

**VIVO RESORTS MASTER ASSOCIATION (CLUB VIVO RESORTS, A.C.)
GENERAL FINANCIAL PROCEDURES**

Resolution # 4
Adopted April 16, 2020

Financial Transactions

1. Accounting for financial transactions shall be in accordance with generally accepted accounting principles (GAAP).
2. Financial statements shall be prepared on the accrual basis of accounting where revenues are recorded when earned and expenses are recorded when incurred.
3. Association funds shall be kept in accounts in the name of the Association and shall not be comingled with the funds of any other Association, nor with the funds of the Vivo Resort Management Company or its Managing Member.
4. Surplus funds of the Association remaining after payment for common expenses and contributions to the Reserve Fund shall, in the discretion of the Board of Directors (Board), either be paid to the Unit Owners in proportion to their common expense liabilities or credited to them to reduce their future common expense assessments.
5. Funds to finance operations (Operating Fund) and funds designated for future major repair and replacement of capital assets (Reserve Fund) shall be classified separately for accounting and reporting purposes.
6. Interest earned on funds deposited in the Reserve Fund shall be accumulated in the Reserve Fund.
7. Financial institutions providing banking services must be insured by the Federal Deposit Insurance Corporation. Association funds will be subject to interest bearing repurchase agreements, when practicable.
8. The Association will maintain good relations with vendors by paying bills in a timely manner to meet each vendor's terms for payment. Invoices will be paid to take advantage of available discounts.

Financial Records

1. All financial records shall be kept in a sufficiently detailed manner that they may be easily audited at the conclusion of the fiscal year.
2. All financial records are the property of the Association and shall be made reasonably available.
3. The general ledger and subsidiary ledgers will be balanced and posted monthly. All bank statements will be reconciled and posted monthly.
4. Complete financial statements, with an explanation of significant variances from the adopted budget, shall be reviewed by the Board quarterly.
5. Accounting records, especially computer files, shall be backed up regularly and copies shall be stored off site to ensure the safety of the files.

Internal Controls

1. The Board shall approve the opening of all Association bank accounts and designate the required signatories.
2. Duties will be assigned to individuals in such a manner that no one individual can control all phases of processing financial transactions in a way that permits errors or omissions to go undetected.
3. All checks will be pre-numbered and accounted for. Voided checks will be retained and defaced. Checks will be stored in a safe place that is available only to accounting staff. Persons with signature authority will not have access to check stock.
4. Officers of the Board or persons authorized by resolution of the Board are the only persons authorized to sign Association checks or make electronic funds transfers. Checks presented for signature must have all documentation attached. A record of all transactions must be retained.
5. The Board must approve writing off receivables that are considered uncollectible.

Audit

1. The Association may engage the services of an independent certified public accountant (CPA) to conduct an annual audit or review of the Association's financial statements and supporting documentation. The Association may appoint an audit committee to perform an audit or review.

2. The purpose of the audit is to ensure that the financial statements are properly presented in accordance with generally accepted accounting principles (GAAP) and fairly present the financial position of the Association.
3. The annual audit shall be presented to the Board for adoption and summary results shall be shared with the Unit Owners upon request.
4. If an independent audit firm is engaged, the performance of the Association's audit firm shall be reviewed at least every three years by the Board which shall decide to retain the services of the current firm or to initiate an audit firm selection process.

Risk Management and Insurance

1. The Association shall take prudent actions to maintain the Common Elements in a hazard-free condition for the safe use of owners, guests and visitors. The Association shall assess the Common Elements for risk exposure at least quarterly.
2. The Association shall maintain insurance policies to adequately cover risk exposures. The Board shall annually review the adequacy of Association insurance coverages.
3. The performance of the Association's insurance brokerage firm shall be reviewed at least every three years by the Board which shall decide to retain the services of the current firm or to initiate a brokerage firm selection process.

