EXHIBIT F
Financial Planning and Procedures

I. Accounting

1. The financial records of the Association shall be maintained in accordance with the accrual method of accounting.

2. The Treasurer will reconcile the Association's financial reports on a monthly basis and compare the income statement with the budget. The full Board shall review copies of the financial reports on a quarterly basis.

3. All financial reports shall include an aging report to identify outstanding accounts receivables. Accounts receivables shall be handled in accordance with the Assessment Collection Policy.

4. All invoices shall be reviewed and verified by [Management], allocated in accordance with the approved budget or action of the Board. Any invoice for services for non-budgeted expenses in excess of [$5,000] shall be submitted to the Board for approval prior to payment.

5. [Management] shall prepare payment of approved invoices prior to each monthly Board meeting. All invoices must be approved by a board member (other than the check signers) prior to payment.

6. The Board [should] [will] solicit competitive bids for services and keep detailed meeting minutes and records, paying close attention to all fiscal matters including a maintenance log book on each common area in the Association containing all previous maintenance activities conducted, as best known, with a list of potential contractors of good standing.

7. The Board will conduct [quarterly] payroll audits to ensure all employees are legitimate and paperwork is current and complete.

8. The Association's permanent financial records shall be archived via quick books. These records shall be available to the membership in accordance with the Records Policy.

9. The Board shall provide homeowners with reasonably detailed summaries of budget and reserve information on an annual basis, with further information readily available.

10. The annual financial statement shall be available for review by owners. This report may be a review, a compilation, or an audit. If possible, a copy of this report should be [sent to all members of the association] [posted on website]. The board should publicize [through the association newsletter] that copies are available upon request.

II. Banking

1. All accounts of the Association shall be maintained in federally insured banking institutions. The total balance of accounts held at any one banking institution shall not exceed FDIC insurance provisions.

2. Assessments shall be deposited in separate accounts based on the allocation described in the approved annual budget. Contingency and replacement reserve funds shall be held in separate accounts outside of the operating funds and shall not be commingled with operating monies.

3. A balance equal to approximately [one] month's expected expenses shall be maintained in the operating account, and the remaining balance will be held in a money market-type account yielding a higher rate of interest.

4. The president, vice president and treasurer of the Association shall be authorized to sign on the Association's accounts, but at least two board members' signatures must be required to gain access to reserves and on all checks over $7,000.00.

5. A record will be kept of all deposits which shall include a printout showing a breakdown of all checks deposited (per deposit) with the actual deposit slip attached. All checks shall be retained in the permanent record of the Association, including all voided checks, attached to the paid invoice or billing statement.

6. Reconciliation with the monthly bank statement shall be completed monthly by [designated board member] [Management], verified by the full Board [monthly] [quarterly]. [The board member charged with reviewing the bank statements should not be responsible for payment of bills and/or signing checks.] Verification must include a review of account balances on bank statements against bank balances on financial reports and a scan for anything unusual or outstanding for longer than 60 days.

III. Investing Reserve Funds

1. The directors and officers of an Association must meet the standards of care required for Colorado non-profit corporations when investing reserve funds. Those standards require directors and officers to act:

   (a) in good faith;

   (b) with the care an ordinarily prudent person in a like situation would exercise under similar circumstances; and

   (c) in a manner the director or officer reasonably believes to be in the best interest of the association.

2. In discharging this duty, directors and officers may rely on people who the directors or officers reasonably believe have professional or expert competence, such as property managers.

3. The board of directors shall establish the amount to be transferred to reserve funds on an annual basis. Reserves may be invested in certificates of deposit, money market deposit accounts, money market funds, U.S. treasury and government obligations, municipal bonds and other state obligations, and other investments recommended by a financial advisor pursuant to the Association's investment goals. No funds shall be deposited or invested except in authorized investment funds. All investments must be insured by FDIC, SIPC or comparable insurance.

4. The reserve funds shall be invested to achieve the following goals, in descending order of importance:

A. Promote and ensure the preservation of principal;

B. Structure maturities to ensure liquidity and accessibility of funds for projected or unexpected expenditures;

C. Mitigate the effects of interest rate volatility upon reserve assets;

D. Seek the highest level of return that is consistent with preserving the principal and accumulated interest; and

E. Minimize investment costs.

5. The board of directors may consider the following circumstances in investing reserve funds:

A. General economic conditions;

B. Possible effect of inflation or deflation;

C. Expected tax consequences;

D. Role that each investment plays in the overall investment portfolio;

E. Other resources of the Association.

6. All accounts, instruments and other documentation of such investments shall be subject to the approval of, and may from time to time be amended by, the board of directors as appropriate, and shall be reviewed at least once per year.

7. The President, Treasurer or Manager, if authorized by the Board, shall be authorized and empowered to purchase, invest in, acquire, sell or assign any and all types and kinds of investments meeting the goals in paragraph 4; and to enter into agreements, controls and arrangements with respect to such security transactions and to execute, sign or endorse

agreements on behalf of the Association. To withdraw or transfer funds, the signature of two of the aforementioned persons shall be required.

