain the use of payout greater than 2 years. Make recommendations to the Vice Chancellor Planning and Budget/CFO and the Vice Chancellor for University Advancement Campus. Work with the UCR Foundation and the Regents as appropriate to move unspent endowment payouts to the corpus principal as identified during the annual fund balance review process.

RELATED POLICIES AND INFORMATION

- A. [UC Principles of Endowment Administration](#)



Guidelines Title: UCR OPERATING RESERVE
Guidelines Number: 300-XX

B. UCR Guidelines [500-15](#) [Endowed Chairs](#)