

**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**

**FINANCIAL STATEMENTS – MODIFIED CASH BASIS AND  
SUPPLEMENTARY INFORMATION  
December 31, 2018**  
(With Independent Auditor's Report Thereon)

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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, 2018, and the related statements of revenue and expenses and changes in members' equity – modified cash basis and cash flows – modified cash basis for the year 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, 2018, 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.

*Kevin F. McKenna P.C.*

May 29, 2019

**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**

Statement of Assets, Liabilities and  
Members' Equity - Modified Cash Basis  
December 31, 2018

**Assets**

Cash and cash equivalents:		
Operating checking	\$598,084	
Petty cash	2,307	
Money market reserves	<u>120,223</u>	
Total cash and cash equivalents		\$720,614
Investments - certificate of deposit		231,734
Property and equipment:		
Community center	\$887,958	
Furniture and fixtures	36,122	
Construction in progress	518,653	
Less: Accumulated depreciation	<u>(193,007)</u>	
Net property and equipment		<u>1,249,726</u>
<b>Total Assets</b>		<u><u>\$2,202,074</u></u>

**Liabilities and Members' Equity**

**Liabilities**

Assessments received in advance	<u>\$439,107</u>	
<b>Total Liabilities</b>		439,107
<b>Members' Equity</b>		<u>\$1,762,967</u>
<b>Total Liabilities and Members' Equity</b>		<u><u>\$2,202,074</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  
Year Ended December 31, 2018

***Revenue***

Member assessments	\$1,055,754
Collection and legal fees	56,796
Club dues	28,891
Community center rentals	9,685
Other revenue	8,429
Interest income	<u>1,097</u>
<b><i>Total Revenue</i></b>	<b>1,160,652</b>

***Expenses***

Community center	407,140
Amenities operations	413,303
General and administrative	<u>218,973</u>
<b><i>Total Expenses</i></b>	<b><u>1,039,416</u></b>

***Excess Revenue Over Expenses*** 121,236

*Members' Equity - beginning of year* 1,641,731

**Members' Equity - End of Year** \$1,762,967

See accompanying notes to financial statements.

**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**

Statement of Cash Flows - Modified Cash Basis  
Year Ended December 31, 2018

<i>Cash Flows From Operating Activities</i>	
Cash collected for assessments and fees	\$1,202,440
Cash interest and dividends received	1,097
Other cash receipts related to operations	47,005
Cash paid for operating expenses	(987,763)
Interest paid on loans	<u>(17,236)</u>
<b><i>Net Cash Provided (Used) By Operating Activities</i></b>	<b>245,543</b>
<i>Cash Flows From Investing Activities</i>	
Certificates of deposit matured	231,040
Certificates of deposit renewed	(231,734)
Addition to property and equipment	<u>(518,653)</u>
<b><i>Net Cash Provided (Used) By Investing Activities</i></b>	<b>(519,347)</b>
<i>Cash Flows From Financing Activities</i>	
Loan proceeds	
Loan principal repayments	<u>(345,725)</u>
<b><i>Net Cash Provided (Used) By Financing Activities</i></b>	<b><u>(345,725)</u></b>
<b><i>Net Increase (Decrease) in Cash and Cash Equivalents</i></b>	<b>(619,529)</b>
<b><i>Cash and Cash Equivalents:</i></b>	
<i>Beginning of Year</i>	<u>1,340,143</u>
<b><i>End of Year</i></b>	<b><u><u>\$720,614</u></u></b>
 <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>\$121,236</b>
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided (used) by operating activities:	
Noncash depreciation expense	34,417
Increase (decrease) in assessments received in advance	<u>89,890</u>
<b><i>Net Cash Provided (Used) By Operating Activities</i></b>	<b>\$245,543</b>

See accompanying notes to financial statements.

**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**

Notes to Financial Statements  
December 31, 2018

**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 the 1,956 residential homes, 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 May 29, 2019, 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, 2018.

**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. Pool improvements begun in 2018 are recorded as construction in progress until they are complete and placed in service. The improvements will be depreciated over their estimated useful life.

**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.



**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**

Notes to Financial Statements  
December 31, 2018

**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, 2018, the Association had balances in excess of insured limits of \$581,603.00. The Association has not experienced any losses in such accounts.

