

**UNIVERSITY OF CENTRAL MISSOURI FOUNDATION  
UNRESTRICTED BOARD-DESIGNATED OPERATING RESERVE FUND  
AND  
SECURED LINE OF CREDIT POLICY**

**I. PURPOSE**

The general purpose of the Unrestricted Board-Designated Operating Reserve Fund (“Fund”) and secured line of credit (“SLC”) 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 and a SLC 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. POLICY**

The Fund and SLC will be maintained by the Foundation under the provisions set out herein and for the purposes listed above. The targets for these two Foundation resources are as follows:

- A. Fund Balance - The target amount to be attained and maintained for the Fund in cash is within a permissible range of 20% to 25% 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 budget.
- B. Secured Line of Credit – An account with a target amount of \$3 million available credit shall be established and maintained with a reputable lender and be subject to the use and restrictions of this policy.

### **III. USES OF THE FUND AND SLC**

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

- A. Funding for Foundation operating expenses.
- B. Funding for annual programmatic and scholarship expenditures traditionally administered by means of the annual payout.

### **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 to determine what action, if any, should be recommended to the Executive Committee.

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:

[Budgeted Annual Foundation Operating Expenses + Payout] x Range of 0.20 to 0.25

The Calculation will be presented annually to the Board at their meeting when the annual payout is determined. The Finance Committee will consider the adequacy of the Fund amount and will recommend any transfers as deemed necessary.

## **VI. MANAGEMENT OF THE SLC**

Under the direction of the Finance Committee, the Executive Director will establish a SLC with a reputable lender. The original SLC loan agreement and subsequent renewals will establish terms and conditions approved by the Finance Committee. Draws from the SLC will be governed by this policy as well as the current policies and procedures regulating the expenditure of Foundation Funds. The SLC will be listed separately in the liabilities section of the Foundation's statement of financial position as "Secured Line of Credit" when there is an outstanding balance owed. It shall be a priority of the Foundation to meet minimum payments as set out in the loan agreement.

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

The Finance Committee will review the 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

Revised 10/25/24