ASSOCIATED STUDENTS, INC.
CAL STATE SAN MARCOS

POLICY:	**CORPORATE RESERVES POLICY**
EFFECTIVE DATE:	**SEPTEMBER 3, 2022**
REVISED DATE:	**DECEMBER 10, 2021**
APPROVAL DATE:	**JANUARY 4, 2022**

DEFINITIONS

Continuing appropiations:
Authorizations to support obligations for a specified purpose or project, such as multi-year projects which require the incurrence of obligations even beyond the budget year.

Corporate Reserves:
Unrestricted funds set aside to stabilize a nonprofit's finances by providing a funds set aside against unexpected events, losses of income, and large unbudgeted expenses.

PURPOSE

To establish policy and procedures that assure fiscal viability through the establishment of adequate reserve funds as required for auxiliaries of the California State University system and as established in the Education Code 89904.5 and 89905, the *Compilation of Policies and Procedures for CSU Auxiliary Organizations*, and Title 5.

POLICY

I. Corporate reserves accounts are procured through continuing appropriations.

II. ASI Corporate Reserves are comprised of three reserve funds with specific purposes as follows:
    1) Working Capital and Current Operations
    2) Capital Equipment Replacement and Acquisition
    3) Planned Future Growth

III. Funding is allocated to the appropriate reserve account based on the budget needs for each fiscal year in the following areas utilizing the following guidelines:
    1. Working Capital and Current Operations: This reserve fund shall be maintained to provide for unanticipated major expenses or reductions in income resulting from shortfalls in enrollment or business interruptions.
        a) Minimum balance: This portion of the fund shall maintain a minimum balance to meet 25% of the annual budget allocation for operations.
        b) Maximum balance: This portion of the fund shall maintain no more than a maximum balance of 75% to meet the annual budget allocation for operations.
        c) Annual Contribution: Based on the balance in the reserves; if reserves are below maximum balance but above minimum balance then a maximum of 2% of anticipated

excessive revenue over expenses will be allocated to this reserve, but not to exceed maximum balance.

2. Capital Equipment Replacement and Acquisition: This fund reserve shall be maintained to provide for replace and acquisition of capital equipment as defined in the ASI Fixed Assets, Property and Equipment Policy.
    a) Minimum balance: This portion of the fund shall maintain a minimum balance to meet 50% of the annual fixed asset total .
    b) Maximum balance: This portion of the fund shall maintain no more than a maximum balance of 100% to meet the annual fixed asset total.
    c) Annual Contribution: Based on the balance in the reserves; if reserves are below maximum balance but above minimum balance then a maximum of 2% of anticipated excessive revenue over expenses will be allocated to this reserve, but not to exceed maximum balance.

3. Planned Future Growth: A portion of the reserve fund shall be maintained to provide for future business requirements and/or new requirements for current business that have been recognized by the university and ASI as appropriate and within the educational mission of the university and ASI.
    a) Minimum balance: This portion of the fund shall maintain a minimum balance to meet 10% of the annual budget allocation.
    b) Maximum balance: This portion of the fund shall maintain no more than a maximum balance of 15% to meet the annual budget allocation for future growth.
    c) Annual Contribution: Based on the balance in the reserves; if reserves are below maximum balance but above minimum balance then a maximum of 2% of anticipated excessive revenue over expenses will be allocated to this reserve, but not to exceed maximum balance.

PROCEDURE

I. After the audited financials statements for the prior fiscal year are received by CSUSM Auxiliary Accounting, the ASI Executive Director will submit to the Executive Committee of the ASI Board of Directors an evaluation of the need for reserves and recommendations for reserve funding and use in working capital and current operations, capital replacement and planned future operations. Upon approval, the reserves will be allocated accordingly.

II. The ASI Executive Director, at the end of each fiscal year, will submit to the ASI Executive Committee of the ASI Board of Directors an evaluation of the need for reserves and recommendations for reserve funding and use in working capital and current operations, capital replacement and planned future operations. Upon approval, the reserves will be allocated accordingly at the beginning of the subsequent fiscal year.

III. The ASI Executive Director shall annually submit a report to the University President, or designee, which includes a plan to build and maintain appropriate reserves.

IV. Expenditures from reserve funds require the approval of the ASI Executive Committee or the ASI Board of Directors, as per the ASI Bylaws.

V. The ASI Board of Directors or the ASI Executive Committee reserves the right to establish additional reserves on a case-by-case basis during the budget year.

RELATED DOCUMENTS

I. California Education Code 89904.5 and 89905
II. *Compilation of Policies and Procedures for CSU Auxiliary Organizations*, and Title 5.