



ASSOCIATED STUDENTS, INC.

Financial Policies

ASI Reserves - Policy 207

1. PURPOSE:

The establishment of adequate reserve policies for CSU auxiliaries is required to meet the California State University financial standards established in Education Code, Section 89904(b). This section of the education code states that auxiliaries shall implement financial standards that will assure fiscal viability by the establishment of reserve funds for current operations, capital replacement, and new business requirements.

2. REFERENCES:

Education Code § 89904(b)
Compilation of Policies and Procedures for CSU
Title 5

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3. DEFINITIONS:

Source of Funds: The Corporation receives its operating capital from the following sources:

- Student Body Fees
- Investments
- Corporation operations, including but not limited to ticket sales and locker rentals

Use of Funds: The Corporation expends funds for the following purposes:

- Commercial operations
- General campus support, including outreach and campus event services
- Corporation administration, including accounting, human resources, payroll activities, and contract administration

Appropriations: Appropriations are annual allocations of Reserves to Board-designated provisions.

4. POLICY:

- A. ASI Reserves are comprised of three separate reserve funds with specific purposes as outlined below. Reserve funds are invested and earn interest income for the organization until the funds are appropriated for a designated purpose.

Working Capital and Current Operations - The intent of the working capital reserve is to provide a cushion of short-term operating cash. Working capital provides cash flow for the organization and protects current operations in the event of unforeseen contingencies such as an unanticipated loss of revenue or emergency.

Planned Replacement and Acquisitions - This reserve shall be maintained to provide the replacement and acquisition of equipment and assets as defined in ASI Policy 205 - Asset Management. This reserve shall grow over time for the purpose of purchasing or replacing items at a future date.

Future Operations and Acquisitions - The purpose of this reserve is to provide funding for new operations, campaigns, or development projects specifically adopted by the Board. It is distinct from the Planned Replacement and Acquisitions Reserve, which is intended to replace existing assets. ASI Management will present a specific schedule of future needs to the Board with a corresponding expenditure budget so that the funds may be reserved with Board approval.

B. FUNDING RESERVES

Unless otherwise specified, funding for reserves will be derived primarily from retained earnings. Should retained earnings be insufficient to fund reserves at the levels prescribed herein, an allocation must be included in the following year's operating budget to add to the reserves. As determined appropriate by the Board of Directors, earnings from projected operations, student fees, and interest income may be designated to fund reserves. Allocations from the operating budget to reserves must continue until minimum target levels are reached.

1. The combined amount of ASI Reserves shall maintain a minimum of 20% of the total revenue for the corporation and shall not exceed a maximum of 50% of the total revenue.
2. Working Capital and Current Operations - Shall be funded annually in the amount of 15% of the total current year's operating budget.
3. Planned Replacement and Acquisitions - Shall be funded upon the recommendation of ASI management for the future replacement and acquisition of corporate assets.
4. Future Operations and Acquisitions - Shall be funded annually with a minimum of 5% of the total current year's operating budget, to allow for new operations, campaigns, and projects.

C. ANNUAL REVIEW OF RESERVE FUNDING

Annually, following the independent audit, the Executive Director will submit recommendations for reserves funding to the Finance Committee. Upon approval from the Board of Directors, the reserves will be established and incorporated into the annual/quarterly budget submission to the University for final approval.

D. USE OF RESERVES

Authorization for the planned appropriation of reserves shall require approval of both the Board of Directors and the Executive Director. The Executive Director is responsible for the long-term viability of the corporation and therefore, oversight of the reserve funds rests with the Executive Director. The Executive Director and ASI staff shall identify needs for the use of reserves and confirm that the use is consistent with the purpose of the reserves as described herein. This may include an analysis of the reason for any shortfall, the availability of any other sources of funds before using reserves, or an evaluation of the time period that the funds will be needed and replenished.

1. Emergency Use of Reserves

The Executive Director is delegated authority to use reserves for emergency expenses requiring immediate attention without prior approval of the Board of Directors. The emergency use of reserves will be reported to the Board of Directors at their next scheduled meeting, accompanied by a description of the analysis, and determination of the use of funds and plans for replenishment to restore the reserve fund to the target minimum amount.

2. Planned Use of Reserves

The use of reserves for any other purpose shall require the approval of the Board of Directors by a 2/3 majority vote. Planned appropriations may be incorporated into the quarterly budget revisions (3/9, 6/6, 9/3) or may be submitted independently if the need arises. Appropriations from the reserves shall be referred to the Finance Committee first for their review and recommendation, prior to being submitted to the Board for final approval.

3. Disbursement of Reserves

Once a reserve appropriation has been approved, the funds will be transferred to an expense line in the operating budget to be utilized and tracked.

E. REPORTING AND MONITORING

The Executive Director is responsible for assuring the reserves are maintained and used as directed in this Policy. Upon approval for the use of reserves, the Executive Director shall maintain records of the use of funds and plans for replenishment, if required. The Executive Director will provide regular reports to the Board of Directors on the progress made toward restoring reserves to their target minimum amount, as needed.

5. POLICY HISTORY

Approved: 03/03/05

Revised: TBD