

Renaissance Ridge Homeowners Association

Financial Statements and
Supplementary Information

For the Year Ended December 31, 2009

STANFORD, MUNKO & Co., P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
4250 8TH AVE NW, SUITE 200
SEATTLE, WASHINGTON 98107-4513
TELEPHONE (206) 283-1627
FAX (206) 283-9761
flintow@stanfordmunko.com

DAVID A. MUNKO, C.P.A.
FRED L. LINTOW, C.P.A.
JAMES H. POWERS, C.P.A.
BRIAN J. BOTNEN, C.P.A.
CHRIS J. SULLIVAN, C.P.A.
ANTHONY MUNKO, C.P.A.
JAMES A. PULSIFER, C.P.A.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members
Renaissance Ridge Homeowners Association
Sammamish, Washington

We have audited the accompanying balance sheet of Renaissance Ridge Homeowners Association as of December 31, 2009, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Renaissance Ridge Homeowners Association as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The supplementary information on future major repairs and replacements is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Stanford, Munko & Co., PLLC
Certified Public Accountants

August 5, 2010

Renaissance Ridge Homeowners Association

Balance Sheet
December 31, 2009

<u>Assets</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash	\$ 56,740	\$ 93,192	\$ 149,932
Assessments receivable-net of allowance for doubtful accounts of \$4,366	1,526		1,526
Other receivables	1,935		1,935
Prepaid federal income tax	<u>34</u>	<u></u>	<u>34</u>
Total assets	\$ <u>60,235</u>	\$ <u>93,192</u>	\$ <u>153,427</u>
 <u>Liabilities and Fund Balances</u>			
Accounts payable	\$ 928	\$	\$ 928
Prepaid assessments	<u>30,114</u>	<u></u>	<u>30,114</u>
Total liabilities	\$ 31,042	\$	\$ 31,042
Fund balances	<u>29,193</u>	<u>93,192</u>	<u>122,385</u>
Total liabilities and fund balances	\$ <u>60,235</u>	\$ <u>93,192</u>	\$ <u>153,427</u>

See accompanying notes to financial statements.

Renaissance Ridge Homeowners Association

Statement of Revenues, Expenses
and Changes in Fund Balances
For the Year Ended December 31, 2009

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenues:			
Regular assessments	\$ 109,815	\$ 9,985	\$ 119,800
Late and other member charges	732		732
Recovered damages	1,409		1,409
Interest		66	66
	<hr/>	<hr/>	<hr/>
Total revenue	\$ 111,956	\$ 10,051	\$ 122,007
Expenses:			
Utilities:			
Electricity	\$ 9,838	\$	\$ 9,838
Water / sewer	12,947		12,947
Telephone / alarm	189		189
	<hr/>	<hr/>	<hr/>
	\$ 22,974	\$	\$ 22,974
Maintenance:			
General repairs and maintenance	\$ 3,440	\$	\$ 3,440
Landscape maintenance	49,188		49,188
	<hr/>	<hr/>	<hr/>
	\$ 52,628	\$	\$ 52,628
General and administrative:			
Management fees	\$ 7,200	\$	\$ 7,200
Insurance	5,492		5,492
Insurance claim	1,408		1,408
Functions	728		728
Professional services	1,650		1,650
Office and miscellaneous	781	100	881
Bad debt	4,366		4,366
	<hr/>	<hr/>	<hr/>
	\$ 21,625	\$ 100	\$ 21,725
Total operating expenses	<u>\$ 97,227</u>	<u>\$ 100</u>	<u>\$ 97,327</u>
Excess of revenues over expenses	\$ 14,729	\$ 9,951	\$ 24,680
Fund balances at beginning of year	<u>14,464</u>	<u>83,241</u>	<u>97,705</u>
Fund balances at end of year	<u><u>\$ 29,193</u></u>	<u><u>\$ 93,192</u></u>	<u><u>\$ 122,385</u></u>

See accompanying notes to financial statements.

Renaissance Ridge Homeowners Association

Statement of Cash Flows
For the Year Ended December 31, 2009

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Excess of revenues over expenses:	\$ 14,729	\$ 9,951	\$ 24,680
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in assets:			
Assessments receivable-net of allowance for doubtful accounts of \$4,366	2,281		2,281
Other receivables	(46)		(46)
Prepaid insurance	5,492		5,492
Prepaid federal income tax	(34)		(34)
Increase (decrease) in liabilities:			
Accounts payable	75		75
Prepaid assessments	30,051		30,051
Federal income tax payable	<u>(131)</u>		<u>(131)</u>
Net cash provided (used) by operating activities	\$ 52,417	\$ 9,951	\$ 62,368
Cash at beginning of year	<u>4,323</u>	<u>83,241</u>	<u>87,564</u>
Cash at end of year	<u>\$ 56,740</u>	<u>\$ 93,192</u>	<u>\$ 149,932</u>
Supplemental disclosure:			
Income taxes paid	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to financial statements.

