

Reserve Policy

GENERAL STATEMENT

It is an obligation of the Board to ensure the continued fiscal responsibility of Union WELL Inc. This Reserve Policy provides criteria for the Management and Board of Union WELL Inc. and the staff of the university to measure the adequacy of the Union WELL Inc. reserves, fee rates and to guide in allocation from Union WELL Inc. Reserves for repair, replacement, facility modification and other projects.

DEFINITIONS:

Reserves - financial resources set aside for future or potential use.

Revenue Fund – a trust fund, administered by the campus on behalf of Union WELL Inc. It is used to deposit, transfer, and/or expend specifically defined monies such as student fees. The monies are maintained at the University with regular accounting reports, or access through Campus systems made available to Union WELL Inc.

Operating Fund – a fund administered directly by Union WELL Inc. A portion of the Revenue Fund is transferred each fiscal year in order to fund Union WELL Inc.'s operating budget. All operating fund accounting transactions are recorded on the books of Union WELL Inc.

Guidelines and Procedures

A. Sources of Local Funds

Union WELL Inc. receives its operating funds from the following sources:

1. Operations
2. Investment
3. Student Fees (Return of Surplus)

B. Sources of funds for the Revenue Fund (Referendum) Recreation Programs

1. Student Fees
2. Investment

C. Financial Standards

1. The evaluation of the need for reserves in the following areas:

Working Capital: Working Capital Reserve account shall be maintained to fund General Operations in the event of a significant loss of normal operating income.

- a. Repair and Replacement (Local-Fund 2):

- i. To enable the proper and timely repair, replacement and refurbishing of work, damaged and outdated equipment, furnishings and facilities;
- ii. Repair/ Replacement reserve to provide a funding source for repairs or replacements of furniture and equipment

- b. Local Reserves: (Local- Fund 1)

- i. Reserves in the operating fund, held locally, that can be utilized as the need arises for regular operations.

- c. Revenue Fund (Stateside):

- i. A General Contingency Reserve account shall be maintained to provide funds in the event of major extraordinary or unexpected general operating expenses.
- ii. Capital Repair/ Replacement Reserve (TBU01) to provide a funding source for emergency repairs or replacement of building related items (roof, skylight etc. maintained in the Revenue Fund) annual contribution is a minimum of \$130,000 per building.

2. Fund Levels:

- a. Repair and Replacement: (Designated Unrestricted Net Asset, Fund 2): Union WELL Inc. will maintain a major repair, replacement and refurbishment reserve for Union WELL Inc. equipment, furnishings, and facilities at a level of fifty percent (50%) of the current total replacement value of Union WELL Inc. furnishings and equipment (The WELL value is 1/3 of the value of fitness equipment should be planned for each year) and that this reserve requirement shall be determined and updated annually by application of the then current cost-of-living index to the acquisition cost of furnishings and equipment.

- i. This reserve will be funded by transfers prior to June 30 of each fiscal year, with funds available after payment of the current year's operating obligations, in an amount of five percent (5%) of the then current total replacement cost of Union WELL Inc. furnishings and equipment when the reserve balance is below the required level.
- ii. Any interest earned on these reserve funds shall be credited to the reserve funding as an addition to the annual funding requirement stated above.
- iii. Expenditure of these reserve funds shall be made only and specifically for the purpose of any repairs to or refurbishing of equipment, furnishings or facilities and/or replacement of existing equipment or furnishings.
- iv. Expenditure of these funds should not be to augment other allocated or unallocated reserve funds nor for usual and regular current operating expenses.

- b. Revenue Fund and Local Reserves Combined: Union WELL Inc. will maintain reserves totaling one (1) year of Debt Services and six (6) months of operating costs to protect the corporation in the event of a loss from natural, man-made or economic disaster. These include physical plant loss or when revenues fail to meet operating expenses in a given year. Any reserves not utilized in a given year will

roll over to the next year. Board approval is required to go below stated reserve levels, including a plan to build reserves back to the base standard.

c. Capital Repair and Replacement: (TBU01) this reserve will provide a funding source for major planned, preventative or emergency maintenance and replacement of major building facility systems (e.g. electrical; plumbing; and heating, ventilation, and air conditioning). Annual contribution is a minimum of \$130,000 per building from the revenue fund.

d. Interest and Redemption Fund: Used as a source to pay for annual debt service on outstanding 30-year bonds issued to finance construction of all Union WELL Inc. buildings and facilities.

e. Construction Fund (TBU02) used as a source for the construction or major renovations of Union WELL Inc. facilities.

D. The annual budget review process shall include an analysis of the funding goals for each reserve, the adequacy of purpose of each reserve account, and the recommended funding for each reserve account based upon the established priority. Estimated funds in excess of operations need and reserve funding goals, if all reserves are fully funded, shall be available as income for the General Operating Budget and capital projects.

E. Reserve Investment Earnings

All annual earnings from the reserve accounts shall be allocated during the budget development process as available income for the next General Operating budget.

Special Note: Union WELL Inc. has continued to operate utilizing an ultra-conservative funding model since its creation as approved by the CSU Chancellor's Office. Currently, the corporation works one year in arrears in utilizing student fees. The ability to modify its funding model, and go to a current year model (collecting and using the current student fees in the current year) exists should the corporation ever need it. The current method in place protects the long term viability of the corporation, even in times of economic hardship. Changes to this financial model requires approval from Finance, Treasury and Risk Management at the Chancellor's Office.

Adopted: May 1985

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