

**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**

**FINANCIAL STATEMENTS – MODIFIED CASH BASIS AND  
SUPPLEMENTARY INFORMATION  
December 31, 2016 and 2015**

(With Independent Auditor's Report Thereon)

**DRAFT #2**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Memorial Northwest Homeowners Association (a Texas nonprofit Corporation), which comprise the statement of assets, liabilities and members' equity – modified cash basis as of December 31, 2016 and 2015, and the related statements of revenue and expenses and changes in members' equity – modified cash basis and cash flows – modified cash basis for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Memorial Northwest Homeowners Association as of December 31, 2016 and 2015, and the results of its operations and cash flows for the year then ended in conformity with the modified cash basis of accounting.

**Basis of Accounting**

We draw attention to Note 3 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

**Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on pages 9-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Report on Other Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses – modified cash basis on pages 15-16 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

June 15, 2017

**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**  
Statement of Assets, Liabilities and  
Members' Equity - Modified Cash Basis  
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$1,148,143	\$1,123,042
Investments - certificates of deposit	230,000	
Property and equipment:		
Community center	887,958	887,958
Furniture and fixtures	36,122	36,122
Less: Accumulated depreciation	<u>(121,767)</u>	<u>(84,944)</u>
Net property and equipment	<u>802,313</u>	<u>839,136</u>
<b>Total Assets</b>	<u><u>\$2,180,456</u></u>	<u><u>\$1,962,178</u></u>
 <b>Liabilities and Members' Equity</b>		
<b>Liabilities</b>		
Loan payable	\$398,665	\$444,991
Assessments received in advance	<u>334,146</u>	<u>315,838</u>
<b>Total Liabilities</b>	732,811	760,829
<b>Members' Equity</b>	<u>1,447,645</u>	<u>1,201,349</u>
<b>Total Liabilities and Members' Equity</b>	<u><u>\$2,180,456</u></u>	<u><u>\$1,962,178</u></u>

See accompanying notes to financial statements.

**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**

Statement of Revenue and Expenses  
and Changes in Members' Equity - Modified Cash Basis  
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Revenue</b>		
Member assessments	\$911,365	\$868,787
Collection and legal fees	84,733	25,884
Club dues	29,715	20,639
Community center rentals	15,105	8,144
Other revenue	20,467	17,460
Interest income	474	125
<b>Total Revenue</b>	<u>1,061,859</u>	<u>941,039</u>
<b>Expenses</b>		
Community center	339,790	284,474
Amenities operations	295,139	345,895
General and administrative	<u>180,634</u>	<u>141,874</u>
<b>Total Expenses</b>	<u>815,563</u>	<u>772,243</u>
<b>Excess Revenue Over Expenses</b>	246,296	168,796
<i>Members' Equity - beginning of year - as originally reported</i>	1,201,349	1,105,244
Prior period adjustment - change to <i>modified cash basis of accounting</i>	<u>                    </u>	<u>(72,691)</u>
<b>Members' Equity - End of Year</b>	<u><u>\$1,447,645</u></u>	<u><u>\$1,201,349</u></u>

See accompanying notes to financial statements.

**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**

Statement of Cash Flows - Modified Cash Basis  
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<i>Cash Flows From Operating Activities</i>		
Cash collected for assessments and fees	\$1,014,406	\$1,039,009
Cash interest and dividends received	474	125
Other cash receipts related to operations	65,287	46,243
Cash paid for operating expenses	(753,184)	(709,415)
Interest paid on loans	(25,556)	(26,005)
	<u>301,427</u>	<u>349,957</u>
<b><i>Net Cash Provided (Used) By Operating Activities</i></b>		
<i>Cash Flows From Investing Activities</i>		
Investments sold		
Investments purchased	(230,000)	
	<u>(230,000)</u>	
<b><i>Net Cash Provided (Used) By Investing Activities</i></b>		
<i>Cash Flows From Financing Activities</i>		
Loan proceeds		
Loan principal repayments	(46,326)	(45,683)
	<u>(46,326)</u>	<u>(45,683)</u>
<b><i>Net Cash Provided (Used) By Financing Activities</i></b>		
<b><i>Net Increase (Decrease) in Cash and Cash Equivalents</i></b>	<b>25,101</b>	<b>304,274</b>
<b><i>Cash and Cash Equivalents:</i></b>		
<i>Beginning of Year</i>	<u>1,123,042</u>	<u>818,768</u>
<i>End of Year</i>	<u><u>\$1,148,143</u></u>	<u><u>\$1,123,042</u></u>
 <i>Reconciliation of excess of revenue over expenses to net cash provided by operating activities</i>		
<b><i>Excess Revenue over Expenses</i></b>	<b>\$246,296</b>	<b>\$168,796</b>
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided (used) by operating activities:		
Noncash depreciation expense	36,823	36,823
Increase (decrease) in assessments received in advance	18,308	144,338
	<u>301,427</u>	<u>349,957</u>
<b><i>Net Cash Provided (Used) By Operating Activities</i></b>	<b>\$301,427</b>	<b>\$349,957</b>