PURCHASING & CONTRACTS

General

1. The Management Company, acting under the direction of the Board, has the responsibility for all purchasing activities. Only the Manager and Board designated staff members may make purchases on behalf of the Association.
2. The Association's primary purchasing objective is to negotiate competitive prices in all purchases of and contracts for goods and services. Quality of goods, vendor performance, scheduling, delivery and warranties may be considered as well as price.
3. Multiple bids or quotes shall be obtained whenever possible. On purchases in excess of USD \$1,000.00 and contracts in excess of USD \$1,000.00, written documentation will be placed in the file when less than three bids or quotes are obtained and when the contract is awarded to other than the lowest bidder.

4. Vivo Resort Management Company employees shall not accept remuneration from vendors, independent contractors or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts or otherwise. Anything of value received from those providing goods or services shall benefit the Association.
5. Vivo Resort Management Company employees who may have a conflict or perceived conflict of interest shall make a written declaration of any potential conflict before participating in the procurement process, or making recommendations or decisions concerning the purchase of goods and services.

Bid Process

1. Bids are required for all purchases of USD \$1,000 or more, except when alternative procurement methods are used. Bids do not have to be advertised and the Association, in its sole discretion, may decide which vendors and contractors will be invited to bid.
2. Identical bid packets containing all information required for preparation of a bid proposal (e.g. bid submittal instructions, specifications, plans) will be provided to potential bidders. Bid documents will be drafted as tightly as possible to produce the desired results without limiting the bidder pool or driving up prices. Any clarifications or supplemental information provided to one bidder shall be provided to all recipients of bid packets.
3. Bid documents shall designate that the Association may reject any or all bids, and that the Association may accept any bid it determines is in its best interest, without regard to the bid price. Warranties must be clearly identified in writing as part of the bid documents submitted by vendor or contractor.
4. The Association shall comply with good business practices by maintaining strict confidence regarding details of bid proposals submitted by vendors and contractors during the bidding process. Once a contract is awarded, a summary of bid amounts may be provided to bidders.

Alternatives to Bid Process Requirements

1. The Manager may approve procurement through methods other than the bid process when it is in the best interests of the Association to do so.
2. A Request For Proposal (RFP) may be issued instead of a standard bid packet in situations that require evaluation of non-cost factors (e.g. vendor experience, applicability of experience to Association needs, scope of work) or negotiation and refinement of the scope of work and/or price based on vendor response to the RFP.

3. A Sole Source contract may be awarded when the vendor provides unique goods or services that can not be obtained from other vendors. This option should be used rarely and only in those situations where obtaining the goods or services through another source would clearly compromise the Association's ability to provide quality, cost-effective services.

Contracts

1. Formal contracts are not required for purchase of most goods and services (e.g. supplies, routine maintenance or repairs by tradesmen). However, contracts are required for all capital projects, major equipment purchases, maintenance services in excess of USD \$5,000 and consulting or professional services.
2. The Association may use contractor proposal forms to authorize work on smaller projects. However, the Association Standard Contract is recommended for all projects and is required on all capital projects in the amount of \$USD 1,000 or more.
3. All contracts other than the Standard Contract, which has been pre-approved, must be approved by Association Legal Counsel before being authorized and signed. Contracts that contain the same legal provisions as previously approved contracts do not need additional approval.
4. All contracts for services that involve the use of vehicles or equipment on Association property, or work by the contractor's employees must contain an indemnification clause and a requirement for proof of general liability and workers' compensation insurance policies in the amounts and in accordance with the conditions specified in the Standard Contract.
5. The Association does not regularly require bid or performance bonds of contractors bidding on Association projects, but the Manager may require bonds at his discretion.

Authorization

1. The Treasurer or Assistant Treasurer is authorized to approve the following budgeted expenditures, regardless of amount:
 - Transfers between Association bank accounts;
 - Approval of the monthly General Ledger Journal by signature.
2. The Manager is authorized to approve the following budgeted expenditures, regardless of amount:
 - Payments due under the terms of previously approved contracts;
 - Payments for purchases for which the Association has no control over price (e.g. utility bills, property taxes);

- Payments for insurance premiums, including the authority to bind insurance policies on behalf of the Association.
3. All contracts must be authorized by the Board and signed by an Officer of the Board or their authorized representative.

