

GREEN VALLEY TOWNHOUSE VI HOMEOWNERS, INC.
FINANCIAL POLICY

The following Financial Policy was adopted by the Board of Directors of Green Valley Townhouse VI Homeowners, Inc. (the "Association") on January 12, 2022 pursuant to Arizona Revised Statutes (A.R.S.) §33-1803 and supersedes any financial policy or procedures previously adopted by the Board.

1. **Purpose.** This policy establishes certain procedures and controls related to the handling of financial matters of the Association. The Association uses an accrual basis of accounting. The Association's fiscal year is from January 1 to December 31.
2. **Fiduciary Responsibility.** Each member of the Board of Directors (the "Board") has a fiduciary duty to act in the best interest of the association as a whole. They must exercise sound business judgment, respect the confidentiality of Board deliberations and decisions, avoid real and perceived conflicts of interest and always put the Association's interest above their own.
3. **Role of Treasurer.** The Treasurer is responsible for overseeing the Association's financial assets, maintaining financial records and preparing budgets and financial statements. The Treasurer also provides financial information to the Board to allow them to fulfill their fiduciary responsibilities.
4. **Financial Review Committee.** The President with Board approval shall appoint three to five members of the Association to the Financial Review Committee (the "Committee") including at least one member of the Board other than the Treasurer. This Committee shall coordinate an annual review of the Association's financial records and shall report its findings to the Board. In addition the Committee will review monthly financial and bank statements, make investment recommendations and perform other duties requested by the Board.
5. **Bank Accounts.** The Association maintains bank accounts that allow it to properly manage and segregate financial assets and transactions. All Officers of the Board shall be authorized signers on the bank accounts although the Treasurer typically handles most transactions. A separate bank account shall be maintained for each reserve account. Bank statements mailed to the Association's PO Box shall be delivered to a designated member of the Financial Review Committee for review.
6. **Investments.** The Association should maintain an appropriate level of cash to fulfill the needs of the operating budget and other planned or unplanned expenses. Funds in excess of this amount may be placed in various conservative investment instruments. These funds should be invested with safety of principal as the highest priority, appropriate liquidity as the second priority and yield as the third priority. The Financial Review Committee shall make recommendations for such investments which will then need to be approved by the Board prior to any investments being made. Once investment decisions are approved by the Board, the Treasurer is authorized to carry out these transactions. Withdrawals from investment accounts require approval of two Board officers.
7. **Financial Records.** The Association's financial records with supporting documentation shall be maintained by the Treasurer. These records shall include sufficient detail to support financial statements and shall be reconciled monthly to the bank/investment account statements. Hard copies of support for each receipt and disbursement shall be maintained in a format that allows for straight-forward review by others. See the Record Retention Policy for historical documentation requirements.
8. **Budgeting and Annual Assessments.** The Treasurer shall provide leadership to the Board in preparing and approving the annual budget in accordance with the current Covenants, Conditions and Restrictions of the Association. The process shall include obtaining input from Committee Chairpersons and others. The annual budget and reserve maintenance are used to

determine the amount of the annual assessment of Homeowners. Typically the budgeted expenses are balanced with anticipated revenues however the budgeted expenses may include an allowance for unspecified expenses. The budget requires Board approval.