8. The Association shall carry fidelity insurance to protect against theft or dishonesty from anyone with access to the reserve funds.

9. The Association's manager or other person designated by the Board shall maintain monthly statements, including detailed accounting of current values, income and all transactions.

IV. Planning/Budgeting

1. All proposed expenditures for the Association shall be reviewed by the Budget/Finance Committee (when appointed) and approved by the Board prior to implementation.

2. All committees shall be available to the membership in accordance with the Bylaws of the Association. The individual appointed to preside over any such committee shall meet the same qualifications as are required by the governing documents to the Board.

3. Budget items shall be assigned in the month during which the expenses are expected to be incurred by dividing total yearly expenses by 12 for each month of the year.

4. Contingency [replacement] reserves for unforeseen expenses [and replacement of common facilities] shall be included in the annual budget in accordance with Sections V and VI below..

V. Contingency Reserves

1. The contingency reserves of seven percent (7%) of the assessment income shall be reserved to cushion the association's current operating expenses to be paid during the next twelve (12) months as a separate line item built into the Association budget as a precautionary measure. Items that can be covered by the contingency reserve budget include:

- legal expenses (e.g. uninsured litigation)
- utilities costs (e.g. unexpected rate increase)
- plumbing problems (e.g. emergency backups)
- pest control (unanticipated expenses, e.g. termites)
- snow removal (more snow removal than originally budgeted for)
- assessment arrearages (reduced cash flow)

2. In order to be charged against the operating reserve, an expense must be both unanticipated and extraordinary, the lesser of [$500] or [one] percent ([1]%) of the budget. Before using the contingency reserve, the Board should always re-examine the budget and attempt to cover the expense by reallocating funds from one line item to another. The

contingency reserve should not be used to cover ordinary budget overruns, or mid-year program decisions.

3. Withdrawals from any reserve account shall only be authorized by a two-thirds vote of the Board, following notice to all board members, such notice to include the amount and purpose of the withdrawal.

VI. Replacement Reserves

1. The capital reserves are intended for projected repairs and replacements to the Association's common elements and commonly maintained property in future years. These expenses will be based upon a Reserve Study which shall be conducted or updated at least every [three] years and reviewed annually.

2. Routine maintenance items will not usually be included in the reserve study, unless the expense exceeds [$7,000]. The study shall consider replacement items as follows:

- Normal replacement items are those items that after an expected economic life, are replaced in their entirety (i.e. roofs, windows), or large budget items (such as painting and seal coating) which shall be included in the study to allow it to be properly accounted for in the budget process.

- Cyclic replacement items are components of the property that typically begin to fail after an initial period, but will be replaced in increments over a period of years (i.e. concrete sidewalks, patios, storm sewer systems).

3. Measurements shall be taken of walks, asphalt roofs, siding, etc. Specific items shall be counted (such as lamp posts, signs, windows and doors). Some small excavations shall be made adjacent to the side walks to determine the concrete's thickness and if it has adequate base. Unit replacement costs shall be developed from estimating manuals, local experience or the Association's actual site experience from contractor proposals.

4. The remaining useful life for all items should be reviewed annually in order that a comparison can be made between the remaining life and the accumulated reserves for each item. If, when reviewing these comparisons, the Board determines replacement or major repairs will be forthcoming and the reserve dollars are not fully available, action must be taken in advance to include the additional funds in the operating budget for the upcoming year.

5. The cash flow method shall be used to calculate the reserve amount where all reserve funds are kept in a common fund based upon a minimum reserve level developed based on the engineer's evaluation of the condition of the property, estimating near term cash requirements and considering the effects of a high cost item having a shorter life than estimated.

6. Once the minimum reserve level is determined, the estimated costs shall be distributed to the future years in which they are projected to occur, and the study will calculate the minimum constant yearly contribution to the reserves necessary to keep the reserves on hand at the end of each year above the minimum reserve level.

7. Cost updates should be obtained annually to insure that the reserves are accurate and a revised schedule of replacement reserves shall be developed for inclusion in the new budget in order to make appropriate adjustments of the reserve account to reduce the probability of a special assessment.

8. An annual schedule should be developed showing the amount of funds available in each line item of the replacement reserve including the proportionate percentage of the interest earned in order to determine if adequate dollars are available to meet with any given repair or replacement at any given time.

9. Expenditures shall not exceed the budgeted funds allocated for a specific line item in any given fiscal year. If adequate funds are not available and alternative methods of financing cannot be used, the Association should not borrow from other replacement reserve accounts, but rather look to:

(a) including the additional expense in the new operating budget to be prepared for the following year;

(b) using the operating reserve if funds are available; or

(c) using any operating surplus.

10. In extreme cases involving failure of a major building system or capital item well prior to the end of its estimated useful life, the scale and timing of the unexpected cost may require a special one-time assessment to fund the reserve deficiency.

11. Withdrawals from the Repair and Replacement Reserve may only be used for restoration, repair and replacement of existing capital improvements, not the new facilities or additions or improvements to existing facilities or property.

Effective date: ___August 10, 2010___