



ASSOCIATED STUDENTS, INCORPORATED  
CALIFORNIA STATE UNIVERSITY, LOS ANGELES  
“...FOR THE STUDENTS, BY THE STUDENTS!”

Approved: 03/03/05

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## ADMINISTRATIVE MANUAL

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# Reserve Policy

Policy 207

- 1.0 PURPOSE:  
To establish policy and procedures for establishing an adequate reserve fund.
- 2.0 REFERENCES:  
Education Code § 89904(b)  
Compilation of Policies and Procedures for CSU  
CSU Auxiliary Organization, Page 17
- 3.0 POLICY:  
Associated Students, Inc. will provide for adequate reserve funds for current operations and capital replacements, and adequate provisions for new business requirements. Additionally, state law requires sufficient reserves for dissolution, paying debts, etc. The reserve fund is intended to meet anticipated business needs of the A.S.I. operations and through the retention of earnings from current operations and other sources, to accommodate further plans.
- 4.0 DEFINITION:  
California State University Board of Trustee guidelines state that auxiliary organizations shall evaluate the need for reserves in the following areas:
- a. Working Capital
  - b. Current Operations
  - c. Capital Replacement
  - d. Planned Future Operation

This Reserves Policy is therefore established to provide the basis for the governing Board to review the reserves and the funding levels on an annual basis.

**Working Capital Reserve** – The intent of a working capital reserve is to provide a cushion of short-term operating cash. Working capital provides cash flow for the organization, and to protect current operations in the event of unforeseen contingencies. Cash working capital is invested and earns interest income for the organization in periods when it is not needed.

**Current Operations Reserve** – This reserve is intent to provide protection against critical operating budget circumstances such as unanticipated losses of revenue.

**Capital Replacement Reserve** – This reserve is to set aside excess earnings to replace fixed assets as needed. It will enable Associated Students, Inc. to meet ongoing equipment needs in a systematic way and

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prevent sudden or large demands on the supply of cash. Funds are reserved in accordance with a schedule of capital replacement needs approved by the A.S.I. Board. In coordination with the annual budgeting process, management will prepare a three-year forward-looking schedule for replacing capital items, accompanied by a Capital Expenditure Budget, which enumerates the funding needed to meet the requirements of the plan. Based on this plan, the A.S.I. Board approves the reservation of appropriate funds in the Capital Replacement Reserve. The three-year plan is then updated, and the funding adjusted if needed, on an annual basis.

**Planned Future Operations Reserve** – This reserve is to provide funding for new operations, campaigns or development projects specifically adopted by the ASI Board, including the facilities, equipment, staff, or training needed to accomplish them. Management will present a specific schedule of future needs to the A.S.I. Board with a corresponding expenditure budget so that the funds may be reserved by A.S.I. Board action.

## 5.0 PROCEDURE

- 5.1 Annually, the A.S.I. Board of Directors shall review the fiscal viability of the organization to include:
  - 5.1.1 Working Capital: Cash on hand or liquid assets to meet expenditures for at least sixty days.
  - 5.1.2 Current Operations: A reserve against critical operating budget circumstances such as unanticipated losses of revenue (i.e., decreased enrollment, or sudden increase in insurance premiums/coverage).
  - 5.1.3 Capital Replacement: Equipment Repair/Replacement reserve to provide a funding source for emergency repairs or replacements of furniture and equipment which, if entirely funded from an annual operating budget, would result in a significant deficit position.
  - 5.1.4 Planned Future Operation: The Executive Director shall submit a specific schedule of future needs with a corresponding expenditure budget that have been recognized by the campus and the auxiliary organization as appropriate and with the educational mission of the campus. All expenditures would require ASI Board approval prior to implementing transactions.
- 5.2 The establishment or revision of reserves and their funding levels in accordance with the above evaluations.
- 5.3 The submission of the Associated Students, Inc.'s annual budget is presented to the Board of Directors for approval. The approved budget shall be presented by the University Vice President for Administration & Finance and the University President.
- 5.4 The maximum amount which should be retained for on-campus reserves combined is up to 25% of current year expenditures.