9. **Reserves.** The Treasurer shall work with Roads Committee Chairperson to determine the appropriate level of funding for the Road Maintenance Reserve. This requires a model projecting costs 25-35 years in the future. Other assets may be identified in the future that will require reserves for their periodic maintenance, repair and replacement. To the greatest extent possible, the funding of reserves shall be through a portion of the annual assessment rather than special assessments.
10. **Operating Fund Balance.** In addition to the specified reserve account(s), the Association shall maintain a general operating fund balance in excess of the annual budgeted expenses. This allows the Association to pay for some level of unanticipated expenses without the need for a special assessment of members. Such expenses may include litigation, common area landscape damage and road damage due to natural events (drought, excessive rain, high winds) or malicious/criminal activity. The Board currently believes the appropriate level of excess funds is in the \$40,000-\$50,000 range.
11. **Receipts.** Income received by the Association, primarily Homeowners Annual Assessments, are typically mailed to the Association's Post Office Box. The Treasurer and/or Secretary and, if desired, another designated Homeowner (appointed by the Treasurer and approved by the President) maintain keys to the Post Office Box. The Post Office Box is checked on a regular basis. The frequency varies depending on the expected activity but will generally be at least weekly. Deposits of income received shall be made promptly by the Treasurer, generally within a few days of receipt, to the appropriate bank account. The Treasurer shall maintain detailed records of income received and record it appropriately in the financial records.
12. **Disbursements.** Each disbursement must be supported by appropriate documentation and be properly approved prior to being paid. The following are the approvals required:
 1. Budgeted expenses – Spending for budgeted expenses (actual budget plus 10% allowance or \$300, whichever is smaller) must be approved by the appropriate Committee Chairperson or Board member associated with the spending and the Treasurer. However, the Treasurer may approve small disbursements properly supported by receipts of \$40 or less without other approvals. Any payments of \$1,000 or more must be approved by the Board President prior to payment. Payments of \$2,500 or more must be approved by the Board President and one other officer.
 2. Unbudgeted expenses – Once spending in an expense category has exceeded the budget by more than 10% or \$300, whichever is smaller, additional expenses must be approved by the Board President in addition to the approvals required for budgeted expenses.
 3. Unbudgeted projects – If plans are proposed during the year that were not considered in the budget (a change in scope as determined by the Committee Chairperson, Treasurer or President), any plan with estimated costs of more than \$100 must be approved by a majority vote of the Board prior to any spending taking place. Once the Board approves additional spending of a specific amount for an unbudgeted project, approvals of spending within that amount shall be treated as if the costs were budgeted.
 4. The Treasurer may approve spending for routine items that fall within the budgeted amount plus/or minus 10%. Such items include storage fees, website costs and property taxes. In addition, utility costs are paid automatically each month by electronic funds transfer (EFT) from the bank account.
 5. Any reimbursement payable to the Treasurer or anyone in their household must be approved by the Board President prior to payment.
13. **Monthly Financial Statements.** The Treasurer shall prepare financial statements monthly. The

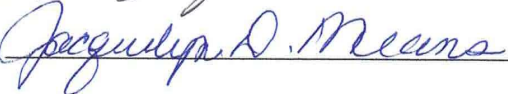
financial statements shall consist of a Statement of Receipts and Expenses including at least year-to-date actual results, current year annual plan, prior year plan and prior year's actual results as well as a listing of asset account balances as of month-end. A copy of the monthly financial statement shall be sent to each member of the Financial Review Committee generally by the 15th of the following month for their review/comment. In addition, in months when a Board meeting is held, the Treasurer will supply the prior month's financial statement to the Board Secretary for distribution to all members of the HOA.

14. **Year-end Financial Statements.** In addition to the monthly financial statement for December, the Treasurer shall also prepare the year-end financial statements consisting of a Statement of Financial Position, a Statement of Receipts and Expenses and a Statement of Cash Flows. Each of the statements shall include both current and prior year information and shall be completed for distribution to all members of the Association in conjunction with the Annual Meeting. The Financial Review Committee shall coordinate an annual review of the Association's financial records and shall report its findings to the Board. The Committee may perform the review themselves, if qualified, or arrange for an independent, qualified outside party to review the financial records once the year-end financial statements are complete. This review should be completed prior to the March Board of Directors meeting. In addition, the Committee shall be allowed to review the financial records at any point during the year if so desired.
15. **Income Tax Return.** The Treasurer or their designate shall prepare and submit to the Internal Revenue Service a Form 990-N annually by the due date. Typically no tax is owed since the Association is a non-profit organization.

DATED this 12th day of January, 2022.

GREEN VALLEY TOWNHOUSE VI HOMEOWNERS INC., an Arizona non-profit-corporation

By:  Its: President

ATTEST:  Secretary