BUDGETING AND BUDGET CONTROL

Budget Preparation and Adoption

1. The Manager is responsible for preparation of the annual budget for review and adoption by the Board.
2. The Board shall adopt the budget at least thirty days prior to the beginning of the fiscal year. Within thirty days after adoption, the Board shall provide a summary of the budget to all the Unit Owners.
3. The Association shall use the annual adopted budget to allocate Association resources to accomplish program goals.

Budget Control

1. The Manager is responsible for carrying out Association programs within the adopted budget. He may delegate budget monitoring and control to Department Heads (i.e. Engineering, housekeeping) who would then be responsible for accounts under their control.
2. The Board shall review financial statements and capital project projections at least quarterly to monitor actual revenues and expenses compared to the adopted budget.
3. The Board may approve mid-year revisions to the adopted budget, if conditions warrant. Revisions to monthly allocations of budgeted amounts may be made by the Manager to produce a more accurate monthly statement of the Association's financial position.
4. Adopted budget amounts in any account may not be exceeded by more than 10% without approval from the Board.

ASSET MANAGEMENT

Investments

1. Investment objectives are preservation of capital, liquidity and rate of return, in that order.

2. The investment portfolio will be structured so that securities maturity dates match cash requirements. In addition, the portfolio will include a prudent amount of securities with an active secondary market providing liquidity through sale of a security prior to maturity, should that be necessary.
3. The Manager shall prepare a quarterly analysis of investment activity for review by the Board.

Accounting for Assets

1. Any item of a capital nature, such as land, land improvements or capital assets that costs at least \$3,000 USD and is expected to have a useful life of three years or more shall be capitalized as a fixed asset. The total acquisition cost should include delivery, taxes and costs to prepare the item for service.
2. All capitalized fixed assets will be depreciated following the guidelines of generally accepted accounting principles (GAAP) over the estimated accounting life of the asset using the straight-line method.
3. The Accounting Manager shall keep an inventory of all capitalized fixed assets, adding assets as they are acquired and removing assets as they are disposed of. The inventory will contain the following information: asset identification number, description of asset, date of acquisition, acquisition cost, accounting life, and accumulated depreciation.
4. The Association will conduct a physical inventory of all capitalized fixed assets every five years. Classes of assets or assets at specific locations may be inventoried at any convenient time as long as each asset is inventoried at least every five years. The results of this inventory shall be reported to the Board.
5. The Association will dispose of assets in a manner prescribed by the Board. Asset disposal shall produce maximum net benefit to the Association. In general, proceeds from the disposal of an asset should accrue to the fund used to acquire the asset.

Replacement Reserves

1. The Association shall maintain a Reserve Fund for replacement or major repair of Common Elements which normally require replacement or major repair within thirty years. Contributions to the Reserve Fund shall be made monthly in accordance with the Reserve Study recommended contribution rate. Capital expenditures will be made by the Operating Fund and reimbursed quarterly by the Reserve Fund by motion of the Board.

2. The Association shall prepare a Reserve Study based upon a visual site inspection by a reserve study professional (Level I). The Reserve Study shall estimate the anticipated replacement, major repair or maintenance costs, whose infrequent and significant nature make them impractical to be included in an annual budget. This estimate will be based on the current replacement or major repair cost of each asset, the useful life of the asset, and assumptions concerning inflation and earnings.
3. The Reserve Study shall include: a) a reserve component listing, b) date of study, c) level of reserve study performed, d) whether the Study was prepared with the assistance of a reserve study professional, e) Association's Reserve Fund balance, f) the percentage of the fully funded balance included in the Reserve Fund, g) interest and inflation assumptions, h) current and recommended Reserve Fund contribution rates, i) projected Reserve Fund balances for thirty years, and j) funding plan to pay for projected costs without unplanned special assessments.
4. The Reserve Study shall be updated annually (Level III) and updated every three years by a reserve study professional based upon a visual site inspection (Level II) to ensure that current replacement and repair costs, remaining useful life and model assumptions are as accurate as possible. The Level II updated Study shall be adopted by the Board.

Vivo Resorts Master Association (Club
Vivo Resorts, A.C.) By:

Title