ASI POLICY STATEMENT #202

POLICY CONCERNING RESERVES AND WORKING CAPITAL

OBJECTIVE:

To provide the Board of Directors with sufficient funds with which to address contingencies, emergencies, budgetary impacts; and, at the same time, to have adequate working capital to maintain programs, meet obligations, and other priorities of the Corporation, the Board establishes this policy.

The Board bases its policy on generally accepted good business practices and requirements for adequate reserves and capital as required in the Education Code, Section 89904 (b).

POLICY:

The Board of Directors will maintain a Working Capital Reserves equal to fifteen percent of the operating budget of combined activity fees and program revenues. When the Working Capital Reserves is less than the minimum required amount, the Board will allocate at least one percent of the combined revenues in the budget of each fiscal year into Working Capital Reserves until the required level is restored.

The source of funds for Working Capital Reserves is retained earnings.

In the case of non-emergencies, reserves may be used for expenditures that are considered to be "one-time-only" that will not require continued funding in the current year.

The Board will review the status of reserves in December of each fiscal year and have the option to transfer reserves to Contingency. The review will include a report by the Vice President of Finance on the reserve balance and Contingency budget activity in the current fiscal year. The Board may:

1. Allocate up to five percent of the budget from reserves to the Contingency budget of the current fiscal year to make the funds available to operations and programs.

2. Retain the remaining amount in the reserves for future allocation by the Board.

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