Renaissance Ridge Homeowners Association

Notes to Financial Statements
December 31, 2009

Note 1 - Nature of Organization:

Renaissance Ridge Homeowners Association is a statutory homeowner association incorporated in the State of Washington November 12, 1998. The Association is responsible for the operation and maintenance of the common property of Renaissance Ridge, which consists of 300 residential units located in Sammamish, Washington. The Association is subject to certain provisions of the Washington Condominium Act, RCW Chapter 64.38.

Note 2 - Date of Management's Review:

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 5, 2010 the date the financial statements were available to be issued.

Note 3 - Summary of Significant Accounting Policies:

Fund Accounting:

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the uses of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents:

The Association considers money market accounts and cash investments with an original maturity date of 90 days or less to be cash equivalents. The Association maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts.

Assessments receivable:

Assessments receivable at the balance sheet date represent fees due from unit owners. The Association has the authority to assess late charges and, if necessary, place liens on properties of homeowners whose assessments are delinquent. At December 31, 2009, there were fourteen accounts in the amount of \$7,643, which were over 90 days delinquent. Bad debt expense for 2009 of \$4,366 was included in general and administrative expenses.

Renaissance Ridge Homeowners Association

Notes to Financial Statements (Continued)
December 31, 2009

Note 3 - Summary of Significant Accounting Policies (Continued):

Property and Equipment:

Real property and common areas acquired from the developer and related improvements to such property are not recorded on the Association's financial statements. Those properties are owned by the individual unit owners in common and not by the Association. Expenditures for improvements to such property are charged to expense in the period incurred. Personal property acquired by the Association is recorded at cost and depreciated over its estimated useful life using the straight line method of depreciation. There is no capitalized property at the end of the year.

Federal Income Taxes:

The Association may elect to be taxed as a regular corporation or as a homeowners association. For the year ended December 31, 2009 the Association elected to be taxed as a homeowners association under Internal Revenue Code Section 528. Under that section, the Association is taxed at 30% on its net nonexempt function income, which includes interest earnings. Exempt function income, such as membership assessments, is not taxable.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note 4 - Future Major Repairs and Replacements:

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregated approximately \$93,192 at December 31, 2009, are held in separate accounts and are generally not available for operating purposes.

The Association commissioned a study by professional reserve analysts in 2004 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimate of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures however may vary from the estimated costs and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

Note 5 - Assessments:

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Total half yearly member assessments to owners were \$60,000. Of this amount, \$5,000 was designated to the replacement fund.

Renaissance Ridge Homeowners Association

Notes to Financial Statements (Continued)

December 31, 2009

Note 5 - Assessments (Continued):

The annual budget and member assessments are determined by the board of directors, within certain restrictions. The Association retains excess operating funds at the end of the year, if any, for use in future operating periods.

Note 6 - Insurance Reserve:

At December 31, 2009, the Association did not maintain a separate insurance reserve. The Association makes payments on an annual insurance contract

Note 7 - Management Company Transactions:

The management company is reimbursed for various administrative costs incurred on behalf of the Association.

Note 8 - Commitments:

The Association has various contracts for services including but not limited to management, landscape and various maintenance services.

Supplementary Information

Renaissance Ridge Homeowners Association

Supplementary Information on Future
Major Repairs and Replacements
December 31, 2009

The Association commissioned a study in 2004 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study and have not been revised since that date. The study takes into account the effects of a five percent inflation rate and interest rate of four percent, net of tax, between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property. The information presented is only an excerpt from the complete study.

See independent auditors' report.