See accompanying notes to financial statements.

**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**

Notes to Financial Statements  
December 31, 2016 and 2015

**NOTE 1 – Nature of Organization**

Memorial Northwest Homeowners Association is a Texas non-profit corporation that was chartered July 2, 1973. The purposes for which the corporation is organized are to provide maintenance of common areas, preservation, and architectural control of approximately 1,960 residential homesites, and to promote the health, safety and welfare of the residents within the subdivision located on approximately 30 acres of land in Spring, TX.

**NOTE 2 – Date of Management’s Review**

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 15, 2017, the date the financial statements were available to be issued.

**NOTE 3 – Summary of Significant Accounting Policies**

**Basis of Presentation** - The Association’s policy is to prepare its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Assets and liabilities are recorded and revenue and expenses are recognized on the cash basis, modified for a loan payable and assessments received in advance; consequently, certain revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

**Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting may require management to make estimates and assumptions that affect the reported amounts and disclosure of contingent amounts in the Association’s financial statements and the accompanying notes. Actual results could differ from those estimates. There are no significant estimates contained in the financial statements for the year ended December 31, 2016.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, cash and cash equivalents include all unrestricted cash balances, all money market funds and highly liquid investments with original maturities of three months or less.

**Assessments Received in Advance** – Assessments received in advance of the year due are classified as a liability (deferred revenue) on the balance sheet.

**Property and Equipment** - Real property and common areas consist primarily of pool, tennis courts, community center and landscape. The community center was constructed in 2013 and is being depreciated over an estimated useful life of thirty years using the straight line method of depreciation.

**Member Assessments** - Association members are subject to annual assessments to provide funds for operating expenses and repairs and replacements of common property. Any excess assessments at year end are retained by the Association for use in the succeeding year.

**NOTE 4 – Concentration of Credit Risk**

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2016, the Association had balances in excess of insured limits totaling \$637,116.96. The Association has not experienced any losses in such accounts.



**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**

Notes to Financial Statements  
December 31, 2016 and 2015

**NOTE 5 – Prior Period Adjustment**

The Association's accounting and financial reporting method under its previous management company was the accrual method of accounting whereby revenue is recognized when earned and expenses are recognized as incurred. Uncollected assessments are reported as assessments receivable on the balance sheet and unpaid bills are reported as accounts payable on the balance sheet. The Association engaged a new management company effective September 2015. The new management company follows the modified cash basis of accounting for financial reporting purposes. Revenue is recognized as collected and expenses are recognized as paid. The systems for tracking uncollected assessments and unpaid bills are separate from the reporting of revenue collected and expenses paid. The audited financial statements must account for this change in accounting method by restating members' equity (which is equal to assets minus liabilities) at the beginning of 2015 to the modified cash basis. The schedule below details the restatement of members' equity.

