

SUBJECT: RESERVES AND FUND BALANCES

POLICY STATEMENT: The District considers it prudent to define how it will designate fund balances and any reserves that it designates based on this policy, as prudent management would dictate. As such, the District, in conformity with Government Accounting Standards Board (GASB) Statement No: 54, the District will designate general fund and board designated restricted funds as necessary for prudent management of its reserves.

POLICY: The District operates on revenues derived from the surpluses generated by the medical office buildings as well as investment earnings. Since most of the revenues of the District come from the medical office building surplus and only a minor portion from investment earnings, the District will allocate and maintain reserve funds based on the expenses of operating the medical offices in the event of vacancies and potential funding needed to stay in business and operate successfully, even when market forces cause significant delays in leasing vacant spaces.

The District currently has outstanding debt on the Dublin Gateway property. The District will not have a significant drop in reserves which may become areas of concern to the lender and force the lender to place restrictions on further depletion of District assets.

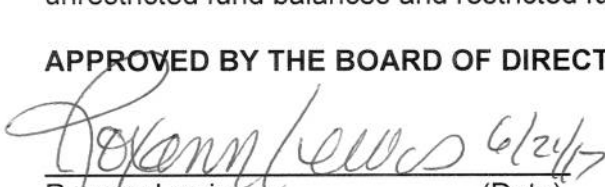

The District will designate reserves based on the potential for vacancy of a large rental space in any of the District's medical office buildings, such as the entire second floor of the 4000 Dublin Gateway Building, which generates revenues of more than \$800,000 per year and which in the past remained vacant after the financial crisis for nearly three years.

The District will designate at least two years' revenue on a significant portion of each of the District's medical office buildings, as a prudent reserve against a catastrophic loss of revenue due to vacancy.

The District will have reserve funds of between \$3 and \$4 million in current terms (as of June 12, 2017). This policy will be evaluated periodically and the reserve funds updated in order to ensure that the reserve funds approved by the Board in a board designated fund, are adequate for the following one or two year period. The reserve funds will be treated as a catastrophic minimum and whenever possible, the Board will strive to maintain twice this amount in order to provide a comfortable margin of safety.

The Board also approves accounting for the reserve funds in the financial statements as unrestricted fund balances and restricted fund balances, with board designated restrictions.

APPROVED BY THE BOARD OF DIRECTORS:

	
Roxann Lewis Chair, Board of Directors	Charles Gilcrest Secretary, Board of Directors
6/24/17 (Date)	6/21/17 (Date)