

**TAHOE DONNER ASSOCIATION  
BOARD OF DIRECTORS  
ADMINISTRATIVE RESOLUTION 2025-5**

**FINANCIAL LEXICON POLICY**

**WHEREAS**, the Association supports effective financial communication between the Board of Directors, management, the committees, and the Association Members;

**NOW, THEREFORE BE IT RESOLVED**, that the Board of Directors of Tahoe Donner Association approves and adopts the following Financial Lexicon Policy:

**I. PURPOSE**

The purpose of the Financial Lexicon Policy is to:

- Establish a common understanding of relevant financial terminology, and;
- Support more effective financial communication between the Board of Directors, management, the committees, and the Association Members.

**II. SCOPE AND APPLICATION**

The terminology and definitions contained in this policy shall be the recommended and preferred terminology and definitions for use in all official and/or formal Association financial communications, including financial policies, publications, reports, and presentations.

**III. CONSISTENCY WITH LAW AND OTHER STANDARDS**

If the terminology or definitions contained in this policy are found to conflict with the terminology or definitions in the Governing Documents, the terminology and/or definitions found in the Governing Documents shall prevail, and this policy shall be updated as soon as practicable to remedy the inconsistency.

Recognizing that terminology and definitions may need to be adapted to fit Tahoe Donner's unique needs and circumstances, the terminology and definitions in this policy should align as appropriate and to the extent possible with applicable legal, financial, or other industry terminology or definitions (e.g. with California legal code, generally accepted accounting principles ["U.S. GAAP"], and the Community Associations Institute Reserve Study Standards).

**IV. FINANCIAL LEXICON**

## **Association Fund, Capital Reserve, Umbrella Fund, Sub-Fund**

**Association Fund:** A sum of money or other liquid assets whose principal and/or interest is established by the Association for a specific purpose. The term Association Fund shall apply to any Umbrella Fund, Sub-Fund, Operating Fund, or any other comparable fund that the Association deems necessary to carry out its purposes.

**Capital Reserves:** Consistent with California Civil Code §4177, Capital Reserves (i.e. “Reserve Accounts”) shall be defined as funds that the board has identified for use to defray the future repair or replacement of, or additions to, Major Components.

**Umbrella Fund:** An Association Fund that includes one or more subsidiary Association Fund (i.e. “Sub-Fund”).

**Sub-Fund:** A subsidiary Association Fund established under an Umbrella Fund, such that the Sub-Fund may provide for specific purposes and for specific investing and funding strategies that differ from other Sub-Funds that may exist under the same Umbrella Fund.

## **Asset, Capital Asset**

**Asset:** Tangible or intangible property owned or leased by the Association that is to be used by the Association over a period of time greater than one year.

**Capital Asset:** Association Assets that have a value greater than or equal to five thousand dollars (\$5,000), either on an individual unit basis or on an aggregate group basis.

## **Major Component**

**Major Component:** Major Components are also known as “Major Components” in the Governing Documents and the Davis Stirling Act, and as “Components” in the Community Associations Institute’s 2023 Reserve Study Standards.

Major Components are the individually listed items included in the Reserve Study.

These items include, but are not limited to the Assets that the Association is obligated to repair, restore, replace, or maintain and for which the Capital Reserves are established.<sup>1</sup>

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<sup>1</sup> See California Civil Code §5550 and §5510.

To qualify as a Major Component, Assets must have a value greater than or equal to two thousand dollars (\$2,000), either on an individual unit basis or on an aggregate group basis.

Additionally, Major Components typically include any work or element that satisfies the Reserve Study Component Selection Guidelines published in the Community Associations Institute's Reserve Study Standards (e.g. preventive or corrective repair and maintenance of Major Components).

Consistent with these Reserve Study Standards, all items that minimally satisfy the following three-part test shall be considered Major Components:

1. The Association has the obligation to maintain or replace the element.
2. The need and schedule for this work can be reasonably anticipated.
3. The total cost for the work is material to the Association, can be reasonably estimated, and includes all direct and related costs.

Total costs shall be considered "reasonably estimated" once order of magnitude cost estimates are ascertainable.<sup>2</sup>

The total cost shall be considered material if the total cost is greater than or equal to two thousand dollars (\$2,000).

### **Capital Improvement, Capital Project, Significant Capital Project**

**Capital Improvement:** The (1) acquisition or creation of a new Major Component or (2) any change that increases the value and/or benefits of an existing Major Component, provided the increased value and/or benefits are neither consumed nor expire within one year. Examples of increased value and/or benefits include, without limitation, any of the following:

1. An extension of the Useful Life of the Major Component.
2. An increase in the operating efficiency and/or effectiveness of the Major Component resulting in a decrease in future operating costs and/or another benefit.
3. An increase in the functionality, quality, quantity, and/or assortment of goods, services, or other benefits provided by the Major Component.

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<sup>2</sup> See the General Policy of Capital Reserves and Capital Improvements, Section X(g) regarding Capital Project order of magnitude cost estimates.

