

PGA WEST FAIRWAYS ASSOCIATION
PRIOR YEARS' SURPLUS POLICY STATEMENT
ADOPTED NOVEMBER, 9, 2020

PGA West Fairways Association (“Fairways”) is a non-profit mutual benefit corporation. As such, it is prohibited from accumulating unreasonable surpluses (revenues in excess of expenses over time).

The express purpose of this policy statement is to establish a protocol for the Board of Directors to objectively and prudently manage the accumulated surpluses of Fairways.

The primary objective is to ensure that the Base and each of the Fairways Special Benefit Areas (“SBAs”) adequately reserve for any contingencies. Thus, a savings target will be established annually. The savings target for the Base will be calculated by multiplying the monthly Base and Master assessments by a savings factor which will be determined annually. The savings factor for each SBA will be calculated by multiplying their respective SBA monthly assessments by a savings factor which will be determined annually.

To the extent there is an excess of prior years’ surplus (savings variance) after subtracting the savings target from the operating equity, to date, the following steps may be implemented to ensure there is an orderly plan to reduce the excess surplus amount by one or more of the following:

1. Utilize the surplus to offset any deficiency in the reserve fund or funding.
2. Provide funding for any special projects envisioned during the next five years which may or may not be outside the scope of the annual Reserve Study. However, the special project must still be within the maintenance responsibilities of the SBA or Base.
3. Utilize an amount, to be determined by the Board of Directors, of any excess surplus as an offset to the following year’s annual budget and/or transferred to the SBA or Base reserve account. If used as an offset to operating expenditures (excluding reserve contributions), the homeowners in the SBA must be notified in conjunction with the annual budget mailer that they are using surplus funds to offset their assessments.