Members' Equity per audit December 31, 2014 - accrual basis	\$1,105,244
Adjustments to restate Members' Equity to Modified Cash Basis December 31, 2014:	
Member Assessments Rec. @ December 31, 2014	(69,769)
Collection & Legal Fees Rec. @ December 31, 2014	(62,497)
Allowance for Bad Debts @ December 31, 2014	65,000
Prepaid Insurance @ December 31, 2014	(15,416)
Accounts Payable @ December 31, 2014	<u>9,991</u>
Subtotal - Prior Period Adjustment	(72,691)
Member's Equity - Restated to Modified Cash Basis as of December 31, 2014	<u><u>\$1,032,553</u></u>

**NOTE 6 – Loan Payable**

The Association obtained a loan to partially fund construction of the community center. The loan is payable in monthly installments of \$5,990.16, including interest at 5.5%. The loan is secured by a deed of trust on 9.841 acres of land on which the community center is located and security interest on general assessments and special assessments (the "Assessments") to be paid by all owners of the lots located in Memorial Northwest. The loan matures December 22, 2023. Principal maturities of the loan are as follows:

2017	\$48,018
2018	50,726
2019	53,588
2020	56,611
2021	59,804
Thereafter	<u>129,918</u>
	\$398,665
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**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**

Notes to Financial Statements  
December 31, 2016 and 2015

**NOTE 7 – Federal and State Taxes**

The Association is exempt from federal income tax under Internal Revenue Code Section 501 (c) (4). Form 990-Return of Organization Exempt From Income Tax is required to be filed annually.

The Association is also exempt from state franchise tax and state and local sales tax on purchases in connection with its exempt purpose.

The Association's federal income tax returns are subject to examination by the Internal Revenue Service for three years after the returns are filed, and the Association's federal tax returns for 2014, 2015, and 2016 remain open to examination.

**NOTE 8 – Future Major Repairs and Replacements**

The Association is responsible for preserving and maintaining the common property. The Association's governing documents do not require the accumulation of funds to finance future major repairs and replacements. Funds accumulated for future major repairs total approximately \$250,000.00 at December 31, 2015. The Association does not separately assess members for future major repairs and replacements.

The Association engaged the services of an independent engineer in 2015 to conduct a reserve study to estimate the remaining useful lives of the components of common property and estimates of the costs of future major repairs and replacements. Replacement costs were based on estimated costs to repair or replace the common property at the time of the study and assume a 1.62% annual inflation rate between the date of the study and the date that the components will require repair or replacement.

The Association has adopted and implemented a policy for funding major repairs and replacements based on the study's estimation of remaining useful lives of the components of common property and the study's estimates of current replacement costs, considering amounts previously accumulated for future repairs and replacements. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated for future major repairs and replacements may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, levy special assessments, borrow, or it may delay major repairs and replacements until funds are available. The effect on future assessments has not been determined.

**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**

Supplementary Information on Future Major  
Repairs and Replacements (Unaudited)  
December 31, 2016 and 2015

An independent engineer conducted a study in 2015 to estimate the remaining useful lives and replacement costs of the components of common property. Replacement costs were based on estimated costs to repair or replace the common property at the time of the study and assumes a 1.62% annual inflation rate between the date of the study and the date that the components will require repair or replacement. The board of directors has not designated a specific amount of funds towards each separate component of common property. A portion of the study is presented on pages 10-14. The complete report is available from management.

See accountant's report.

