

SPRUCE CREEK PROPERTY OWNERS' ASSOCIATION, INC.
BOARD OF DIRECTORS

RESOLUTION ESTABLISHING AUDIT COMMITTEE

WHEREAS the Board of Directors is responsible for the management of the SCPOA, Inc.; and

WHEREAS the Directors and Officers of the Association have a fiduciary duty and responsibility to the members of the Association;

WHEREAS the Bylaws of the Association specify that the Treasurer of the Association is responsible for keeping the books and accounting records of the Association; and

WHEREAS Florida Statutes require that the Association keep its accounting records according to good accounting practices and provide an annual financial report within 60 days of the close of the fiscal year that is prepared and audited in accordance with Generally Accepted Accounting Principles; and

WHEREAS many members of the association have expressed an opinion that there is a need for a detailed audit of the Associations finances; and

WHEREAS the previous audited financial statements of the Association appear to contain certain deficiencies; and

WHEREAS the Board has become aware of weaknesses in the present systems of accounting and the internal systems for financial control; and

WHEREAS the proper preparation and review of financial statements and systems of internal control requires appropriate knowledge and experience in such matters; and

WHEREAS the Board desires to minimize the expense of paid staff and external contractors and make maximum utilization of volunteers who are willing to offer their relevant knowledge, expertise, and experience at no cost to the Association; and

WHEREAS the Board wishes to follow best current practice in ensuring good governance of the Association and full and accurate accountability to all members and other stakeholders, e.g. prospective purchasers of properties subject to the Declaration;

NOW THEREFOR IT IS RESOLVED:

That a committee shall henceforth be established each year that shall be known as that year's "Audit Committee".

That each Audit committee shall have oversight responsibilities with respect to a particular Fiscal Year with the 2005 Audit Committee having oversight responsibilities related to the 2005 Fiscal Year.

That each Audit committee shall exist from the initial appointment of any members to the committee until the external Audit for the respective fiscal year has been completed and the final report of the committee has been presented to the Board.

That each Audit committee shall consists of 3 to 5 members, one of which shall automatically be the Treasurer of the Association, one of which shall, if possible, be a CPA licensed by the Florida DBPR, one of which shall, if possible, be a person with experience as a corporate officer of a publicly traded company, and the remaining two members shall, if possible, be persons with relevant business or accounting experience e.g. retired CPA's, bankers, or business executives.

That the board, upon application and review of the resume and qualifications of any member of the Association willing to serve on the Audit committee, shall certify the qualification of that member to serve on any future audit committee.

That the members of the audit committee, other than the treasurer, shall be appointed by vote of the members at the annual meeting from candidates whose qualification to serve on the committee have been previously certified by the Board. Any vacancies in the committee shall be filled by the Board. Any member of the committee, other than the Treasurer, may be removed from the committee without cause by a vote of a majority of the committee and the consent of the Board. Any member of the committee may be removed from the committee for cause by the Board.

That the committee shall become apprised of all significant accounting policies and choices used in preparing financial statements and all management judgments on significant accounting estimates.

That the committee shall conduct such internal audits of the Association's books, accounts, financial records, and systems of internal control as are reasonable and necessary to minimize the costs associated with the annual external audit. Approval for such internal audits shall be obtained from the Treasurer or the Board.

That the committee shall review the Association's accounting systems and recommend such improvements to the Treasurer as the committee considers necessary and appropriate to provide accurate financial information necessary to manage the affairs of the Association.

That the committee shall recommend to the Treasurer such journal entries or other corrections to the accounting records as may be necessary to maintain the Association books in full compliance with all relevant Generally Accepted Accounting Principles.

That the committee shall review the Association's systems of internal control and shall recommend such modifications or improvements to such systems as are necessary and reasonable for a homeowners association of this size and scope.

That the committee shall monitor that all regulatory requirements are being met and inform the Board of any compliance shortcomings that are found.

That the committee shall assist the Treasurer in the preparation of an RFP for the external audit, shall review submitted audit proposals, and shall recommend one or more firms to be engaged by the Board for the external audit.

That the committee shall informally review quarterly financial statements of the Association to insure that they accurately reflect the financial condition and financial performance of Association for each accounting quarter.

That all officers and employees of the Association are directed to cooperate fully with the Committee and any internal auditor appointed by the committee and to make available any such financial or other records as requested in connection with any of the duties established by this resolution.

That the committee shall report to the Board and to the members at the Annual Members' Meeting. After the committee has concluded its work with respect to the year for which it was established, it shall prepare a final report for presentation to the Board. Such report may include one or more minority reports.

That nothing in this resolution is intended to reduce or eliminate any fiduciary responsibility or duty of the Directors, Treasurer, and other officers of Association.

That the committee shall elect one of its members, other than the Treasurer, to chair the committee and shall operate in accordance with Article IX of the Association Bylaws. All meetings of the committee shall be open to and noticed to all members of the Association.

The above resolution was unanimously adopted at the November 28, 2005 meeting of the Board.