

Lake Almanor Country Club
Policy Manual
Reserve Funds

Policy Manual Section: Financial

Policy Number: FA-3

WHEREAS, the Lake Almanor Country Club (LACC) is a California nonprofit mutual benefit corporation duly organized and existing under the laws of the State of California; and

WHEREAS, the Governing Documents of LACC give it all of the powers of a nonprofit mutual benefit corporation organized under the laws of the State of California; and

WHEREAS, California State law requires the association to maintain reserve funds; and

WHEREAS, The Board of Directors is required to adopt a reserve funding plan; and

WHEREAS, a previous Board of Directors adopted a reserve funding plan indicating that annual contributions to the reserve funds should increase by a minimum of three (3) percent over the previous year's contribution; and

WHEREAS, a new reserve study was conducted by the Browning Reserve Group in 2018; and

WHEREAS, the Board of Directors desires to establish a revised reserve funding plan.

NOW, THEREFORE, the Board of Directors does hereby adopt the following policy pertaining to the reserve funds and its use thereof:

General

- The reserve funds shall be used to pay for the major repair, renovation, restoration or replacement of existing physical capital assets of the Association and components thereof, as well as any design or engineering fees and legal costs associated therewith.
- The major repair, renovation, restoration or replacement of a capital asset may incorporate upgrades in quality, technology, design and construction.
- The reserve funds shall not be used to meet operating expenses of the Association, other than on a temporary basis as outlined below.
- Reserve funds may be used for capital replacement or new capital improvements so long as the allocation of such funds is for the purpose for which the reserve funds were established.

- At least once every three years, the Board will cause to be conducted, by a reasonably competent third-party consultant, a visual inspection of the major components that the Association is obligated to repair, replace, restore, or maintain along with the development of a written reserve study report of the reserve account requirements of the Association.
- On an annual basis, management will maintain and update an internal reserve schedule identifying, to the best of its ability, all physical capital assets fitting the definition outlined above. This schedule shall include a description of the capital asset, the year purchased (if known), the useful life of the asset, the remaining useful life of the asset, an estimate of the current replacement cost of the asset, and an estimate of the future cost of the asset in the scheduled year of replacement.
- The Board of Directors will review management's reserve schedule on at least an annual basis.

Reserve Funding Plan

- The Board hereby adopts a threshold funding philosophy as part of its reserve funding plan.
- The minimum balance in the reserve funds will be \$1,500,000 based on the amount in the reserve funds at 12/31/19. This minimum balance will be increased in each subsequent year by a 2.5% inflation factor.
- Exceptions to this yearly minimum are allowed providing that the long-range outlook for the reserve funds balance is maintained as outlined above.
- Any changes to the reserve funding plan will be approved by Directors at an open meeting of the Board.
- The reserve schedule prepared by management will identify the estimated balance of the reserve funds at the end of each year, the threshold fund balance as per this policy and the anticipated annual homeowner assessment and/or special assessment needed each year to maintain the reserve funds.

Funding of the Reserve Funds

- The primary source of funding for the reserve funds is monies allocated by the Board of Directors as part of their approval of the annual budget and coming out of the annual homeowner dues.
- This amount will be communicated to LACC members as part of the annual disclosure that is mailed to all members in November.
- In addition, funds from other sources or from yearly surpluses may be added to the reserve funds if approved by the Board of Directors.
- Reserve monies shall be kept in separate bank and investment accounts clearly identified as for reserves. Any interest earned on these accounts will be added to the reserve funds.

Withdrawals from the Reserve Funds

- Withdrawals from the reserve funds may only be made for the purposes identified above.
- All withdrawals from the reserve funds require the signature of two people who are members of the Board of Directors or one member of the Board of Director and one non-Board member who is a corporate officer.
- Directors may, at a properly noticed meet of the Board, vote to authorize a temporary transfer of monies from the reserve funds to cover short-term cashflow requirements or other expenses. The reason for the transfer shall be announced and a repayment schedule (including interest) shall be adopted. The transfer of funds must be returned within one year of the date of the original transfer unless the Board of Directors makes a finding that a temporary delay would be in the best interest of the Association.

Approved by the Board of Directors: January 19, 2019