

Advancement | UCF Foundation, Inc.

Operating and Real Estate Reserves Policy

Policy# 7.37

Effective Date: 02/02/2022

Responsible Department: Accounting

1. **PURPOSE**

The Operating and Real Estate Reserves Policy is established to ensure the continued, effective operation of the University of Central Florida Foundation (Foundation) in the event of a significant change in the economic environment. The policy also serves to ensure that the Foundation maintains sufficient resources to fulfill commitments it has made or will make in the future to support key initiatives including, but not limited to campaigns, system enhancements, or capital purchases.

2. **APPLICABILITY**

All Foundation financial assets.

3. **POLICY**

Operating Reserves

The Foundation shall maintain operating reserves equal to a minimum of three (3) months of the total annual expense for salaries and benefits, plus three (3) months of the total annual other operating expenses over and above the amount required to fulfill existing commitments, and all other Liquidity Support Agreements. Expenditures that would lower the reserve below the minimum requirement must be approved by the Foundation Board of Directors (Board) based on a recommendation from the Finance and Facilities Committee of the Board.

Real Estate Reserves

The Foundation shall maintain real estate reserves required to cover one (1) year Debt Service commitments and three (3) months of annual operating expenses and one (1) year capital improvement funds necessary for repairs and improvements. Expenditures that lower the reserve below the minimum requirement must be approved by the Board based on a recommendation from the Finance and Facilities Committee.

Funding the Reserves

The reserves shall be funded through surpluses that result from the difference between actual operating or real estate expenses and revenues. The Board may also direct from time to time that a specific source of revenue be set aside for reserves.

Changes

In the event the reserves fall below the level set forth by this policy or changes in the reserve calculation are requested, the Associate Vice President and Chief Financial Officer of the Foundation shall recommend to the Board, through its Finance and Facilities Committee, the desired changes and/or a plan for restoring the reserves to the policy level.

Reserves in excess of the policy level may provide critical resources to enable the Foundation to support unanticipated initiatives and/or opportunities that may arise over time and may provide a cushion to mitigate the adverse impact of unanticipated declines in non-endowed investment performance. Reserves in excess of the policy level are desirable.

4. CLARIFICATION

Requests for clarification of this policy should be sent to the Associate Vice President and Chief Financial Officer

Certified as approved by the Executive Committee of the Foundation Board of Directors on 02/02/2022.

Name: Rachel Schaefer

Title: Associate Vice President Advancement Strategy and Chief Operating Officer

Revision history:

Adoption Date: 02/02/2022

Revised: