

**Resolution  
of  
575 Valley Street Warehouse Condominium Association, Inc.**

**Reserves, Investments and Financial Procedures Policy**

The undersigned being all of the Directors of {Insert Name} Association, Inc. a Colorado non-profit corporation (the "Association") hereby consent to, vote in favor of, and adopt the following resolution:

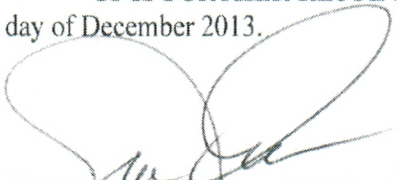
**WHEREAS**, the Board of directors is empowered to govern the affairs of the Association pursuant to Article IV, Section 4.02 of the Bylaws;

**WHEREAS**, the Board of Directors, in an effort to comply with Colorado statutes, desires to establish a policy that shall govern the manner in which the Association's money is invested and reserves are established; therefore a need to officially adopt and accept the policy for Reserves, Investments and Financial Procedures Policy;

**IT IS THEREFORE RESOLVED** that the policy attached hereto as **EXHIBIT A** (hereafter referred to as "**Reserves, Investments and Financial Procedures Policy**") shall be adopted to replace the previous policy and hereby established as the policy of this Association;

**IT IS FURTHER RESOLVED** that this policy shall remain in effect until amended or hereby terminated by a majority vote of the Board of Directors, and

**IT IS FURTHER RESOLVED** that this policy shall take effect January 1, 2014. EXECUTED this 1st day of December 2013.

  
\_\_\_\_\_  
**President/ Treasurer**

  
\_\_\_\_\_  
**Vice President**

  
\_\_\_\_\_  
**Secretary**

## EXHIBIT A

### RESERVES, INVESTMENT AND FINANCIAL PROCEDURES POLICY

The Board of Directors may determine the best way to adequately fund and maintain the reserve accounts that will be used to fund community assets. It is the intent of this fund to be maintained on an ongoing basis. As to preserve and enhance the property value of the community.

#### I. Investment of Reserve Funds

1. The Board of Directors shall to the best of their ability include a portion of the dues in the annual budget that will be funding the reserve accounts.
2. The Board shall invest the reserve funds of the Association in a Reserve Account so as to generate interest revenue that will accrue to the Reserve Account balance.
3. All investments shall be in the name of the Association, shall not be commingled with the Association's general operating account, and unless otherwise approved by a majority of the votes of the membership, shall be FDIC or NCUA insured or otherwise guaranteed by the United States Government.
4. All investment accounts should be in accounts that minimize administration costs of the account.
5. Investments should take liquidity into consideration, such that funds are available to meet the repair and replacement schedule established by the periodic reserve study undertaken by the Association.
6. The Board may hire an investment counselor to assist in formulating an investment plan.
7. The Board shall review the Reserve Account investment plan at least annually to ensure that the funds are receiving competitive yields, and shall be authorized to make prudent adjustments as needed.
8. Reserve funding may come from any of the following sources: annual assessments, special assessments, loan obtained by the Association, and/or any combination thereof.
9. The directors and officers of an association must meet the standards of care required for Colorado non-profit corporations when investing reserve funds. Those standards require directors and officers to act:
  - a. In good faith;
  - b. With the care an ordinarily prudent person in a like situation would exercise under similar circumstances; and

- c. In a manner the director or officer reasonably believes to be in the best interest of the association.
10. In discharging this duty, directors and officers may rely on people who the director and officers reasonably believe have professional or expert competence, such as community managers.

## **II. Reserve Study**

1. The Board of Directors may vote to have a reserve study prepared and how often it is reviewed.
2. If Board of Directors votes to conduct a reserve study, the Board may vote on whether the reserve study is done by an independent consultant or internally prepared.
3. It is preferred that the reserve study be based on a physical examination of the common assets by the person doing the study.

## **III. Spending Policy**

1. The reserve fund can only be used on expenditures greater than three thousand dollars (\$3000.00).
2. Competitive bids may be obtained unless the expenditure is determined to be an emergency.
3. All non-emergency bids will be reviewed by the Board of Directors and approval will be determined by a vote of the Board.

## **IV. Contingency Funds**

1. Contingency funds shall be kept in an operating account to have a cushion to cover unexpected items as a precautionary measure. Contingency funds should be at least one month's assessment amount. Items that can be covered by the contingency funds include:
  - a. legal expenses (e.g. uninsured litigation)
  - b. utilities costs (e.g. unexpected rate increase or drought conditions)
  - c. plumbing problems (e.g. emergency breaks)
  - d. pest control (unanticipated expense)
  - e. snow removal ( more snow removal than originally budgeted for)
  - f. assessment arrearages (reduced cash flow)
2. The expense should be both unanticipated and extraordinary. Before using the contingency money, the Board should re-examine the budget and attempt to cover the expense by reallocating funds from one line item to another.
3. If over time the Contingency Funds grow in size the excess money may be moved into

the Reserve Account.

## **V. Financial Procedures**

1. The treasurer will review the financial reports of the association on a monthly basis. Including, but not limited to, Income Statement, Balance Sheet, Aging Report and Bank Reconciliation.
2. The Board of Directors may attempt to obtain three bids when possible.
3. The management company will archive association records for a three year period. After that the Board may have a Board member store the association records at their home, obtain a storage unit, or hire a record keeping company.
4. The income statement compared to budget should be included in the annual meeting notice that is sent to all homeowners. Copies will be available upon request in accordance with The Records Policy.
5. A balance of at least one month's association assessments should be kept in an operating saving account for any emergency or unexpected expenses.
6. Expenditures that exceed the budgeted fund for a specific line item can be used from any other operating surplus in the budget or used from the operating saving account.
7. The manager and at least one Board member will be signers on all accounts.
8. The President, Treasurer or Manager as authorized by the Board, shall be authorized and empowered to purchase, invest in, acquire, sell or assign any and all types of investments meeting the goals of the association in accordance with this policy.
9. The Income Statement and Balance Sheet are available the all owners upon request.