

**MOUNTAIN HIGH HOA
ASSET CAPITALIZATION POLICY**

The Board of Directors of the Mountain High HOA hereby states its capitalization policy with regards to the recording of the association assets as of _____. This will be included in the Board meeting minutes of that same date.

The purpose of this policy is to allow the Association to expense, rather than record and depreciate, property that would normally be included either in the operating budget as an expense line item or in the reserve study as a component, thus providing for adequate budgeting.

The following is in keeping with industry standards as defined in the Financial Accounting Standards Board's Codification (FASB), which contains generally accepted accounting principles (GAAP - section 972, et seq.) While GAAP allows additional items to be capitalized outside of the following guidelines, it is not industry standard to do so.

- The Association will *not* capitalize real property directly associated with the units and owned by unit owners.
- The Association will *only* capitalize those real property assets not directly associated with the units *and* only when the Association has title and the Board maintains control. Board control is defined to mean that the Board can dispose of the asset without a vote of the membership and the Association can keep the proceeds from the sale of the asset.
- The Association shall recognize common personal property, such as furnishings, recreational equipment, maintenance equipment, and work vehicles, that is used by the Association in operating, maintaining, repairing, and replacing common property and providing other services.

The association will capitalize those items which meet the requirements above and which comply with the following:

- The value of the individual asset exceeds the amount of \$1,000.00
- The life of the asset exceeds 3 years

Capitalized assets will be recorded on the balance sheet of the financial statements of the association in the operating fund (FASB 972-10-45-7).

The Board will designate whether to purchase the capitalized assets from the replacement fund (reserves) or operating fund and document that decision in their minutes. Either is acceptable. For accounting purposes, if the asset is purchased from reserve monies it will be transferred to operating funds to be held as an asset of the operating fund (FASB 972-10-25-1).

The capitalized assets will be depreciated over their estimated useful lives based upon the straight line method of depreciation. (FASB 972-10-35-1)

ATTEST:

Mountain High HOA

Chairman

Date: _____

Secretary

Date: _____