

Pine Hollow Homeowners Association Policy

Title: Emergency Reserve

Revision: 1

Purpose:

The purpose of this policy is to establish the Emergency Reserve and ensure this Emergency Reserve is adequately funded to meet unexpected emergencies and/or legal obligations, which may arise during a fiscal year.

The Board recognizes that the possibility exists where the Pine Hollow Homeowner's Association may have to respond to needs outside of those appropriated in the HOA's budget. Depending on the severity of a given situation, meeting an unexpected but necessary need may create a financial hardship on the HOA and could disrupt the normal services the HOA provides thus threatening its financial viability. Consequently, reserve accounts are established and funding levels are designated to meet these contingencies and to ensure the continued health, safety, and welfare of the homeowners is maintained.

Policy:

The Board of Trustees can establish the limits of the Emergency Reserve by a simple majority vote of the Trustees. The Trustees will determine the appropriate funding level of the Emergency reserves based on past, present, and historical data and trends. At the passage of this policy, the Emergency Reserve limits have been set at the following amounts:

Minimum:	15% of Total Annual Assessment Income
Target:	20% of Total Annual Assessment Income
Maximum:	50% of Total Annual Assessment Income

Once the target amount is reached, the Trustees can elect to stop accruing money into this reserve until the fund balances fall below the target reserve limit. If the maximum amount is exceeded, any excessive funds that were originally directed into these reserves can be redirected to other reserves or be used to offset the Association Dues per the discretion of the Board. The Board of Trustees has the right to change the fund limits, target and maximum, for this reserve by a simple majority vote. However, the minimum cannot be set below 15% of the total annual assessment income. This change for the maximum and target level can be done on a permanent or temporary basis pending on the needs of the HOA. If a permanent increase or decrease is made to either the minimum, target or maximum limits of this Emergency Reserve, the appropriate policy will be updated and rationale provided.

If the Emergency Reserve account balance falls below the target limit established by this policy, funds must be re-directed back into this account until target limit is again reached within a 2-year period. During the initial establishment of the Emergency Reserve, five thousand dollars (\$5,000) per year at a minimum must be directed into this account starting in 2008 until the target reserve limit is reached.

Examples of when the emergency reserve may be used include:

- 1) Responding to an isolated emergency; or
- 2) During a state of emergency declared by the government in order to provide services to the membership which would normally be provided by other entities; or
- 3) Meeting an unanticipated one-time expenditure requirement; or
- 4) Offsetting an unanticipated revenue fluctuation; or
- 5) Offsetting an annual loss on the budget; or
- 6) If the other budgeted contingency funds, Repair/Replace and Capital Improvements, are depleted to less than \$5,000

The emergency reserve will only be accessed in the cases of the examples cited above *and* has either been voted on by the Board unanimously or approved by the majority of the HOA membership via a properly posted meeting where a quorum was met as stated in the HOA documents.

PRESIDENT'S

**AND
SECRETARY'S**

CERTIFICATION: The undersigned, respectively being the President of the Pine Hollow Homeowners Association, a Texas nonprofit corporation, certifies that the foregoing policy was approved and adopted by the Board of Directors of the *Association*, at a duly called and held meeting of the Board of Directors of the *Association* on this

5 day of May (month), 2010
and in witness thereof, the undersigned has subscribed his/her name.

PINE HOLLOW HOMEOWNERS ASSOCIATION
a Texas non-profit corporation,

By:



_____, President

Attested:

Nancy Gomez, Secretary