**Memorial Northwest Homeowners Association Reserve Study Expense Item Listing**

Reserve Items	Unit Cost	No Units	Current Cost When New	Estimated Remaining Life	Expected Life When New	Calendar Year	Estimated Future Cost	Raw Annual Payment
<b>Hardscape</b>								
Asphalt Seal & Stripe	\$ 0.15 / Sqft	47839 Sqft	\$ 7,176	1 Year	5 Years	2017	\$ 7,412	\$ 3,706.00
				5 Year		2022	\$ 8,037	\$ 1,607.38
						2027	\$ 8,715	\$ 1,742.90
						2032	\$ 9,449	\$ 1,889.85
						2037	\$ 10,246	\$ 2,049.19
						2042	\$ 11,110	\$ 2,221.96
2047	\$ 12,046	\$ 2,409.29						
Asphalt Localized Patch & Repair - 10% of Total	\$ 2.00 / Sqft	4784 Sqft	\$ 9,568	1 Year	10 Years	2017	\$ 9,883	\$ 4,941.43
				10 Year		2027	\$ 11,620	\$ 1,161.96
						2037	\$ 13,662	\$ 1,366.15
						2047	\$ 16,062	\$ 1,606.23
Concrete Sidewalk & Walking Path Repair - 5% of Total	\$ 6.54 / Sqft	200 Sqft	\$ 1,308	0 Years	10 Years	2016	\$ 1,329	\$ 1,329.35
				10 Years		2026	\$ 1,563	\$ 156.30
						2036	\$ 1,838	\$ 183.76
						2046	\$ 2,161	\$ 216.05
<b>Clubhouse</b>								
Asphalt Shingle Roof Replacement	\$ 4.00 / Sqft	10289 Sqft	\$ 41,156	15 Years	20 Years	2031	\$ 53,324	\$ 3,332.78
				20 Years		2051	\$ 73,713	\$ 3,685.64
Aluminum Gutter & Downspout Replacement	\$ 7.54 / Lnft	474 Lnft	\$ 3,574	25 Years	30 Years	2041	\$ 5,444	\$ 209.40
				30 Years		2071	\$ 8,849	\$ 294.95
Clubhouse Furniture Replacement Allowance	\$ 12,000 / Lump Sum	1 Lump Sum	\$ 12,000	16 Years	25 Years	2032	\$ 15,802	\$ 929.52
				25 Years		2057	\$ 23,685	\$ 947.41
Kitchen Appliance Replacement Allowance	\$ 10,000 / Lump Sum	1 Lump Sum	\$ 10,000	10 Years	15 Years	2026	\$ 11,949	\$ 1,086.29
				15 Years		2041	\$ 15,234	\$ 1,015.57
						2056	\$ 19,421	\$ 1,294.71
Fitness Center Equipment Replacement Allowance	\$ 7,500 / Lump Sum	1 Lump Sum	\$ 7,500	4 Years	5 Years	2020	\$ 8,132	\$ 1,626.47
				5 Years		2025	\$ 8,818	\$ 1,763.60
						2030	\$ 9,561	\$ 1,912.29
						2035	\$ 10,368	\$ 2,073.52
						2040	\$ 11,242	\$ 2,248.34
						2045	\$ 12,190	\$ 2,437.90
Interior Painting	\$ 1.12 / Sqft	11160 Sqft	\$ 12,499	7 Years	10 Years	2023	\$ 14,228	\$ 1,778.44
				10 Years		2033	\$ 16,728	\$ 1,672.77
						2043	\$ 19,667	\$ 1,966.73
						2053	\$ 23,124	\$ 2,312.35
Carpet	\$ 4.20 / Sqft	1800 Sqft	\$ 7,560	7 Years	10 Years	2023	\$ 8,605	\$ 1,075.67
				10 Years		2033	\$ 10,118	\$ 1,011.76

Memorial Northwest Homeowners Association Reserve Study Expense Item Listing - Continued

