

DAYBREAK COMMUNITY ASSOCIATION, INC.

FIXED ASSET AND CAPITALIZATION POLICY RESOLUTION

WHEREAS, The Daybreak Community Association Board of Directors is empowered to conduct, manage and control the affairs and activities of the Association and has this authority pursuant to Chapter 3, C. Powers and Duties of the “By-laws of Daybreak Community Association”; and

WHEREAS, it is the intent of the Board to establish policies for the consistent capitalization of and accounting for fixed asset acquisitions in accordance with section 972 of the FASB Accounting Standards; 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 Board and/or the DAYBREAK COMMUNITY ASSOCIATION 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 \$5,000 or more and with a useful life of more than one year shall be capitalized as an asset of DAYBREAK COMMUNITY ASSOCIATION. Individual expenditures less than \$5,000 shall be recorded as operating expenses; and

WHEREAS, it is the intent of the Board that this policy shall be effective retroactively as of the 1st day of January, 2015; 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it is the intent that this Resolution shall be applicable to the current and future Board of Directors unless otherwise rescinded, modified or amended by a majority of the Board of Directors...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, IT IS RESOLVED:

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

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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 –Credit Transfer from Reserve Fund
- b. Reserve Account – Debit Transfer to Operating Fund

Transfers between funds are not considered as revenues or expenses but should be accounted for as changes in Fund Balances (Fund Equity). The above example assumes a credit to reserve cash and a debit to operating fixed assets occurred upon purchase of the asset.


4. The cost to repair or replace Daybreak Community Association 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.

IN WITNESS WHEREOF, the said Board of Directors has caused this Policy to be signed by its President and Secretary, this 26th day of August, 2015.

DAYBREAK COMMUNITY ASSOCIATION, INC

By: 

Ty McCutcheon, President

By: 

Cameron Jackson, Secretary