

Snowflake Condominium Association, Inc.

Financial and Accounting Policies

The following policies are consolidated from the motions adopted by the Executive Board on November 17, 2008, and are intended for the guidance of Executive Boards in the financial management of the Association. The motions were the endorsement of Finance Committee Resolution FY2008-2, and adoption of the corrective actions proposed with respect to the Reserves management points raised by McMahan and Associates. Policies relating to audits and reviews and special assessments have been added.

These policies are hereby amended (see "Reserve Studies") to comply with the HB 1359 amendment to CCIOA.

Reserves Accounting and Reporting

It is the intent of the Association that all actions related to Reserve Funds comply with IRS rules and guidelines. To that end, the following policies have been adopted:

1. The chart of accounts will be modified as specified in the above mentioned Finance Committee Resolution. In particular, the Balance Sheet will report Accounts Payable – Reserves, Unappropriated Reserves, Unappropriated Special Assessments, component accounts for financially active components, loans receivable by Reserves from Operating, and total Reserves.

The Income and Expense Statement will report transfers to Reserves and Special Assessments as a subtraction from gross income, and an Income and Expense Statement will be reported for Reserves. Use of the account "Improvements/Refurbishments" will be restricted to expensed items only.

2. Reserve funds and Operating funds will be strictly segregated in bank accounts and ledger accounts.
3. Budgeted transfers to fund Reserves will occur in month one of the quarter.
4. Component accounts will be funded by formal appropriations from 'Unappropriated Reserves' or 'Unappropriated Special Assessments'.
5. Component spending will be charged to the component account, and show on the Reserve Income and Expense Statement.
6. Non-emergency spending for a component is not authorized prior to funds being appropriated.
7. When funds are appropriated to a component account, an annual budget will be created or adjusted for the component in the amount of the appropriation.
8. With Board approval, subject to a repayment plan, funds may be loaned from Reserves to the Operating Fund. Such loans will be noted in Board minutes.
9. Budgeted Reserve funding transfers can be deferred only with approval of the Board. Deferral of a transfer constitutes a loan from Reserves to Operating, and must be formally documented with a repayment plan.
10. Except for reimbursements and approved loans, there will be no transfers from the Reserve fund to the Operating Fund.

Reserve Studies

1. The Association has never purchased a Reserve Study. It is the intent of the Association to purchase a Reserve Study, including a physical analysis and a financial analysis, in the Fiscal Year ending June 30, 2010, and thereafter only when indicated by compelling circumstances.

2. As stipulated elsewhere in these policies, it is the policy of the Association to maintain a current Reserve Plan and to perform a financial analysis revision annually.
3. The Reserve Plan shall include a funding plan for the projected expenditures. The sources of funding shall be owner assessments and interest earned on reserve funds.

Planning and Budgeting

The following policies are adopted regarding annual financial planning:

1. Annually, by April 30, the Reserve Plan will be updated, and a budget proposed for Reserve spending for the coming fiscal year, including spending associated with any approved special assessment.
2. Annually, by May 31, an Operating Expense budget will be proposed for the coming fiscal year. Results for the first three quarters of the current year and the fourth quarter of the previous year will be used for reference.
3. As long as the Association uses the Full Accrual method of accounting, the Operating Expense budget (accrual) will be accompanied by a Cash Flow budget.
4. The proposed Operating Expense budget will provide for repayment of any loans from the Reserve Fund to the Operating Fund which may be outstanding at year end.
5. Annually, by May 31, dues to support the Reserve Plan and the Operating budget will be proposed.
6. Annually, in June, the Executive Board will review and approve the Reserve Plan, Reserve Spending budget, Operating Expense budget, and dues proposals, with changes if necessary.
7. Annually, in June, the Managing Agent will communicate the approved dues assessments for the new fiscal year to all owners. That communication will identify the percentage of the total assessment which is to be transferred to Reserves.
8. The Executive Board may delegate items 1 to 5 to a Finance Committee.

Reviews, Audits and Special Assessments

1. There will be a formal review or audit by an accounting firm on a regular basis as determined by the Executive Board.
2. Special assessments for unplanned capital improvements will require approval of the owners at a duly called meeting with a quorum represented.
3. Special assessments for emergency situations may be levied by the board without referral to the owners.

Adopted as amended this 10th day of November, 2009, by the Executive Board of the Snowflake Condominium Association.

N. Barnett, Secretary