

# Reserves, Associated Students

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## Purpose

The Associated Students, Incorporated is entrusted with the management and operation of a number of vital student activity and campus service programs. Critical to the management of a comprehensive program like the Associated Students is effective long-term financial planning. At the direction of the California State University's Chancellor, auxiliary organizations are required to establish and maintain adequate reserve funding. Reserves are intended to meet the potential and anticipated business and operational needs of the Associated Students. The evaluation of reserves conducted in connection with the annual budgeting process provides management with the necessary information for ensuring adequate professional management of retained earnings and reserve accounts.

## Policy Statement

It is the policy of the Associated Students, Incorporated to provide adequate reserves for current operations, self-insurance, capital replacement, and future business requirements, as needed. The Associated Students Board of Control shall establish, review, and approve the funding levels annually in accordance with the established budget process and the availability of funds, subject to the approval of the A.S. Senate. The A.S. Senate reserves the right to establish additional reserves on a case-by-case basis during the budget year. The Executive Director submit annually to the Board of Control proposals for the accumulation and use of reserve funds.

## Who Should Know This Policy

- |  |  |   |
|--|--|---|
| <input checked="" type="checkbox"/> Budget Area Administrators | <input checked="" type="checkbox"/> Elected/Appointed Officers | <input type="checkbox"/> Grant Recipients |
| <input checked="" type="checkbox"/> Management Personnel       | <input type="checkbox"/> Program Advisors                      | <input type="checkbox"/> Staff            |
| <input type="checkbox"/> Supervisors                           | <input type="checkbox"/> Volunteers                            |   |

## Definitions

For the purpose of this policy, the terms used are defined as follows:

Term	Definition
<b>Retained Earnings</b>	The accumulated net income retained for reinvestment in a business.
<b>Reserves</b>	Funds held for future use by the organization

## Regulations

### 1.0 Fiscal Viability Report

Per California State University Policy governing auxiliary organizations, Associated Students' management and the Board of Directors will annually review the fiscal viability of the organization, which includes an evaluation of the need for reserves and the establishment or revision of reserves in accordance with this review.

#### 1.1 Evaluation of Need for Reserves

In evaluating the need for reserves, AS management will analyze the following areas:

- Working Capital – Analysis shall determine if the amount of cash on hand is sufficient to cover operating expenses during those times when expenditures may precede revenue.
- Current Operations – Analysis shall determine if the Associated Students will be able to cover projected expenses with projected income for the coming year.
- Capital Replacement – Analysis shall determine if the AS's investment in fixed assets and capital improvements is sufficient to maintain facilities at current standards, provide services at current levels, and offset the economic effects of depreciation.
- Planned Future Operations – Analysis shall determined if there are any future business requirements that cannot be funded through the annual operating budget without causing a significant reduction in current programs or services.

This review shall be documented in writing and presented to the AS Board of Directors as part of the annual budget process.

## 2.0 Establishment or Revision of Reserves

Based on previous evaluations of need, the Associated Students has established the following local reserves and reserve levels.

### 2.1 Reserve for Economic Uncertainty

The Reserve for Economic Uncertainty shall be maintained to provide for unanticipated major expenses or reductions in income, resulting from shortfalls in enrollment or business interruptions. This reserve shall be set at a level of no less than 5% of the total projected expenditures indicated in the adopted annual operating budget.

### 2.2 Reserve for Self-Insurance Retention

The Reserve for Self-Insurance Retention shall be maintained to satisfy insurance deductibles and retention for possible claims made against the Associated Students. This reserve shall be equivalent to the total cost of all specified deductibles and required retentions indicated in the annual "Register of Insurance".

### 2.3 Reserve for Capital Replacement

The Reserve for Capital Replacement shall be maintained to provide for the replacement or renovation of existing facilities, and the replacement of equipment costing \$1,500.00 or more per unit. The level of this reserve shall be established annually at an amount no less than the total depreciation expense for the prior year, plus an allowance for inflation derived from the Consumer Price Index

### 2.4 Reserve for Future Business Requirements

The Reserve for Future Business Requirements shall be maintained to provide for future business requirements and/or new requirements for current business that have been recognized by the university and the Associated Students as appropriate and within the educational mission of the university.

## 3.0 Funding Reserves

Funds for reserves shall be derived from retained earnings. As needed, or as determined appropriate by the AS Board of Directors, earnings from projected operations, student fees, and interest income may be designated to fund reserves in order to attain the levels prescribed above.

## 4.0 Process

Annually, following the independent audit, the Director of the Associated Students will submit recommendations for reserve funding and use to the Associated Students Board of Control for approval.

Upon approval from the Associated Students Board of Directors, the reserves will be recorded into separate accounts on the financial records of the Associated Students.

Expenditures from reserve accounts not identified during the annual budget process shall require a 2/3 affirmative vote of the Associated Students Board of Directors' prior to implementing transactions.

## Forms

There are no forms associated with the execution of this policy.