The term Capital Improvement shall also include Ancillary Capital Costs and any costs associated with the acquisition and installation of any machinery, equipment, furnishing, fixtures or other Major Components connected to and acquired and installed in conjunction with a Capital Improvement.

**Capital Project:** Any Capital Improvement that satisfies one or more of the following criteria:

1. It provides for the construction, modification, enhancement, replacement, reconstruction, remodeling, renovation, addition, improvement, acquisition, or installation of an Association structure, building or Common Facility.
2. It provides for the acquisition of real property, including land or building purchases.
3. It provides for the stewardship, preservation, remediation, improvement, or acquisition of Common Area or Other Association Real Property.

Additionally, if repair and maintenance work is of such a nature that the work qualifies as a Capital Improvement, that work may be considered a Capital Project if it also satisfies one or more of the above listed criteria.

Acquisition in this context shall be understood to include both ownership and the acquisition of other legal interests or rights.

**Significant Capital Project:** Any Capital Project deriving funding in whole or in part from the New Capital Project Fund and/or the Long Life Fund. Hence, all Capital Projects listed in the New Capital Projects Plan and/or the Long-Life Expenditure Plan shall be considered Significant Capital Projects.

Additionally, at the discretion of the Board and as recommended by management, other Capital Projects may be designated Significant Capital Projects if those projects significantly affect or alter Member use, service, or experience, revenue expectations, involve significant capital costs, or otherwise significantly affect the community (e.g. Capital Projects funded by RRF that significantly remodel facilities or large-scale IPP Capital Projects).

### **Common Area, Common Facility, Other Association Real Property**

**Common Area:** This term is defined by First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article I, Section 8.

**Common Facility:** This term is defined by First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article I, Section 10.

**Other Association Real Property:** This term is defined by First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article I, Section 25.

## Useful Life

**Useful Life:** The total time period from Major Component creation/acquisition to renewal/disposal during which a Major Component can be expected to perform its intended function if properly constructed and presuming proactive, planned, preventive maintenance.

**Remaining Useful Life:** The currently expected Useful Life of a Major Component remaining before planned/expected renewal/disposal.

## Other Terminology

**Ancillary Capital Costs:** Costs for services or activities performed or other costs incurred that are directly attributable to a Capital Improvement, and that are necessary to place a Major Component into its intended state of operation. These costs include, but are not limited to, research, inspection, planning, design, development, third-party consultation, authorization, project management, permitting, set up, installation, site preparation, freight and transportation, search costs, liens assumed, grading costs, legal and other professional fees, and taxation.

**Annual Budget Development Process:** See the Annual Budget Development Process Policy.

**Association:** Association (or “TDA”) refers to Tahoe Donner Association, a California nonprofit mutual benefit corporation.

**Capital Expenditure:** Monies used to pay for Capital Improvements. Capital Expenditures are calculated as Capital Improvement costs less *expensed* Ancillary Capital Costs.

**Capital Improvement Schedule:** All Association plans and timelines for future Capital Improvements. Capital Improvement Schedules typically include anticipated timing, scope and cost.

**Capital Reserve Specific Policy:** See the Sections VI and VII of the General Policy On Capital Reserves and Capital Improvements.

**Common Expense:** This term is defined by First Restated Declaration of Covenants and Restrictions of Tahoe Donner, Article I, Section 9.

**Logical Upgrade:** Capital Improvements to existing Major Components that address one or more of the following conditions:

- Altered or upgraded building codes and standards or other legal regulations.
- Altered or upgraded industry standards.
- Functional obsolescence, inefficiency, or otherwise no longer effectively serving the needs of the Association.

**Member:** Member shall be defined consistent with the Amenity Access Rule, unless the context requires otherwise.

**Member Comment:** Member Comment shall refer to time set aside during an open board meeting to permit any Member to address the board. A reasonable time limit for all Members to address the board shall be established by the board president.

**Net Operating Result (NOR):** The difference between operating revenues and operating expenses, excluding taxes, interest, and other non-operating items (e.g. capital charges or allocated overhead).

**Total Estimated Replacement Cost:** STAFF IS STILL WORKING ON THIS DEFINITION.

**Total Property and Equipment:** Total property and equipment before accumulated depreciation, as documented in the prior year's Independent Auditor's Report.

**Percent Funded:** The ratio, at a clearly identified point in time, of the actual (or projected) reserve balance to the fully funded balance, expressed as a percentage.<sup>3</sup>

**Property Holdings Record:** A record of the Association's Capital Assets and the accumulated depreciation and depreciation expenses associated with those Capital Assets.

## V. REVIEW

This policy shall be reviewed and updated as necessary to ensure that it remains adequate for the Association's needs.

## VI. APPROVAL

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<sup>3</sup> This definition is based on the Community Associations Institute's 2023 Reserve Study Standards.

Approval of the Financial Lexicon Policy and any changes, amendments, or modifications thereafter, may only be accomplished at a properly noticed meeting of the Board, with reasonable time allowed for Member Comment.

**ACCEPTED AND DATED:** June 27, 2025

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