

## **Working Capital Allocation and Usage Policy** **Revised Effective 6/11/2024**

This document describes the allocation of new money, and distribution of existing money, to and from the Working Capital account (inclusive of all accounts at financial institutions designated as Working Capital)

### Provisions:

1. All working capital contributions from homeowners will be deposited to the Working Capital account.
2. Actual implementation and funding, from the Working Capital account, must be approved by the Board of Directors, after considering Operating Cash, budget performance, any non-budgeted expenditures and, where required by governing documents and in the Board's discretion, input from the community.
3. The **target** threshold, in total Working Capital and Operating Cash funds, will be the equivalent of two months of total budgeted expenses for the then current budget year. The **minimum** threshold will be the equivalent of one month of budgeted expenses. These amounts will serve as a contingency reserve for unforeseen expenses and emergencies. The threshold was suggested by our external Auditor and by KW, as best practice. Funds required to meet the minimum threshold will not be considered available for Capital Improvements under the governing documents (e.g. Bylaws Section 11.5) As a result, funding for Capital Improvements may only utilize Working Capital amounts to the extent they do not cause the balance to drop below the minimum threshold.
4. The funding and allocation of Working Capital for expenditures will comply with the applicable provisions of our governing documents.
5. Capital Improvements less than \$25,000 will not be funded from the Working Capital account; they will be budgeted as part of our annual operating budget.
6. Approved Working Capital expenditures, and the updated Working Capital balance, will be communicated in the monthly Treasurer's Report.
7. Items included in the Reserves studies will not be funded from the Working Capital account.

### Transition

1. As of June, 2022, any Working Capital money, collected in 2022 year to date, has been transferred to the WC account.
2. Any WC money, collected from Istar, will be deposited in the WC account.