

NEWINGTON FOREST COMMUNITY ASSOCIATION, INC.

ADMINISTRATIVE RESOLUTION NO. 20

RESOLUTION FOR REVENUE RULING 70-604 ELECTION –
EXCESS INCOME APPLIED TO THE FOLLOWING YEAR’S ASSESSMENTS
AND
PLACEMENT OF EXCESS OPERATING FUNDS CONTAINED WITHIN THE
OPERATING, TOWNHOUSE, AND SINGLE FAMILY RESERVES ACCOUNTS
(8/16/22)

WHEREAS, Article IV, Section 4.01, of the Bylaws assigns the Board of Directors with “...all the powers of the Association except such as are, by the laws of Virginia, the Articles of Incorporation, The Declaration or these Bylaws, conferred upon or reserved to the Members.”

NOW, THEREFORE, BE IT RESOLVED THAT any excess of membership income over membership expenses for the calendar year just ended on December 31st shall be applied to the applicable “hard asset” common, townhouse, and single family detached home reserve accounts as identified by the audit for that calendar year or be held in an operating fund account .¹ When excess membership income is transferred to reserve accounts, it shall be placed in reserves that are expended for the repair, replacement or installation of assets consistent with the requirements of the IRS. Until revised by a future Board, each subsequent year’s excess income covered by this resolution shall be treated in a similar manner and the Board shall use a motion during a regularly-scheduled Board meeting to transfer these funds.

¹ Community Associations Institute (CAI) has published recommendations that suggest that Associations should retain a portion of their ~~its~~ excess operating funds to offset unexplained contingencies. CAI recommends 10% - 20% of assessments. There are no negative income tax implications to retaining excess assessment income collected as long as the IRS resolution is passed annually. Excess assessment income is not considered taxable by the IRS and the resolution effectively documents that any excess assessment income collected will ultimately be used for future Association business at the discretion of the Board of Directors. (Source: Advice from 2021 audit.)