Reserve Items	Unit Cost	No Units	Current Cost When New	Estimated Remaining Life	Expected Life When New	Calendar Year	Estimated Future Cost	Raw Annual Payment
Carpet	\$ 4.20 / Sqft	1800 Sqft	\$ 7,560	10 Years	10 Years	2043	\$ 11,896	\$ 1,189.56
						2053	\$ 13,986	\$ 1,398.60
Restroom Refurbish Allowance	\$ 2,500 / Each	2 Each	\$ 5,000	14 Years	20 Years	2030	\$ 6,374	\$ 424.95
				20 Years		2050	\$ 8,811	\$ 440.57
Clubhouse & Tennis Court Condenser Unit Replacement	\$ 5,000 / Each	5 Each	\$ 25,000	10 Years	15 Years	2026	\$ 29,873	\$ 2,715.73
				15 Years		2041	\$ 38,084	\$ 2,538.93
						2056	\$ 48,552	\$ 3,236.78
<b>Tennis Court</b>								
12ft. Chain Link Fence Replacement	\$ 35.00 / Lnft	1456 Lnft	\$ 50,960	28 Years	40 Years	2044	\$ 81,494	\$ 2,810.12
				40 Years		2084	\$ 155,724	\$ 3,893.11
10ft. Tennis Court Wind Screen Replacement - All Tennis Courts	\$ 6.00 / Lnft	1368 Lnft	\$ 8,208	7 Years	15 Years	2023	\$ 9,343	\$ 1,167.87
				15 Years		2038	\$ 11,911	\$ 794.06
						2053	\$ 15,185	\$ 1,012.32
Tennis Court Wood Deck Replacement	\$ 6.50 / Sqft	2220 Sqft	\$ 14,430	15 Years	20 Years	2031	\$ 18,696	\$ 1,168.53
				20 Years		2051	\$ 25,845	\$ 1,292.25
Tennis Court Refurbish - 2016	\$ 1.25 ea	14465	\$ 18,081	0 Years	20 Years	2016	\$ 18,376	\$ 18,376.35
				20 Years		2036	\$ 25,402	\$ 1,270.12
						2056	\$ 35,115	\$ 1,755.75
Tennis Court Resurfacing	\$ 1.25 / Sqft	86792 Sqft	\$ 108,490	18 Years	20 Years	2034	\$ 147,562	\$ 7,766.44
				20 Years		2054	\$ 203,982	\$ 10,199.10
Tennis Court Wood Bench Replacement	\$ 400 / Each	24 Each	\$ 9,600	11 Years	15 Years	2027	\$ 11,658	\$ 971.54
				15 Years		2042	\$ 14,863	\$ 990.86
						2057	\$ 18,948	\$ 1,263.21
Restroom Refurbish Allowance	\$ 5,000 / Each	2 Each	\$ 10,000	9 Years	15 Years	2025	\$ 11,757	\$ 1,175.73
				15 Years		2040	\$ 14,989	\$ 999.26
						2055	\$ 19,109	\$ 1,273.92
<b>Pool</b>								
Restroom Refurbish Allowance	\$ 2,500 / Each	2 Each	\$ 5,000	8 Years	15 Years	2024	\$ 5,784	\$ 642.69
				15 Years		2039	\$ 7,374	\$ 491.61
						2054	\$ 9,401	\$ 626.73
Wrought Iron Pool Fence - Scrape & Paint	\$ 3.00 / Sqft	3510 Sqft	\$ 10,530	10 Years	12 Years	2026	\$ 12,583	\$ 1,143.87
				12 Years		2038	\$ 15,280	\$ 1,273.37
						2050	\$ 18,557	\$ 1,546.41
Concrete Pool Deck - 5% Repair or Replacement Allowance	\$ 6.54 / Sqft	650 Sqft	\$ 4,251	5 Years	10 Years	2021	\$ 4,685	\$ 780.77
				10 Years		2031	\$ 5,508	\$ 550.79
						2041	\$ 6,476	\$ 647.58

Memorial Northwest Homeowners Association Reserve Study Expense Item Listing - Continued

Reserve Items	Unit Cost	No Units	Current Cost When New	Estimated Remaining Life	Expected Life When New	Calendar Year	Estimated Future Cost	Raw Annual Payment
Concrete Pool	\$ 6.54 / Sqft	650 Sqft	\$ 4,251	10 Years	10 Years	2051	\$ 7,614	\$ 761.38
Resurface Main Pool	\$ 4.50 / Sqft	9012 Sqft	\$ 40,554	7 Years	7 Years	2021	\$ 44,691	\$ 7,448.48
						2028	\$ 50,053	\$ 7,150.50
						2035	\$ 56,060	\$ 8,008.52
						2042	\$ 62,786	\$ 8,969.49
Pool Coping & Main Pool Waterline Tile Refurbish	\$ 50.00 / Lnft.	320 Lnft.	\$ 16,000	14 Years	14 Years	2049	\$ 70,320	\$ 10,045.78
						2021	\$ 17,632	\$ 2,938.69
						2035	\$ 22,118	\$ 1,579.82
Resurface Wading Pool	\$ 4.00 ea	260	\$ 1,040	7 Years	7 Years	2049	\$ 27,744	\$ 1,981.71
						2021	\$ 1,146	\$ 191.01
						2028	\$ 1,284	\$ 183.37
						2035	\$ 1,438	\$ 205.38
						2042	\$ 1,610	\$ 230.02
Coping & Waterline Tile Refurbish - Wading Pool	\$ 50.00 / Lnft.	63 Lnft.	\$ 3,150	14 Years	14 Years	2049	\$ 1,803	\$ 257.62
						2021	\$ 3,471	\$ 578.55
						2035	\$ 4,354	\$ 311.03
Pool Pump & Filtration Equipment Allowance	\$ 5,000 / Lump sum	1 Lump sum	\$ 5,000	7 Years	7 Years	2046	\$ 5,462	\$ 390.15
						2018	\$ 5,249	\$ 1,749.61
						2025	\$ 5,879	\$ 839.81
						2032	\$ 6,584	\$ 940.58
Furniture Replacement Allowance	\$ 5,000 / Lump Sum	1 Lump Sum	\$ 5,000	5 Years	5 Years	2039	\$ 7,374	\$ 1,053.45
						2046	\$ 8,259	\$ 1,179.85
						2021	\$ 5,510	\$ 918.34
						2026	\$ 5,975	\$ 1,194.92
						2031	\$ 6,478	\$ 1,295.67
Wood Pergola Replacement	\$ 3,000 / Each	2 Each	\$ 6,000	20 Years	20 Years	2041	\$ 7,025	\$ 1,404.91
						2046	\$ 8,259	\$ 1,651.79
Pool Maintenance Building Tuck-pointing	\$ 1,500 / Lump Sum	1 Lump Sum	\$ 1,500	10 Years	10 Years	2046	\$ 7,617	\$ 1,523.36
						2026	\$ 7,170	\$ 651.78
						2046	\$ 9,911	\$ 495.54
						2024	\$ 1,735	\$ 192.81
						2034	\$ 2,040	\$ 204.02
						2044	\$ 2,399	\$ 239.88
						2054	\$ 2,820	\$ 282.03
<b>Site</b>								
Stone & Brick Monument Tuck-pointing	\$ 4.00 / Sqft	390 Sqft	\$ 1,560	15 Years	25 Years	2031	\$ 2,021	\$ 126.33
				25 Years		2056	\$ 3,030	\$ 121.18

