
SECTION: **POLICY STATEMENT - GENERAL AND ADMINISTRATIVE**
SUBJECT: **Reserves Policy**

PURPOSE: To establish reserve funds for current operations, capital replacement, and new business ventures.
EFFECTIVE DATE: September 26th, 2018
HISTORICAL:

RESERVE POLICY

1. BACKGROUND AND PURPOSE:

The purpose of the Reserve Policy for the Otter Student Union is to ensure the stability of the mission, programs, employment, and any other activities for the organization. The Reserve is intended to provide an internal source of funds to cover any unanticipated costs or losses incurred by the organization.

To operate as an auxiliaries for California State University - Monterey Bay, University Corporation, and as an established 501(c)(3) Exempt Nonprofit organization, it is required for the Otter Student Union to meet several regulations and codes. The California Education Code §§89904 - §89905 and Title 5 California Code of Regulations §42402 require that auxiliaries comply with California State University ("CSU") financial standards, best practices, and policies in order to ensure that auxiliaries maintain best practices for fiscal controls, fiscal viability, and adequate reserves. California State University also issued best practices for auxiliary fiscal controls in its Compilation of Policies and Procedures for California State University Auxiliary.

2. POLICY:

The Reserve Fund is defined as a designated fund set aside by action of the Board of Directors. The minimum amount to be designated as Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The target minimum Operating Reserve Fund is equal to one month of operating expenses.

3. TERMS AND DEFINITIONS:

I. SOURCE OF FUNDS

A. Otter Student Union sources its operating revenue from the following:

1. Student Union fees
2. Grants and Contracts
3. Commercial operations
4. Donations

II. USE OF FUNDS

A. Otter Student Union expends funds in the following ways:

1. Program funding for campus events
2. Student Union administration, including management, human resources, and payroll activities

III. RESERVES

A. Reserves are generated from an excess of operating revenues over operating expenditures in the Otter Student Union General Fund. Revenues from cost recovery fees, charges, or investment earnings applicable to programs accounted for by the Otter Student Union in separate restricted funds are recorded as income in the Otter Student Union and charged to the restricted fund.

IV. APPROPRIATION TO RESERVES ACCOUNT

A. This reserves account will be maintained at a level sufficient to provide for at least 1 month of normal operating expenditures for the Otter Student Union operations.

V. USES OF RESERVES

A. Funding and expenditures will be in accordance with the annual budget as approved by the Board.