

# Woodstone Reserve Fund Policy

**Purpose of this document** This document describes the Woodstone financial reserve policy, which aims to achieve the most efficient use of funds collected from homeowner fees.

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**Purpose of the Reserve Fund Policy** The Woodstone annual budget identifies various categories of funds allocated for both short term and long term concerns. The *Woodstone Reserve Fund Policy* seeks to establish a responsible means of using accrued reserves to promote efficiency and economy of operations without sacrificing the guaranty of liquidity provided by an adequate fiscal reserve.

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**Definitions** Current budgetary categories:

- *Operations* funds (currently \$14,000+ per month) are devoted to sustaining ongoing operations.
- *Improvement/Repair* funds (currently \$11,000+ per month) are allocated for general improvements and extensive repairs.

A separate *Reserve Fund* comprises a set of accrued funds (invested in various interest-bearing accounts) kept at a targeted level of \$100,000 to establish a stable fiscal base and facilitate efficient operations.

The Reserve Fund is made up of two separate *pools*:

- a *base* pool of \$50,000 (which may not be used for operations) and
- a *reservoir* pool of any reserve funds in excess of the \$50,000 base.

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# Woodstone Reserve Fund Policy, *continued*

## Reserve principles

Four principles control use of the Reserve Fund:

1. The base (\$50,000) may not be used for operational or maintenance expenditures.
  2. Reservoir funds (i.e., that part of the reserve in excess of \$50,000) may be used to facilitate more timely or efficient execution of large maintenance, repair or capital improvement projects upon request by the Property Manager and the approval of both the Board President and Treasurer, or their duly designated proxies.
  3. At the end of the fiscal year any funds taken from the reservoir shall be replaced from the Improvement/Repair budget category. Absent any emergency, restoring the designated target level of \$100,000 shall take priority over any improvements, repairs, large maintenance projects or capital expenditures until the Reserve Fund is made whole. Money budgeted for improvements and repairs will go only into the Reserve Fund until the reserve is fully reimbursed, i.e., returned to its previous target level.
  4. The budgeted annual reserve allocation (currently \$6,000+ per year) continues to build the reserve, regardless of events in (2) or (3).
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