Memorial Northwest Homeowners Association Reserve Study Expense Item Listing - Continued

Reserve Items	Unit Cost	No Units	Current Cost When New	Estimated Remaining Life	Expected Life When New	Calendar Year	Estimated Future Cost	Raw Annual Payment
6ft. Chain Link Fence Replacement - Walking Path	\$ 15.00 / Lnft	1073 Lnft	\$ 16,095	11 Years	20 Years	2027	\$ 19,546	\$ 1,628.84
				20 Years		2047	\$ 27,020	\$ 1,350.98
Tot Lot Replacement Allowance	\$ 10,000 / Lump Sum	1 Lump Sum	\$ 10,000	10 Years	20 Years	2026	\$ 11,949	\$ 1,086.29
				20 Years		2046	\$ 16,518	\$ 825.90
Wood Picnic Table Replacement	\$ 400 / Each	3 Each	\$ 1,200	5 Years	15 Years	2021	\$ 1,322	\$ 220.40
				15 Years		2036	\$ 1,686	\$ 112.39
						2051	\$ 2,149	\$ 143.28
Wood Park Bench Replacement	\$ 300 / Each	4 Each	\$ 1,200	5 Years	15 Years	2021	\$ 1,322	\$ 220.40
				15 Years		2036	\$ 1,686	\$ 112.39
						2051	\$ 2,149	\$ 143.28
Pole Lighting Replacement - Tennis Clubhouse Playground	\$ 1,500 / Each	43 Each	\$ 64,500	9 Years	20 Years	2025	\$ 75,835	\$ 7,583.47
				20 Years		2045	\$ 104,830	\$ 5,241.49
Wood Composition Siding Replacement - Storage Shed	\$ 4.00 / Sqft	360 Sqft	\$ 1,440	10 Years	30 Years	2026	\$ 1,721	\$ 156.43
				30 Years		2056	\$ 2,797	\$ 93.22

Raw Annual Payments do not include earned interest, tax adjustments or payments made with initial reserves.

