



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\(b\)](#)
[CSU Designated Balances and Reserve Policy](#)
[CSU Delegation of Fiscal Authority and Responsibility](#)
[Title 5](#)

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.
- **Trailer System:** A funding model whereby student fees are collected in a given year and held in reserve to be used for the following fiscal year's revenue.
- **Reserves:** A corporation's reserves consist of operating cash and the funds that are set aside for future needs of the corporation. Funding a reserve is subjective, although a common practice is to hold three months' worth of operating expenses in reserve.

4. **POLICY:**

A. ESTABLISHED RESERVES

- a. ASI's reserve funds are required to be held and invested in the California Local Agency Investment Fund (LAIF) to earn interest income for the organization until the funds are appropriated for a designated purpose.
- b. **Trailer System Funding**- ASI has established a Trailer System as a funding model for the organization. In a given year, the ASI student body fees shall be collected by the University and returned to ASI to be held in the LAIF account. The student fees collected provide the operating budget for the next fiscal year in so that ASI may establish the annual budget based on the actual

fees collected rather than an estimate. The funds held in reserve for the trailer system shall be equal to the prior year's collected student body fees.

- c. **Discretionary Reserves**-- ASI Discretionary Reserves are comprised of three separate categories 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.

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. The ASI Staff shall present a detailed schedule of planned capital purchases and the reserve funding needed to the Board for approval.

New Operations and Acquisitions - The purpose of this reserve is to provide funding for new operations, campaigns, or development projects adopted by the Board during the course of a particular fiscal year. It is distinct from the Planned Replacement and Acquisitions Reserve, which is intended to replace existing assets.

B. FUNDING DISCRETIONARY RESERVES

- a. Unless otherwise specified, funding for reserves will be derived primarily from retained earnings (unused or unallocated student fees during a fiscal year). Should retained earnings be insufficient to fund reserves at the levels prescribed herein, an allocation must be included in the 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.
- b. The three discretionary reserves shall be funded at a minimum amount equal to 5% of the annual fee revenue.
- c. During the annual budget process, additional funding of the reserve may recommend beyond the minimum amount for each of the discretionary reserve categories, based on the needs of the corporation. Additional reserves shall be reviewed by the Finance Committee and approved by the Board of Directors.

C. ANNUAL REVIEW OF RESERVE FUNDING

- a. The Executive Director shall submit recommendations for reserves funding to the Finance Committee annually. Upon approval from the Board of Directors, the reserve amounts shall be established and incorporated into the annual/quarterly budget submission to the University for final approval. ASI shall maintain a balance sheet of the allocated funding in each of the reserve categories and present it to the Board of Directors quarterly.

D. USE OF RESERVES- APPROPRIATIONS

- a. 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.
- b. 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.
- c. 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.
- d. 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

- a. 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.

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