



CGEHOA FUNDS MANAGEMENT POLICY

The Association currently maintains its funds at Columbia Bank, 1504 Eureka Road, Suite 100, Roseville, CA 95661, in three accounts:

Assessments and Fees are received into the “Dues Account”, an interest-bearing account.

Reserves are held in the “Reserve Account”, a separate interest-bearing account.

Operating Expenditures are made from the “Operating Account”, a non-interest-bearing checking account that is service-fee-free when a \$2,500 minimum balance is maintained.

It is beneficial to the association to maintain a higher balance in the interest-bearing accounts while also maintaining the minimum balance in the Operating Account. To this end the following procedures shall be followed so that sufficient but not excessive funds are available for each month’s expenditures:

Dues Account to Operating Account Monthly Transfer

At the end of each month, make the following calculation to determine how much to transfer from the Dues Account to the Operating Account:

Add Together

1. Outstanding payments, i.e., checks issued but not cleared.
2. Accounts Payable, i.e., current month expenses which will not be paid until the next month, typically Sacramento County Consolidated Utilities, Farmers Insurance, and often SMUD Park Lighting, but check for others on the end of month Accounts Payable Report.
3. Next Month Projected Expenses.
4. Minimum Account Balance of \$2,500.

This total is the balance required to meet the next month’s requirements.

Then Subtract

The current month ending balance.

Transfer the resulting amount from the Dues Account to the Operating Account.

Example end-of-month Transfer Calculation

Outstanding Check #1004		\$174.00
Outstanding Check #1005	+	\$66.00
SMUD Park Lighting	+	\$60.00
Next Month Projected Expenses	+	\$2,764.00
Operating Minimum Balance	+	<u>\$2,500.00</u>
Next Month Required Funds	=	\$5,264.00
Current end-of-month balance	-	<u>\$2,750.00</u>
Transfer from Dues to Operating	=	\$2,514.00

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Reserve Account Payments

Because the Reserve Account is a savings account rather than a checking account It is not possible to make payments directly from the Reserve Account to vendors performing reserve-funded work. Funds must first be transferred from Reserve Account to the Operating Account from which payments may be made to the vendors.

Do not transfer Reserve Account Funds into the Operating Account until immediately before the expenditure. Make clear notes on both the account-to-account transfer and the outgoing payment of which reserve project is being paid.

End-of-Year Excess Operating Revenue Calculation

As a non-profit organization, the Association must have a balanced budget and may not accumulate excess profits. Excess operating revenue must be returned to the membership either directly to the members or by using the excess revenue to lower following-year assessments, which has the same effect as returning the funds directly to the members.

If the excess operating revenue was forecast in time to include it in the next year's budget, the budget was adopted with those excess funds accounted for, and the annual assessment was calculated including use of the excess revenue, the funds may remain in whichever current account (Dues or Operating) is most beneficial to the Association.

If the excess operating revenue was not forecast at the time the following year's budget was adopted and was not included in the calculation of the following year's assessment, excess revenue may not be retained for following year operating expenses. Excess revenue may instead be used as a contribution to the Association's Reserves, as this will have the same effect of lowering future annual and/or special assessments.

This calculation is quite similar to the end of month Dues to Operating transfer but includes all current fiscal year funds in both the Dues and Operating Accounts.

Add Together

1. Dues Account Balance.
2. Operating Account Balance.

This is the Total Year End Remaining Funds.

Add Together

1. Outstanding Payments.
2. Accounts Payable.
3. Prepaid Assessments and any other credit balances members may be carrying.

This is the Total Current Liabilities for which funds must be retained.

Subtract

Total Current Liabilities from Total Year-End Remaining Funds.

This is the Current FY Excess Operating Revenue.

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Example end-of-year Excess Revenue Calculation

Dues Account 12/31/XX Balance		\$53,724.40	
Operating Account 12/31/XX Balance	+	<u>\$2,245.25</u>	
Total Year End Remaining Funds	=	\$55,969.65	

Outstanding Check #1073		\$40.00	
Sac. County Consolidated Utilities	+	\$609.07	
Farmers Insurance	+	\$609.07	
SMUD Park Lighting	+	\$57.72	
Prepaid Assessments	+	\$52,020.00	
Other Member Credit Balances	+	<u>\$324.00</u>	
Total Current Liabilities	=	\$53,659.86	

Total Year End Remaining Funds		\$55,969.65	
Total Current Liabilities	-	<u>\$53,659.86</u>	
Current FY Excess Operating Revenue	=	\$2,309.79	

Transfer the Current FY Excess Operating Revenue amount from the Dues Account to the Reserve Account. This transfer should be made as soon as possible, but not before the year-end bank balances, member balances, and accounts payable are known with certainty.

This Policy is adopted on May 11, 2022, by vote of the Board of Directors.

Board President	Date	Board Treasurer	Date
Board Vice-President	Date	Board Secretary	Date