

**Capitalization Policy**  
**Approved: June 14, 2023 BoD Meeting**

The Board of Directors of Naples Reserve Homeowners Association hereby states its capitalization policy regarding association assets to be effective as of January 1, 2023. This policy will be approved, and included in the Board meeting minutes, of June 14, 2023. This policy replaces the previous Capitalization Policy, approved 4/12/23

The following is in keeping with industry standards as defined in the Financial Standards Accounting Board's Certification (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**.
- The Association will capitalize those **real property assets not directly Associated with the units** only when the Association has title to the asset and any of the following conditions are met:
  - The Board maintains control of the asset. 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 property is used to generate significant cash flows from members based on usage.
  - The property is used to generate significant cash flows from nonmembers.
- The Association will capitalize **common personal property**, such as furnishings, recreational equipment, maintenance equipment, and work vehicles that is used by the Association in operating, preserving, maintaining, repairing, and replacing common property and providing other services. It is assumed in this case that the Association has title, and the Board maintains control of these assets.

The association will capitalize those items which meet the requirements above when the life of the asset(s) exceed 1 year, and the aggregate value of assets acquired during the year exceeds \$50,000.

Capitalized assets will be recorded on the balance sheet of the financial statements of the association in the operating fund (FASB 972-304-18).

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 fund monies, it will be transferred to the operating fund to be held as an asset of the operating fund (FASB 972-306-12)