

BOARD POLICY RESOLUTION No. 31 (“BP 31”)

RISK MANAGEMENT POLICY

WHEREAS Article V, Section 6.3 of the Corporate Bylaws empowers the Board of Directors (“Board” or “Directors”) of the Recreation Centers of Sun City, Inc. (“RCSC” or “Corporation”) to adopt Policies (“BP” or “Policies”) not in conflict with the Restated Articles of Incorporation (“Articles”) or the Corporate Bylaws (“Bylaws”).

WHEREAS to minimize inconsistencies, misunderstandings and misinterpretations inherent in verbal instructions, rules and regulations, the Board of Directors has established Board Policies in written form. Such Policies shall be titled, numbered and indexed for easy reference and use.

WHEREAS the Restated Articles of Incorporation and the Corporate Bylaws shall take precedence over Board Policies and that the following Board Policy on Risk Management Policy shall provide instruction, direction and guidelines regarding such and shall remain in effect until such time it is amended or removed by the Board.

NOW, THEREFORE BE IT RESOLVED the Corporation shall adhere to the following policy regarding Risk Management:

Recreation Centers of Sun City, Inc., its successors and assigns, hereby agree to protect, defend, indemnify and hold harmless its Board of Directors and their spouses, Officers, Senior Management and Employees from and against any and all claims, demands, actions, damages, loss, and judgments arising out of or occurring in connection with any act or omission of such, including reasonable attorney fees and court costs. Such indemnification shall exclude any such liability caused by gross negligence or willful misconduct.

Risk management strategies include the transference of risk to another party, avoiding the risk, reducing the negative impact of the risk, and accepting some or all of the cost associated with a particular risk, which can never be fully avoided. The Board shall ensure risk management practices are in place to identify and mitigate potential risk factors and provide solutions to reduce financial loss relative to the Corporation. RCSC manages its risk to the following four primary exposures to loss as follows:

- A. There are two classes of property: tangible (i.e., physical) and intangible (e.g., information, legal privileges, and rights held exclusively by the organization).
 1. Tangible property can be classified as real estate – the land and attachments, including buildings, sidewalks, parking lots, pools, and landscaping; and personal property – and all property other than real estate, such as equipment, furniture, fixtures, tools and books and records of the Corporation. All tangible property risks, except books and records, are managed through commercial insurance. Inventories are updated regularly and audited annually. Books and records of the Corporation are maintained in locked, fire-proof cabinets. In addition, insurance coverage is maintained for the loss of records of the Corporation.
 2. Intangible property can be classified as data – text information as well as numbers.
 - a. Data integrity: The accuracy (integrity) of the electronic data may be threatened by unauthorized or undesirable modification or destruction. All data is backed up daily and maintained for a period of time sufficient to ensure accuracy of current data.

- b. Data Confidentiality: The confidentiality of the electronic data may be threatened by unauthorized or undesirable disclosure. All electronic data must be accessed by a unique login and ever changing password.
 - c. Data Availability: The availability of electronic data or information technology systems may be threatened. All data is backed up daily and maintained for a period of time sufficient to ensure data availability and current virus software is maintained.
- B. Liability is the possibility that an entity or person may bring, or threaten to bring, a legal claim against the Corporation. The Corporation complies with federal, state, and local laws, regulatory requirements and administrative procedures and enforces the Corporate Documents. Liability risks are managed through liability insurance and legal counsel who serves as an advisor to the Corporation in legal matters, making referrals to specialists on an as needed basis. Legal counsel advises the Board and/or Senior Management on an as needed basis.
- C. Net income exposure involves revenue decreases and/or expense increases. It is revenue minus expenses during a given time period. The Corporation has an effective collection policy and places a lien on any property that has a balance due older than ninety (90) days. The Corporation maintains a Two Million Five Hundred Thousand Dollar (\$2.5 million) cash reserve.
- D. Personnel losses may result from the death, disability, retirement, resignation, or unemployment of employees. Losses may also result from claims of sexual harassment. The Corporation enforces a written and published personnel policy. The Corporation complies with federal, state, and local laws, regulatory requirements, and administrative procedures. The Corporation has an extensive safety program and maintains workers' compensation insurance. The Corporation maintains unemployment insurance and investigates all unemployment claims and appeals any claims that are not valid. The Corporation's legal counsel advises Senior Management on personnel matters of a legal nature. The Corporation may contract for services that would otherwise be provided by personnel.

Should RCSC experience a loss, the Board and Senior Management shall examine and measure the exposure to the loss in two ways:

- A. Loss Frequency: If the loss could reoccur in the future, steps will be taken to reduce the risk in the future.
- B. Loss Severity: If the financial loss is severe, the loss will be reported to the Board immediately and steps to reduce the risk in the future will be taken.

BE IT FURTHER RESOLVED that a copy of this resolution shall be posted on the RCSC website for members and shall be made available to members upon request at no cost.

Adopted and signed this 14th day of December, 2023 at a duly called Board meeting by a majority (5) of the Recreation Centers of Sun City, Inc. Board of Directors.

ATTEST:

Kat Fimmel, President

Jean Totten, Secretary