
ASI & USU LIQUIDITY MANAGEMENT POLICY

I. PURPOSE

The liquidity management policy for Associated Student Inc. (ASI) and University Student Union (USU) was established to document guidelines for managing ASI & USU assets.

This policy serves an important governance function by identifying sources of liquidity and establishing parameters for its liquidity management activities, outlining ASI's & USU's philosophy on liquidity management, and providing a framework for utilization of short-term debt.

I. SCOPE

Within the context of this document, liquidity is defined as cash and cash equivalents, liquid investment balances, access to cash (e.g., lines of credit, letters of credit), and the convertibility of assets to cash in order to meet financial needs during the operating cycle. The Liquidity Management Policy is meant to work in combination with the Board-approved Investment policy, Reserve policy and other policies that impact financial risk management.

II. OBJECTIVES

The objective of this policy is to provide a framework under which ASI & USU strives to achieve its liquidity management goals. Those goals include providing adequate liquidity to support the:

- Cash flow needs of the annual operating cycle
- Define ASI's & USU's primary objective for liquidity management, and
- Identify a framework for utilization of short-term debt (when applicable)

III. OVERSIGHT

The Executive Director (ED) is responsible for implementing this policy and all liquidity activity for ASI & USU. The ED, in conjunction with the ASI & USU Boards of directors (the "boards"), are responsible for policy compliance, periodic review, and all liquidity management activities for ASI & USU. The Boards are authorized to delegate certain responsibilities to professional experts in various fields.

These include, but are not limited to: Budget Committee, Management Consultant, Investment Manager, Custodian, and Additional Specialists.

This policy will be approved by ASI's & USU's Boards of Directors.

IV. LIQUIDITY MANAGEMENT

The principal objective of liquidity management is to preserve a cash position which allows ASI & USU to meet daily financial obligations without incurring costs that may arise from having excess cash.

Liquidity Sources

ASI's & USU's liquidity sources include:

- Operating and non-operating revenues
- Cash and liquid investment balances (including reserves)

Liquidity Uses

Liquidity is used mainly to satisfy (1) operating expenses and (2) non-operating, episodic needs. Operating expenses are paid using the appropriate funds aligned to ASI's & USU's mission and compliant with the applicable statutes and ASI/USU policies.

Liquidity uses include both operating and funding needs, such as:

- Operating expense
- Planned debt service

Liquidity Measures

ASI & USU must balance liquidity requirements with its investment objectives. ASI & USU will manage its liquidity needs by considering its entire asset and debt portfolio, rather than managing liquidity solely on an issue-specific basis. This approach permits evaluation of desired liquidity requirements and limits exposure.

Liquidity Targets

Cash on hand (in days) Target \geq 180 days

How long, in days, the organization could meet operating expenses without receiving new income. ASI & USU strives to maintain at least 90-180 days cash on hand. This figure is calculated as (unrestricted cash and cash equivalents x 365 days) / (total operating expenses – annual depreciation).

Liquidity Risk Management

Liquidity risk is defined as an inability to meet short-term financial demands and the risk that assets may not be convertible into cash when needed. Liquidity risk is categorized into three risk types:

- *Operating liquidity risk* occurs when ASI and USU cannot fund their operating expenses due to a lack of liquid cash holdings.

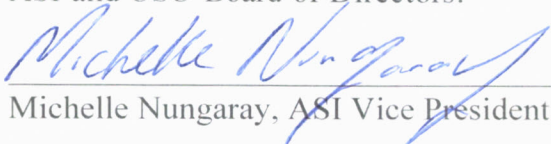
- *Financing liquidity risk* occurs as a result of external financing activities and the potential for those financings to come due before maturity.
- *Market liquidity risk* occurs when ASI & USU are unable to convert assets into cash without substantial losses.

Liquidity risk is addressed in part through annual monitoring and reporting of ASI's & USU's Reserves, which reflects disposable net assets to operating expenses.

ASI & USU recognizes that it may be exposed to interest rate, third-party credit and other potential risks in areas other than direct debt (such as counterparty exposure in the investment portfolio), therefore, exposures are considered on a comprehensive basis.

This policy was voted on and approved by the:
ASI Board of Directors on
USU Board of Directors on

The following signatures by the ASI Vice President and USU Vice Chair verify the approval of the ASI and USU Board of Directors:


Michelle Nungaray, ASI Vice President

6/12/19
Date


Melannie Castellanos, USU Vice Chair

6/12/19
Date