DATE: 30-Sep-04

PER YEAR EXPENSES (adjusted for inflation*)

#	Component name	Typical life	Next exp.	2004	2005	2006	2007	2008	2009	2010	2011	2012
2.6.1	Streets and Roads	15	-									
2.6.2	Asphalt Paving	15	1		\$1,049						\$1,406	
2.6.3	Gravel Pathways	5	1		\$5,182					\$6,613		
2.7.1	Fencing	10	4			\$288		\$58,438		\$128,857		\$71,032
2.8.1	Site Fixtures	15	2							\$8,916		
2.9.1	Lawns/Landscape	Indef.	-									
3.2.1	Retaining Walls	30	-									
10.4.4	Entry Features	Varies	6							\$8,500		\$17,360
10.5.1	Mailboxes	10	6							\$11,084	\$11,638	\$12,220
15.2.1	Lawn Irrigation	Varies	-									
15.4.1	Stormwater Detention	Indef.	-									
16.6.1	Exterior Lighting	15	-									
Total Expenditures by Year				\$0	\$6,231	\$288	\$0	\$58,438	\$0	\$163,970	\$13,044	\$100,612
Carry over reserve balance				\$23,252	\$24,182	\$50,924	\$86,403	\$125,283	\$107,882	\$151,251	\$31,059	\$62,053
Annual Reserve Contribution					\$31,500	\$33,075	\$34,729	\$36,465	\$38,288	\$40,203	\$42,213	\$44,324
Reserve Expenditures				\$0	(\$6,231)	(\$288)	\$0	(\$58,438)	\$0	(\$163,970)	(\$13,044)	(\$100,612)
Accumulated Reserve Funds				\$23,252	\$49,451	\$83,711	\$121,132	\$103,310	\$146,170	\$27,484	\$60,228	\$5,765
Interest Earned				\$930	\$1,473	\$2,693	\$4,151	\$4,572	\$5,081	\$3,575	\$1,826	\$1,356
Year End Reserve Balance				\$24,182	\$50,924	\$86,403	\$125,283	\$107,882	\$151,251	\$31,059	\$62,053	\$7,122
Inflation multiplier				1.00	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48
Interest rate multiplier				0.04								

See independent auditors' report.

20 YEAR SPREAD SHEET ALLOWING FOR INFLATION

DATE: 30-Sep-04

PER YEAR EXPENSES (adjusted for inflation*)

#	COMPONENT NAME	TYPICAL NEXT LIFE	EXP.	0	1	2	3	4	5	6	7	8	
				2004	2005	2006	2007	2008	2009	2010	2011	2012	
2.8.1	STREETS AND ROADS	15	-										
2.8.2	ASPHALT PAVING	15	1	\$1,049							\$1,408		
2.8.3	GRAVEL PATHWAYS	5	1	\$5,182						\$6,813			
2.7.1	FENCING	10	4				\$58,438			\$128,857		\$71,032	
2.8.1	SITE FIXTURES	15	2			\$288				\$8,816			
2.8.1	LAWNS/ LANDSCAPE	INDEF.	-										
3.2.1	RETAINING WALLS	30	-										
10.4.1	ENTRY FEATURES	VARIES	8							\$8,500		\$17,360	
10.5.1	MAILBOXES	10	8							\$11,064	\$11,638	\$12,220	
15.2.1	LAWN IRRIGATION	VARIES	-										
15.4.1	STORMWATER DETENTION	INDEF.	-										
18.8.1	EXTERIOR LIGHTING	15	-										
TOTAL EXPENDITURES BY YEAR				\$23,252	\$6,231	\$288	\$86,404	\$58,438	\$107,883	\$151,252	\$13,044	\$100,612	
CARRY OVER RESERVE BALANCE				\$24,182	\$24,182	\$50,824	\$96,404	\$125,283	\$151,252	\$31,060	\$62,055	\$62,055	
ANNUAL RESERVE CONTRIBUTION				\$31,500	\$31,500	\$33,075	\$34,729	\$36,485	\$38,288	\$40,203	\$42,213	\$44,324	
RESERVE EXPENDITURES				\$6,231	\$6,231	\$288	\$86,404	\$58,438	\$107,883	\$151,252	\$13,044	\$100,612	
ACCUMULATED RESERVE FUNDS				\$23,252	\$48,451	\$83,711	\$121,133	\$163,970	\$207,485	\$257,485	\$307,485	\$357,485	\$407,485
INTEREST EARNED				\$930	\$1,473	\$2,663	\$4,151	\$5,722	\$7,375	\$9,115	\$10,945	\$12,865	\$14,875
YEAR END RESERVE BALANCE				\$24,182	\$50,924	\$86,404	\$125,283	\$167,883	\$215,252	\$263,252	\$311,252	\$359,252	\$407,252
INFLATION MULTIPLIER				1.00	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48	
INTEREST RATE MULTIPLIER				0.04									

See independent auditors' report.