Months Remaining in Calendar Year 2016: 12

Expected annual inflation: 1.62% Interest earned on reserve funds: 0.00% Initial Reserve: \$ 250,147

**Memorial Northwest Homeowners Association Funding Study Modified Cash Flow Analysis**

Calendar Year	Annual Dues	Annual Expenses	Net Reserve Funds
2016	\$ 48,000	\$ 19,706	\$ 278,442
2017	\$ 48,000	\$ 17,295	\$ 309,147
2018	\$ 48,000	\$ 5,249	\$ 351,898
2019	\$ 48,000		\$ 399,898
2020	\$ 48,000	\$ 8,132	\$ 439,766
2021	\$ 48,000	\$ 79,780	\$ 407,986
2022	\$ 48,000	\$ 8,037	\$ 447,949
2023	\$ 48,000	\$ 32,176	\$ 463,773
2024	\$ 48,000	\$ 7,520	\$ 504,254
2025	\$ 48,000	\$ 102,289	\$ 449,965
2026	\$ 48,000	\$ 82,782	\$ 415,183
2027	\$ 48,000	\$ 51,539	\$ 411,644
2028	\$ 48,000	\$ 51,337	\$ 408,307
2029	\$ 48,000		\$ 456,307
2030	\$ 48,000	\$ 15,936	\$ 488,372
2031	\$ 48,000	\$ 86,028	\$ 450,343
2032	\$ 48,000	\$ 31,835	\$ 466,508
2033	\$ 48,000	\$ 26,845	\$ 487,663
2034	\$ 48,000	\$ 149,603	\$ 386,060
2035	\$ 48,000	\$ 94,337	\$ 339,724
2036	\$ 48,000	\$ 37,636	\$ 350,087
2037	\$ 48,000	\$ 23,907	\$ 374,180
2038	\$ 48,000	\$ 27,191	\$ 394,988
2039	\$ 48,000	\$ 14,748	\$ 428,240
2040	\$ 48,000	\$ 26,231	\$ 450,009
2041	\$ 48,000	\$ 72,854	\$ 425,155
2042	\$ 48,000	\$ 90,369	\$ 382,786
2043	\$ 48,000	\$ 31,563	\$ 399,223
2044	\$ 48,000	\$ 83,892	\$ 363,330
2045	\$ 48,000	\$ 117,019	\$ 294,311
2046	\$ 48,000	\$ 45,107	\$ 297,204
<b>Totals :</b>	<b>\$ 1,488,000</b>	<b>\$ 1,440,943</b>	

The cash distribution shown in this table applies to repair and replacement cash reserves only.

Basis of Funding Study - Modified Cash Flow

Cash reserves have been set to a minimum of \$ 0

Cash Flow has been modified with the forced Fixed Payments.

Months Remaining in Calendar Year 2016: 12      Inflation = 1.62 %      Interest = 0.00 %

Study Life = 30 years      Initial Reserve Funds = \$ 250,147.44      Final Reserve Value = \$ 297,204.08

Annual Payments Held Constant for 30 years



**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**  
Schedules of Expenses - Modified Cash Basis  
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b><i>Community Center</i></b>		
Pool operations and maintenance	\$52,263	\$58,271
Grounds and general maintenance	70,358	40,933
Depreciation - community center	36,823	36,823
Fitness center operations	4,219	4,469
Tennis court operations	27,696	17,512
Tennis court electrical underground	4,100	
Security	1,437	5,187
Payroll and taxes	54,215	41,473
Insurance (property and liability)	39,104	38,969
Maintenance supplies	4,600	5,092
Electric	26,441	22,534
Water	2,384	3,108
Telephone and cable	4,690	3,349
Social activities	11,460	6,754
	<u>339,790</u>	<u>284,474</u>

***Amenities Operations***

Security patrol	165,177	258,566
Landscape and grounds	71,020	62,952
Electrical and lighting	7,324	
Paving repairs	3,000	
Holiday decorations	4,080	
Playground	3,518	
Mosquito fogging and pest control	23,718	6,999
Electricity	5,590	8,947
Water	11,712	8,431
	<u>295,139</u>	<u>345,895</u>

See accountant's report.

**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**  
Schedules of Expenses - Modified Cash Basis  
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b><i>General and Administrative</i></b>		
Audit	\$5,980	\$5,980
Bank charges	1,116	2,438
Collection fees	24,009	20,145
Community management	69,990	48,678
Insurance (directors and officers)	12,900	13,083
Legal	25,782	18,680
Loan interest	25,556	26,005
Miscellaneous	100	470
Postage and office	12,478	4,648
Web site	173	1,747
Replacement reserve study	<u>2,550</u>	<u>          </u>
	180,634	141,874

See accountant's report.