San Francisco State University: Reserves and Carryforward

Terms and Definitions

Overview
Fiscal reserves are used to ensure San Francisco State University's (the University, SF State) financial health, should be recorded and reported transparently, and must be designated according to state, CSU, and SF State regulations and policies.

The purpose of maintaining reserves is to manage the University's financial health and stability:

- If fiscal conditions warrant, reserves may be accumulated to prepare for uncertain or negative economic and budgetary years.

- In unfavorable financial conditions, reserves can provide a cushion to absorb the impact of reduced funding from the State of California and/or reduced tuition and fee revenue due to declining enrollment.

Reserves may also be used to invest in strategic priorities, and plan for future investments.

Definitions

Reserves
Accumulated, recorded, and reported balances of expendable resources that are available to the University to cover financial shortfalls when current-year expenses exceed current-year revenues, to cover unanticipated costs, to invest in strategic priorities, and to plan for future investments. Reserves are recorded at the University-level according to CSU designations and CSU fund categories.

Auxiliary enterprise reserves are specific designations of funds for self-supporting auxiliary activities or campus-based student fees.

Reserves are funds set aside for specific and future uses and typically fall into one of these categories: reserves for equipment, reserves for capital improvement and deferred maintenance, financial aid, program development, economic uncertainty, future debt service, and catastrophic events.

Central reserve
An amount accumulated over time that is the University's central reserve to cover economic shortfalls, unanticipated costs, and investments in strategic priorities attributable to the University's operations (separate from the auxiliary enterprises and auxiliaries).

Reserve Designations

The CSU and generally accepted financial reporting standards require the University to designate reserves for binding and intended purposes:

Outstanding commitments

Planned uses of funds tied to specific commitments for an identified organization or individual that could be legally binding; or are funds designated by the cabinets as committed obligations. Committed obligations have been approved in writing by the appropriate decision-making authority (e.g. executive management - President, CFO, Provost, Dean, Vice Presidents or equivalent), or as delegated by this level.

Encumbrances (open commitments)

Generated by the purchasing system when a purchase order is approved and reflects a contractual obligation by the University to spend funds.

Planned obligations

Planned expenditures for items and purposes, but costs and timing are estimated (e.g., start-up funds for a faculty hire without specificity as to the precise position or timeframe for recruitment, temporary assignments that will cross fiscal years). These obligations have been approved in writing by the appropriate decision-making authority (e.g. executive management - President, CFO, Provost, Dean, Vice Presidents or equivalent), or as delegated by this level).

Carryforward balances (carryforwards)

Unexpended balances at the end of the fiscal year. Generally, these balances are recorded at the unit level (e.g., division, college, and department). In effect, at the campus level, carryforward balances equal reserve balances. However, reserve balances are further designated (or allocated) among categories defined by the CSU and may not align with unit-level carryforward balances.

For most units, these balances are calculated as:

+Current year budget allocation
+Prior year balance
<u>-Current year expenditures</u>
=Carryforward balance

For auxiliary enterprises (i.e. self-support units), auxiliaries and other revenue-generating activities, carryforward balances include revenues.

Auxiliary enterprises

A University unit, operated similar to a business, that provides goods or services primarily to the University community for which the rates charged for those goods and services are intended to cover all costs for labor, goods, and general operating expenses. The general public may be served incidentally by some auxiliary enterprises.

Examples of the University's auxiliary enterprises are Housing, Dining, and Conferences Services, Parking, and the College of Extended Learning. Enterprise-like activities include Campus recreation and Wellness (the Mashouf Wellness Center), the Gator Pass program, and the University's Downtown Campus.

Auxiliary enterprises may also be referred to as "self-support" units. Auxiliary enterprises are required to accumulate and report reserves separate from the campus' general operating fund.

501(c) (3) Auxiliaries
A 501(c) (3) auxiliary organization is an independent legal entity organized to support a parent organization such as the University. With some exceptions, a 501(c) (3) auxiliary must follow the same restrictions as its parent organization. These restrictions include rules about the organization's purpose, activities and uses of resources.

The University 501(c) (3) Auxiliaries include Associated Students, the University Corporation (UCorp), and the San Francisco State Foundation. These auxiliaries are required to accumulate and report reserves separate from the campus.

Restricted resources
Resources available to the University for restricted, in most cases legally or contractually, uses including amounts owed to creditors. Examples include financial aid funds, grants and contracts, loan and debt services, capital projects funds from the State of California and the CSU, and gifts with donor restrictions.

General operating fund
The University's primary fund for recording resources and the uses of those resources to achieve the University's instructional mission and to provide core infrastructure, services, and activities for students.

General operating fund sources include the state appropriate, tuition, summer session fees, professional program fees, student services fees, course material fees, campus-based and other student fees, indirect cost recovery revenues, private unrestricted gifts, unrestricted endowment, self-supporting degree fees, application fees and short-term investment earnings.