

**Celebration Residential Owners' Association, Inc.**

**FIXED ASSET AND CAPITALIZATION POLICY RESOLUTION**

**2010-01**

**WHEREAS**, Article III, Section 3.17 of those certain Seconded Amended and Restated By-laws of Celebration Residential Owners' Association, Inc. (the "**CROA By-laws**") grants the Board of Directors of the Celebration Residential Owners' Association, Inc. (the "**CROA Board**") all of the powers and duties necessary for the administration of the affairs of the Celebration Residential Owners' Association, Inc. ("**CROA**"); and

**WHEREAS**, it is the intent of the CROA Board to establish policies for the consistent capitalization of and accounting for fixed asset acquisitions in accordance with the guidelines discussed in the AICPA Audit and Accounting Guide for Common Interest Realty Associations; and

**WHEREAS**, Real Estate is generally only capitalized by an association when either of the following conditions are met – a) the association can dispose of the property, at the discretion of its board, for cash or b) the property is used by the association to generate significant cash flows from members on the basis of usage or from nonmembers. In the event that circumstances change and either of the conditions are applicable, then the CROA Board and/or CROA's auditor should be consulted in order to determine the most appropriate accounting treatment; and

**WHEREAS**, Personal property acquired using operating funds or reserve funds with a cost of \$1,000 or more and with a useful life of more than one year shall be capitalized as an asset of CROA. Individual expenditures less than \$1,000 shall be recorded as operating expenses. A group of like items, individually valued at less than \$1,000, may qualify as a capital expenditure if the items are purchased together and their aggregate value meets the threshold outlined above; and

**WHEREAS**, it is the intent of the CROA Board that this policy shall be effective as of the 1<sup>st</sup> day of January, 2010; and

**WHEREAS**, it is the intent that this Resolution shall be applicable to the current and future Board of Directors unless otherwise rescinded, modified or amended by a majority of the Board of Directors...

**NOW THEREFORE BE IT RESOLVED THAT:**

1. Personal property capital expenditures as described above shall be added to the assets of CROA and recorded within the Operating Account.
2. Depreciation expense will be calculated monthly and reflected in the periodic (monthly) Operating Account financial statements of CROA.

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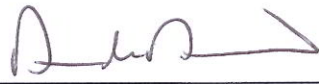
3. In the situation where personal property capital expenditures are made using Reserve Account funds, such expenditures should be treated as an interfund transfer from the Reserve Account to the Operating Account. The journal entries necessary to reflect such a transfer in the financial statements are shown below:
  - a. Operating Account – Debit Asset account/Credit Transfer from Reserve Account
  - b. Reserve Account – Debit Transfer to Operating Account/Credit Cash

Transfers between funds are not considered as revenues or expenses but should be accounted for as changes in Fund Balances (Fund Equity).

4. The cost to repair or replace CROA's assets are generally provided for through the funding of the Reserve Account. To help ensure that the periodic Reserve Study is as comprehensive as possible, care should be taken to advise the reserve study specialist of new asset acquisitions.

Executed this 26<sup>th</sup> day of January, 2010

Celebration Residential Owners' Association, Inc.

By:   
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Don McDonald

Its: President