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Binghamton Auxiliary Services Corporation
RESERVES POLICY

BACKGROUND AND PURPOSE:

The establishment of adequate reserve policies for Auxiliary Services Corporations requires auxiliaries to implement financial standards that will assure fiscal viability by the establishment of reserve funds for current operation, capital replacement, and new business ventures. This approach and the practices to implement it are integrated into the Binghamton Auxiliary Services Corporation's (BASC) corporate operations.

Exhibit B of State of New York Administrative Requirements for Auxiliary Services Corporations Document Number 9400 identifies the need for clarification of the reserves policy.

On June 22, 2016, the Office of the Chancellor issued a Memorandum regarding the approval of amendments to the Auxiliary Services Corporations Guidelines Policy, which strengthens financial responsibility, accountability, transparency and oversight, and as such a reserves policy is an essential program of Auxiliary Services Corporations as part of the SUNY system.

POLICY:

This Reserves Policy is therefore established to provide the basis for the annual review of fiscal viability, to comply with accepted accounting principles relative to balance sheet presentation of reserves, and to provide the criteria for distribution of reserves.

TERMS AND DEFINITIONS:

I. Sources of Funds

BASC sources its operating capital from the following:

- a. Income from commercial operations
- b. Income from Grant/Contract expense recovery
- c. Investment income
- d. Unrestricted gifts
- e. Cost recovery fees charged to programs administered by BASC

II. Use of Funds

BASC expends funds for current business operations and designated programs in support of mission of the University.

III. Reserves

Reserves are generated from an excess of revenues over expenditures in BASC's General Fund. Revenues from cost recovery fees, charges, or investment earnings applicable to programs accounted for by BASC in separate restricted or agency funds are recorded as income in the General Fund and charged to the appropriate agency or restricted fund.

IV. Appropriations

Appropriations are annual allocations of reserves to the following Board-designated provisions:

- a. Working Capital & Current Operations
- b. Capital Equipment Acquisitions
- c. Lease and Contracted Obligations
- d. Audit Disallowance
- e. Commercial Operations
- f. Capital Development (Facilities construction)

APPROPRIATION TO RESERVES:

Excess revenues will be allocated annually to the following reserve categories until such level of funding is attained according to the following requirements:

I. Working Capital and Current Operations

This appropriation will be maintained at a level sufficient to provide for at least 90 days of normal operating expenditures for all BASC operations.

II. Capital Equipment Acquisition

The amount of this appropriation will provide a sufficient amount of funds as determined by the Executive Director on an annual basis to meet strategic plan objectives for future acquisition or replacement of major equipment items.

III. Lease and Contracted Obligations

This appropriation will be maintained at a level sufficient to provide at least 3 months of lease and other contracted service obligations.

IV. Audit Disallowance

This appropriation will be maintained at a level sufficient to fund any potential disallowance as determined by grant and/or contracting agencies which provide funding to BASC. The amount to be maintained will be determined annually based upon a risk assessment of the types of grants and contracts administered by BASC. In general, the appropriation will be determined at a level equal to 5% of anticipated annual grant and contract expenditures.

V. Commercial Operations

The amount of this appropriation will provide a sufficient amount of funds for the operation of any commercial operations for a period of at least 3 months should there be an interruption in contracted services or shortfall in operating income.

VI. Capital Development

The amount of this appropriation will provide a sufficient amount of funds as determined by the Executive Director to meet strategic plan objectives for future capital development projects.

USES OF RESERVES:

All funding and expenditures from the above appropriations will be reviewed by the Executive Director and recommended for acceptance by the Board of Directors. Expenditures will be in accordance with the annual budget as approved by the Board.

AMENDMENT TO POLICY:

This policy may be amended in whole or in part, upon review and recommendation, to be approved by the Board of Directors by a vote of a majority of Directors present at a meeting at which a quorum is present.