

# SUN CITY ANTHEM COMMUNITY ASSOCIATION, INC.

## RESOLUTION OF THE BOARD OF DIRECTORS

Comment: Subject and body of resolution have fundamental conflicts--making it false. IRS R-R 70-604 does not allow placing any "surplus member income" into reserve funds.

RE: EXCESS INCOME APPLIED TO FOLLOWING YEAR'S ASSESSMENTS AND TRANSFERS TO RESERVE FUNDS

WHEREAS, Sun City Anthem Community Association, Inc. is a Nevada corporation duly organized and existing under the laws of the State of Nevada; and

WHEREAS, the Members/Board of Directors desire that ~~the corporation shall act in full accordance with the rulings and regulations of the Internal Revenue Service;~~

NOW, THEREFORE, the Members/Board of Directors hereby adopt the following resolutions by and on behalf of Sun City Anthem Community Association, Inc.:

RESOLVED, that the ~~excess of membership income over membership expenses for the year ended December 31, 2006, shall be applied against the subsequent tax year member assessments as provided by IRS Revenue Ruling 70-604.~~

RESOLVED, that a certain ~~portion of the amounts collected~~ by the Association shall be ~~set aside for future major repairs and replacements and allocated to capital components~~ as provided by the guidelines established by Revenue Rulings 75-371, 75-370 and 74-563. Such amounts ~~shall be deposited~~ into insured interest bearing accounts.

This resolution is adopted and made a part of the minutes of the meeting of September 27, 2007.

Comment: This claims 2007 Board intent to comply with 70-604, but violates it by stating a portion of surpluses would be deposited into accounts instead being returned to the members. Nothing was returned. This was a willful violation of 70-604.

BY: \_\_\_\_\_

President

ATTESTED: \_\_\_\_\_

Secretary

Sun City Anthem Community Association, Inc.  
 Form 1120  
 86-0932401  
 December 31, 2007

Comment: This is the last page of SCA's Form 1120 for taxable year 2007 signed by Tax Preparer/Auditor Gary Lein and SCA Treasurer, Shirley Cheri (CPA). Note that the surplus from 2006 was carried forward and NOT refunded or credited toward 2007 or 2008 member assessments--as claimed by the Board in the previous year. This proves that the Board and its tax preparer falsely claimed in 2006 to be following IRS RR 70-604. And, the certification statement at the bottom is also untrue.

	MEMBER INCOME	NONMEMBER INCOME	TOTAL
Member Assessments	\$ 6,992,980	\$ -	\$ 6,992,980
Asset Enhancement Fees	217,588	-	217,588
Newsletter	-	407,063	407,063
Architectural Review Fees	67,190	-	67,190
Transfer Fees	139,456	-	139,456
Fines	185,140	-	185,140
Fitness and Spa Income	102,196	41,918	144,114
Member Activities	84,555	123,629	208,184
Restaurant Lease	-	10,000	10,000
Interest Income	-	394,487	394,487
Developer Contribution	241,718	-	241,718
Carryforward per Revenue Ruling 70-604 from 2006	3,179,168	-	3,179,168
Other Income	59,804	87,386	147,190
	11,269,795	1,064,483	12,334,278
Transfer to Replacement Fund per Revenue Rulings 75-371, 75-370 and 74-563	(1,998,019)	-	(1,998,019)
Carryforward per Revenue Ruling 70-604 to 2008	(3,845,024)	-	(3,845,024)
Page 1, Line 11 - Total Income	5,426,752	1,064,483	6,491,235
Administration	1,281,261	209,914	1,491,175
Fitness Center	487,661	71,968	559,629
Member Activities	495,885	433,732	929,617
Community Center Maintenance	1,756,769	259,261	2,016,030
Common Area Maintenance	1,344,945	221,759	1,566,704
Depreciation	60,231	-	60,231
	5,426,752	1,196,634	6,623,386
Carryforward per IRC 277(a) to 2007	-	-	-
Page 1, Line 27 - Total Deductions	5,426,752	1,196,634	6,623,386
PAGE 1, LINE 28 - TAXABLE INCOME	\$ -	\$ (132,151)	\$ (132,151)

The Association elects to use the provisions of IRC Revenue Ruling 70-604 for the current tax year. The members of the Association specifically empower the signor of this return to make this election on their behalf. Thus, current excess membership income will be carried over to the following year's assessments.

Comment: Above highlighted words are false. SCA members have NOT empowered the "signors" to make an "election" on their behalf. And, I believe 70-604 does NOT provide provisions to annually "carry over" and retain untaxed member surpluses. The above says 2006 untaxed surpluses were not credited to member accounts. This is evidence that CPA's Lein & Cheri have willfully violated IRS RR 70-604.