

POLICY CONCERNING RESERVES AND INVESTMENTS

PURPOSE

The purpose of the policy is to provide guidance on the reserves and investments process for Associated Students, Inc. (ASI). Additionally, the policy sets standards for working capital reserves, continual financial support for the Children’s Center, interest earned on ASI restricted scholarship accounts, and deposit of ASI Funds/Investments and signing authority.

PURPOSE..... 1

WHO SHOULD KNOW THIS POLICY 1

DEFINITIONS 1

STANDARDS 2

1. CORPORATE INVESTMENTS 2

2. WORKING CAPITAL..... 4

3. RESERVES AND WORKING CAPITAL 4

4. CONTINUAL FINANCIAL SUPPORT FOR THE CHILDREN’S CENTER..... 5

5. INTEREST EARNED ON ASI RESTRICTED SCHOLARSHIP ACCOUNTS..... 6

6. DEPOSIT OF ASI FUNDS/INVESTMENTS & SIGNING AUTHORITY 6

WHO SHOULD KNOW THIS POLICY

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| <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Budget Area Administrators <input checked="" type="checkbox"/> Management Personnel <input checked="" type="checkbox"/> Supervisors <input checked="" type="checkbox"/> Elected/Appointed Officers | <ul style="list-style-type: none"> <input type="checkbox"/> Volunteers <input type="checkbox"/> Grant Recipients <input checked="" type="checkbox"/> Staff <input type="checkbox"/> Students |
|---|--|

DEFINITIONS

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

Terms	Definitions
Socially Responsible Investing	An investment strategy which seeks to consider both financial return and social/environmental good to bring about a positive change.
Diversification	A risk management technique that mixes a wide variety of investments within a portfolio.
Equities	An instrument that signifies an ownership position, or equity, in a corporation, and represents a claim on its proportionate share in the corporation's assets and profits.

STANDARDS

1. CORPORATE INVESTMENTS

Finance Goals and Investment Objectives

Investment objectives are to effectively diversify, preserve and grow funds consistent with a reasonable level of risk. Investment strategies shall emphasize protecting principal from inflation, interest rate and market risk while maximizing return. The following considerations will apply to the construction and on-going management of funds.

Financial Goal: Real growth of principal and income

Risk Tolerance: Moderate

Time Horizon: Long term to perpetual

Tax Status: Exempt

Investment Objective: Growth and Income

Socially Responsible Investing

ASI is committed to being a responsible investor. ASI supports the view that responsible management includes consideration of environmental, social, and governance issues and that such management must be practiced by companies in order to be included in the portfolio.

The Finance Committee will have responsibility for determining what constitutes socially responsible investing. Should the Finance Committee determine a company does not qualify for portfolio selection or retention, it shall forward its recommendation to the Board of Directors (Board) for consideration. The Executive Director will communicate action taken to the investment manager.

Subject to this restriction, the investment manager will have sole responsibility for selecting portfolio companies in accordance with the investment objectives and guideline herein.

Guidelines for Investments

Assets of retirement funds will at all times be managed in compliance with all standards of the Employees Retirement Income Security Act. Invested funds will be managed on a total rate of return basis. Total rate of return consists of dividends, interest and any net increase/decrease in market value of the securities for the fiscal year. Distributions may be taken from income, principal or both. Risk shall be managed on an overall portfolio basis rather than by the security concerns of the individual security. Funds shall always be managed in such a manner as to protect principal from the impact of short and long-term inflation. Sufficient liquidity shall be maintained to accommodate necessary distributions.

Diversification

The investment manager will seek to diversify funds across asset classes, market sectors, and individual securities to reduce portfolio risk. The standards of the "Prudent Investor Rule" will apply to the selection of all securities.

Asset Allocation

Guideline asset allocation target and ranges are as follows:

	<u>Range</u>	<u>Target</u>
Cash	00 - 30%	05%

Fixed Income	30 - 60%	35%
Equity	30 - 70%	60%

The actual asset allocation, within ranges set by this policy, will be at the discretion of the investment manager.

Allowable Investments

- Investment vehicles shall be limited to the following:
- Money market and cash equivalents
- Certificate of deposits
- U.S. Government agency obligations
- U.S. Treasury obligations
- Corporate investment grade bonds (BBB or better, Standard & Poor's)
- Corporate Commercial paper
- Mutual Funds and Exchange Traded Funds (ETFs)
- American Depository Receipts
- Mortgage backed instruments
- Common stock
- Preferred stock

Direction for Plan Portfolio Securities

Equities

The quality of equity securities may vary dependent on the objective for that security within an overall portfolio. However, at all times, standards of the prudent investor rule will apply when determining the minimum acceptable quality. Mutual funds of ETFs may be used when appropriate for diversification.

No issue shall comprise more than 10% of the equity portion of a portfolio or 5% of the total market value of a portfolio, whichever is larger.

An equity portfolio may be invested in a mix of large, medium, and small capitalization stocks and international securities. International equities shall not comprise more than 25% of an equity portfolio.

Fixed Income Securities

Nothing below investment grade bonds as defined by Moody's and Standard & Poor's will be utilized in a portfolio.

