

HIDEAWAY TOWNHOUSE SUBDIVISION HOMEOWNERS ASSOCIATION  
INVESTMENT OF RESERVES POLICY

Effective Date: 5-1-2026

**1. Purpose and Authority**

This Investment of Reserves Policy is adopted by the Board of Directors ("Board") of the Hideaway Townhouse Subdivision Homeowners Association ("Association") in accordance with the Colorado Common Interest Ownership Act (CCIOA) and the Colorado Revised Nonprofit Corporation Act.

The purpose of this policy is to establish prudent standards for the investment of reserve funds in a manner that:

- Preserves capital
- Maintains adequate liquidity
- Minimizes risk
- Ensures compliance with fiduciary duties
- Supports the long-term financial stability of the Association

**2. Fiduciary Standard of Care**

All investment decisions shall be made in accordance with the Board's fiduciary duty to act:

- In good faith
- In the best interests of the Association
- With the care an ordinarily prudent person in a like position would exercise

The Board shall follow a prudent investor standard, emphasizing safety and liquidity over yield.

**3. Reserve Funding and Use**

The Board shall:

- Establish and periodically review reserve funding levels as part of the annual budget process
- Maintain reserve funds to assist with emergency and/or planned repair or replacement of common elements. This may include common elements identified in the Association's reserve study.

**4. Investment Objectives (Priority Order)**

Reserve funds shall be invested with the following priorities:

1. Preservation of principal
2. Liquidity and accessibility of funds
3. Safety and minimization of risk
4. Stability of returns
5. Reasonable yield consistent with the above objectives
6. Minimization of investment and administrative costs

## 5. Permitted Investments

Reserve funds may be invested only in low-risk, highly liquid, investment-grade instruments, including:

- FDIC-insured checking, savings, and money market accounts
- FDIC-insured certificates of deposit (CDs)
- U.S. Treasury securities (bills, notes, bonds)
- U.S. government agency securities
- Highly rated (investment-grade) municipal bonds or state obligations
- Money market funds that invest exclusively in government-backed securities

## Prohibited Investments:

- Stocks or equity securities
- Mutual funds (except government money market funds)
- Derivatives, options, futures, or speculative instruments
- Junk bonds or below-investment-grade securities
- Illiquid or high-volatility investments

## 6. Insurance and Risk Controls

Funds shall be deposited only in financial institutions insured by FDIC, NCUA, or equivalent federal insurance programs, within applicable limits (currently \$250,000 per depositor, per institution).

Funds exceeding insured limits shall be diversified or secured appropriately.

## 7. Diversification and Maturity Structure

The Board shall diversify investments and structure maturities to ensure funds are available when needed.

## 8. Delegation of Authority

The Board may delegate authority to the President, Treasurer, and/or Manager to execute transactions. All strategies must be Board-approved.

## 9. Withdrawal and Transfer Controls

A minimum of two authorized signatures shall be required for withdrawals or transfers.

## 10. Financial Advisor Use

The Board may engage a qualified financial advisor acting in a fiduciary capacity.

## 11. Monitoring and Reporting

Monthly financial statements shall include balances, holdings, income, and transactions. The Board shall review investments quarterly and annually.

## 12. Fidelity Insurance

The Association shall maintain fidelity insurance covering all persons with access to funds.

**13. Compliance and Review**

This policy shall be reviewed annually and updated as needed.

**14. Non-Conflict Provision**

In the event of conflict, applicable law or governing documents shall control.

Adopted this 1<sup>st</sup> day of May, 2026.

HIDEAWAY TOWNHOUSE SUBDIVISION HOMEOWNERS ASSOCIATION

By: 

Its: President

