

Which Fund?



Bob Aiken
Treasurer
The Grand

We are near completion of the process of developing next year's budget. Throughout this process, the question of which fund should be used to support different projects is asked. A fair question and one that deserves an answer, especially when the answer may influence next year's assessment that each of us pay.

The answer is, "it depends"! That's an honest answer as it does depend on which fund we decide to use to support a particular project or initiative.

A bit vague?? Certainly. So, allow me to attempt to explain the different funds used in GRAND to provide services to keep our current amenities refreshed and updated, as well as be able to provide new amenities for our fellow residents. (See graph on opposite page)

OPERATING FUND:
September Balance: \$17 million. This fund's title best describes it's purpose, which is to support the daily operation of all elements within GRAND. **The Operating Fund is funded primarily through the annual assessment and other revenue generated throughout the year. (Golf, Fitness, Activities, etc.)** So, if the Board agrees to fund a project with "operational funds" it may very well impact future annual assessments. This is an important fact that Board members need to remember so they may do their best to keep future assessment increases at a minimum.

RESERVE FUND:
September Balance: \$23 million. The Reserve Fund is used to support the replacement of assets valued in excess of \$2,500. When these assets are in need of replacing, the Reserve Fund is used to pay for their replacement. The Reserve Fund is funded by approximately 25% of each homeowner's annual assessment, and at times a limited amount of "unrestricted" retained earnings. When the Board is able to use unrestricted retained earnings to support upcoming contributions to our Reserves, they are supporting the goal of minimizing the following year's annual assessment increase.

CARE FUND:
Year-End Projected Balance: \$6.1 million. The CARE Fund is used to support the planning, development, design, and implementation of new projects or purchases of new assets. This fund may also be used to support planned Capital Projects such as lake hard edging, turf removal, and more. This fund is funded by a CARE Fee paid by the purchaser of a home within GRAND. That CARE Fee today is \$5,000. It is estimated that when a new homeowner purchases a home in GRAND, they are buying into a

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community valued in excess of \$15,000 per home.

The CARE Fund affords GRAND the resources needed to provide new or improved amenities for all residents **without adding any financial burden on existing homeowners**. This enables the current and future Boards to use CARE Funds for qualifying projects rather than use Operating Funds. This allows the Board to better manage unnecessary increases in future annual assessments for homeowners.

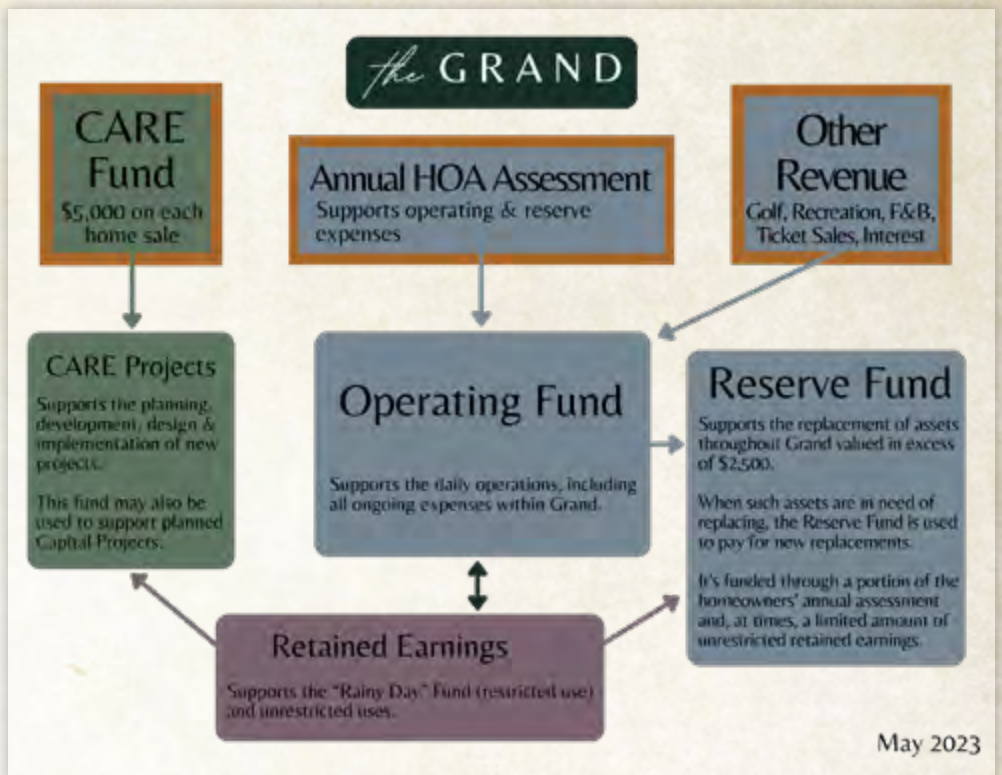
RETAINED EARNINGS:

Year-End Projected Balance: \$3.2 million.

Retained Earnings represent the sum of prior years' surplus and may be used at the Board of Directors' discretion. It may also be used to offset homeowners' annual contribution to the Reserve Fund to enable the Board to limit increases in the annual assessment.

Our Board of Directors recently agreed to set aside \$1.8 million as "Restricted Retained Earnings" which represents approximately seven percent of our budgeted annual revenue. As is the case with our Reserve Fund, the amount set aside helps protect all of us from any "special assessment".

The remaining balance of \$1.4



million is referred to as "Unrestricted Retained Earnings". We are planning to use a portion of this balance to support year three of our five-year common area turf reduction plan. At the time of this writing, there are no other uses planned and such opportunities will be discussed during upcoming budget meetings.

I do hope this helped everyone to

understand the several funds we have available and for what purpose they may be used for. We are in very good financial shape and will continue to strive to stay that way. Thank you.

Stay Well, Keep Moving, and Be Kind to Others.

Bob Aiken
Treasurer