Arizona Senior Academy Infrastructure
Capital Reserve Study

In 2026 the Arizona Senior Academy updated its Infrastructure Capital Reserve Study. The original study was completed in 2022. The study was intended to create a long-term financial plan for maintenance of the Academy's facilities. The Academy has made a significant investment in these facilities, and the study provides a road map on needed investments over the next 30 years.

The plan utilizes reasonable estimates for replacement values but should not be taken as actual construction costs. Some items may cost more or less and it is difficult to project future costs with a high degree of accuracy. The plan should be updated at least every 5 years to reflect current conditions and costs. The study uses a 3% inflation rate to project future costs and likewise increases contributions at 3% per year. The study assumes a 3% return on the funds balance and that those earnings are retained in the fund. The study sets a threshold of $3,000 in value for inclusion in the report. Items less than $3,000 are considered operating expenses. The A.S.A. is grateful for the Academy Village Homeowners Association allowing us to utilize their Reserve Study to estimate costs and useful lifespans.

The first section of the report (sheet 1) itemizes the components and estimates their current replacement value, estimated lifespan, and years of useful lifespan left. Those values are then projected into the future to derive year by year projected costs from 2026 through 2055.

Sheet 2 contains the annual maintenance costs and presents them graphically. It should be noted that these costs estimates can vary dramatically ranging from $0 one year to almost $600,000 in another. Another caution is these items may not last their projected life which can place an added financial burden earlier than expected. Our experience has been that most lasted longer than projected. One way to minimize the financial risk is to maintain a financial reserve in the account above the projected expenditures. If expenses rise quicker or cost more than projected this will provide an emergency fund to cover these situations.

Sheet 3 has all the projected contributions, expenditures, earnings, and balances in the fund and presents it both in a table and graphically. The 2026 study recommends continuing the annual contribution levels called for in the 2022 study. The assumption is that the Board will officially establish a reserve fund with a beginning balance of $300,000 from unallocated current excess funds.

It is important to note that the fund is projected to dip in 2049 and 2050. It is due to projections that call for replacement in 2049 of all our windows ($273,000) and all 7 HVAC units ($199,000). I am comfortable with the HVAC estimated life span but don't expect to see them replaced all in one year. I don't foresee a situation where all the windows need replacement in 2049 however it is the recommendation from the professional reserve study company. If the windows do need replacement, I would expect it to be a gradual process over a number of years if not decades.

The Board will play an important role in monitoring our expenses and ensuring there is adequate funding for the reserve fund. The projected dip in 2049 is something to watch but is still over 20 years out. The next study update will be in 2031 and leaves plenty of time to reassess and make adjustments as necessary.

Bill McCourt

April 29, 2026

Mission

The Arizona Senior Academy exists to support lifelong learning, creativity and public service for adults in or near retirement. The following policy was developed to ensure that the academy is financially prudent in meeting our mission objectives.

Arizona Senior Academy Capital Reserve Fund Policy

1. Purpose

To establish guidelines for creating, building, maintaining, and using a designated reserve fund to ensure the organization's long-term financial stability. The reserve fund is intended to be used for maintaining our building, its equipment, and furnishings which are essential for sustaining the organization's mission.

2. Scope

This policy applies to the Board of Directors, Officers, Finance Committee, and any staff involved in financial planning or reporting.

3. Definition of Capital Reserve Fund

A board designated fund set aside to support:

- Replacement or major repair of long-lived assets (e.g., equipment, technology, and furnishings).
- Facility building needs.

These funds are restricted as designated by the Board of Directors.

4. Capital Reserve Study and Target Reserve Level

A. A Capital Reserve study will be prepared every 5 years.

- The capital reserve study will project capital expenditures for thirty (30) years into the future and take inflation into consideration.
- The organization's goal is to maintain a sufficient capital reserve to meet projected needs (identified in the reserve study) with a minimum $150,000 buffer to meet unanticipated expenditures or events.
- The Board will adopt the Capital Reserve Study
- Based upon the 2026 capital reserve study the organization:
- Has replacement costs of $2,074,347 over the next thirty (30) years.

B. Annual contributions over the next 5 years will be:

a. 2026 $40,133
b. 2027 $41,343

    c. 2028 $42,592
    d. 2029 $43,840
    e. 2030 $45,164

C. Projects a capital reserve that varies between eight percent (8%) and thirty-two percent (32%) of the $2,074,347 target over the next thirty (30) years.

D. Projects the capital reserve to be at 18% at the end of 2030.

5. Funding

The capital reserve shall be funded through:

- Annual budget allocations.
- Capital Reserve fund investment income.
- Year-end operating surpluses.
- One-time windfalls (e.g., bequests, special grants).
- Board of Director approved transfers from unrestricted net assets.

The Board of Directors may authorize additional contributions when financial conditions allow.

6. Use of Capital Reserve

Withdrawals from the capital reserve require:

- Review and approval of the Finance Committee.
- Authorization by the Treasurer.

Permitted uses include:

- Replacement of essential equipment or technology.
- Major repairs to facilities.
- Emergency expenditures to maintain operations.
- The capital reserve may not be used for recurring operating expenses unless the Board of Directors determines that extraordinary circumstances threaten organizational continuity.

7. Replenishment

If the capital reserve falls below eight percent (8%) of the target level, the Board of Directors will adopt a replenishment plan that may include:

- Multi-year budget allocations.
- Designation of year end surpluses.
- Fundraising strategies specifically for capital needs.

8. Management and Reporting

- The capital reserve funds will be held in a separate board-designated account(s) and/or tracked in the accounting system net assets.
- The principal, and any investment income and expenses, must be strictly accounted for and remain within the fund.
- The Vice President for Administration shall prepare an annual capital expenditure budget to be reviewed by the Finance Committee, who will make their recommendations to the Board for approval.
- Funds shall be invested in accordance with the organization's investment policy.
- The Finance Committee will review the capital reserve balance and report to the Board quarterly.
- The Finance Committee will include capital reserve status in the annual budget presentation.

9. **Policy Review** The capital reserve policy will be reviewed at least every five years by the Finance Committee, with recommendations for revisions.

Board Approval

Board Chair________________________________

Date Sept. 3, 2026________________________________