

## **Sandia Heights Homeowners Association Financial Reserve Policy**

### **Purpose of Building and Maintaining Reserves**

To ensure long-term financial stability, the Sandia Heights Homeowners Association (SHHA) Board has adopted a Financial Reserve Policy. The policy explains how reserve funds are built, managed, and reported so SHHA can handle planned projects and unexpected costs without special assessments.

### **Definitions of Reserve Types and Intended Use(s)**

- Capital Reserve Fund – To fund repair, replace or improve common area components and infrastructure. SHHA does not have any common areas, but there are signs within the community subject to this reserve type.
- Operating Reserve Fund – Covers short-term, unanticipated expenses not included in the annual operating budget. Expense examples include insurance deductibles, legal costs, or multi-year contract obligations.
- Emergency Reserve Fund – Provides resources for immediate, unforeseen events or financial events.

### **Authority and Administration**

The Board of Directors retains full authority over all reserve funds, and all spending follows SHHA's existing financial controls. The Treasurer recommends balances for each fund, which the Board reviews and approves at least once a year in conjunction with the annual budget. This policy strengthens transparency and ensures SHHA can respond to both routine maintenance and unexpected challenges without placing sudden financial burdens on members.