No issue shall comprise more than 10% of the fixed income portion of a portfolio or 5% of the market value of a total portfolio, whichever is larger except for US Treasury or government agency obligations, which have no concentration restrictions. Mutual funds of ETFs may be used when appropriate for diversification.

Guidelines for Transactions

Except under unusual circumstances, all transactions should be entered into on the basis of best execution, which means best realized net price.

Monitoring of Objectives and Performance

All objectives and policies are in effect until modified by the Investment Committee who will review them with the investment manager at least annually for continued appropriateness. If at any time, the investment manager believes that any policy guideline inhibits investment performance, he/she shall communicate this view to the trustees.

The investment manager shall meet with the Investment Committee to communicate investment strategy and market outlook at least annually or more frequently as desired by the Trustees.

The investment objective is to obtain a minimum total annual rate of 5% plus the rate of inflation. Recognizing the volatility of equities and securities, it is understood that this objective may not be met on an annual basis. However, it is expected to be achieved when measured over a longer period of time.

The investment manager is expected to produce a total annual return that exceeds the median of a universe of investments with similar average asset allocation objectives and risk profile. Accordingly, performance will be measured against established benchmarks. For equities this will be the Standard & Poor's 500 Index. For fixed income securities, the benchmark will be the appropriate Barclays U.S. Government/Credit 1-5 Year Index.

2. WORKING CAPITAL

The primary objectives of the investment of working capital are to provide:

- Safety and protection of funds.
- Appropriate liquidity of funds
- Maximum return on invested funds

In accordance, ASI shall limit its investment of working capital funds to the following institutions:

- Banks doing business in the State of California and whose accounts are fully insured by the Federal Deposit Insurance Corporation
- Savings & Loan Associations doing business in the State of California and whose accounts are fully insured by the Federal Savings & Loan Insurance Corporation
- Federal or State Credit Unions doing business in the State of California and whose accounts are fully insured by the National Credit Union Administration
- Trust accounts of the centralized California State Treasury System

At the beginning of each fiscal quarter, the ASI Executive Director shall report to the ASI Board of Directors the status of all invested funds to include the type, location, amount, and expected return on investments.

3. RESERVES AND WORKING CAPITAL

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).

The Board 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.

4. CHILDREN'S CENTER INVESTMENT ACCOUNT

This policy outlines the purpose and goals of the Center Reserve fund established by Resolution of the ASI Board of Directors on May 3, 2011.

The purpose of the Center Reserve is to insure there are funds for future repairs, replacements, and operations of the Children's Center physical structures, hardscape, landscape, playground equipment and replacement of FF&E.

Goals and Objectives

The Center Reserve shall be managed and invested as a specific ASI restricted account to enable the ASI to financially serve a specific need of the present and future CSUF students, educational opportunities for expanded preschool careers and serve the campus community with quality daycare.

Investment and Administration

The Center Reserve shall be actively managed pursuant to ASI Policy Statement #218. The ASI Board hereby forms a Center Reserve Investment Committee which shall consist of the following: ASI Executive Director; ASI President; Accounting Manager; ASI Vice Chair/Treasurer; ASI Director of Financial Services; and financial planner or trust officer (not a manager of the Reserve) appointed by consensus of the other four members. This committee shall serve without compensation for a term of one year (students) and four years (other three members). This Investment Committee shall meet to review status, accountability and requests for withdrawals at regular meetings established and posted 30 days in advance, at least semi-annually.

Purpose of Investment Committee

The Center Reserve Investment Committee shall:

- Review and evaluate investments made by an active investment manager,
- Select, annually, an investment manager,
- Evaluate and forward to the ASI Board of Directors its approval or disapproval of all withdrawal requests,
- Report annually to the ASI Board of Directors the status and projections of the financial condition of the Center Reserve and assess and evaluate the projected capital needs of the Children's Center.

Financial Objectives of the Center Reserve

The funds in the Center Reserve should attain \$1,000,000 and maintain at least that balance in perpetuity to meet the future projected capital expenses of the Children's Center. This objective may be increased as reevaluated by the Center Reserve Investment Committee and approved by the majority of the ASI Board of Directors.

5. INTEREST EARNED ON ASI RESTRICTED SCHOLARSHIP ACCOUNTS

This policy is designed to establish a procedure for the distribution of interest earned on restricted ASI Scholarship Accounts.

Each quarter the Accounting Manager shall compute earned interest for each restricted ASI Scholarship Account based on the current balance in each account. The Accounting Manager shall then credit the computed interest amounts to the appropriate accounts.

This policy shall be retroactive to July 1, 2000.

When the donor places limitations or restrictions on the use of the funds donated, the ASI is governed by the intent of the donor (external donor); therefore, the funds must be expended for the purpose(s) indicated.

6. DEPOSIT OF ASI FUNDS/INVESTMENTS AND SIGNING AUTHORITY

The ASI Executive Director shall annually present to the ASI Board of Directors for its review and action a listing of the financial institutions with which ASI/TSU bank/investment accounts are held. Additionally, the Executive Director shall provide the names and titles of individuals proposed as authorized check signers on all such accounts.

DATE APPROVED: 05/08/2018