**NOTE 5 – Loan Agreement**

The Association entered into a loan agreement dated December 26, 2018 to borrow up to \$3,800,000.00 for the purpose of pool improvements and other related costs. The draw period on the loan is through December 22, 2019 with interest only payable monthly at a fixed rate of 4.90%. After December 22, 2019, principal and interest shall be payable by 180 successive monthly payments on the 22<sup>nd</sup> day of the month commencing with the first payment on January 22, 2020. The loan is secured by security agreement covering all money, accounts, and deposit accounts of the Borrower and all rights of the Borrower to levy and collect all assessments. The loan matures December 22, 2034.

**NOTE 6 – 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 2016, 2017, and 2018 remain open to examination.

**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**

Notes to Financial Statements  
December 31, 2018

**NOTE 7 – 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. 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, 2018

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 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 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.

## 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
						2049	\$ 70,320	\$ 10,045.78
Pool Coping & Main Pool Waterline Tile Refurbish	\$ 50.00 / Lnft.	320 Lnft.	\$ 16,000	14 Years	14 Years	2021	\$ 17,632	\$ 2,938.69
						2035	\$ 22,118	\$ 1,579.82
						2049	\$ 27,744	\$ 1,981.71
Resurface Wading Pool	\$ 4.00 ea	260	\$ 1,040	7 Years	7 Years	2021	\$ 1,146	\$ 191.01
						2028	\$ 1,284	\$ 183.37
						2035	\$ 1,438	\$ 205.38
						2042	\$ 1,610	\$ 230.02
						2049	\$ 1,803	\$ 257.62
Coping & Waterline Tile Refurbish - Wading Pool	\$ 50.00 / Lnft.	63 Lnft.	\$ 3,150	14 Years	14 Years	2021	\$ 3,471	\$ 578.55
						2035	\$ 4,354	\$ 311.03
						2049	\$ 5,462	\$ 390.15
Pool Pump & Filtration Equipment Allowance	\$ 5,000 / Lump sum	1 Lump sum	\$ 5,000	7 Years	7 Years	2018	\$ 5,249	\$ 1,749.61
						2025	\$ 5,879	\$ 839.81
						2032	\$ 6,584	\$ 940.58
						2039	\$ 7,374	\$ 1,053.45
						2046	\$ 8,259	\$ 1,179.85
Furniture Replacement Allowance	\$ 5,000 / Lump Sum	1 Lump Sum	\$ 5,000	5 Years	5 Years	2021	\$ 5,510	\$ 918.34
						2026	\$ 5,975	\$ 1,194.92
						2031	\$ 6,478	\$ 1,295.67
						2036	\$ 7,025	\$ 1,404.91
						2041	\$ 7,617	\$ 1,523.36
						2046	\$ 8,259	\$ 1,651.79
Wood Pergola Replacement	\$ 3,000 / Each	2 Each	\$ 6,000	20 Years	20 Years	2026	\$ 7,170	\$ 651.78
						2046	\$ 9,911	\$ 495.54
Pool Maintenance Building Tuck-pointing	\$ 1,500 / Lump Sum	1 Lump Sum	\$ 1,500	10 Years	10 Years	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	25 Years	25 Years	2031	\$ 2,021	\$ 126.33
						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  
Year Ended December 31, 2018

***Community Center***

Pool operations and maintenance	\$67,286
Grounds and general maintenance	28,849
Payroll and taxes	67,113
Depreciation - community center	34,417
Tennis court operations, maintenance	22,577
Fitness center operations, equipment	3,730
Maintenance supplies	4,619
Insurance (property and liability)	101,696
Security	26,238
Electric and gas	22,573
Water	3,730
Telephone and cable	5,197
Neighborhood activities	19,115
	<hr/>
	407,140

***Amenities Operations***

Security patrol	231,227
Landscape and grounds	155,318
Mosquito fogging and pest control	16,112
Electricity and gas	4,042
Water	6,604
	<hr/>
	413,303

See accountant's report.

**MEMORIAL NORTHWEST  
HOMEOWNERS ASSOCIATION**  
Schedules of Expenses - Modified Cash Basis  
Year Ended December 31, 2018

***General and Administrative***

Audit	\$5,800
Collection and deed restriction notices	17,654
Community management	64,872
Insurance (directors and officers)	12,850
Legal - collections, deed restrictions	80,131
Legal - other	8,544
Loan interest	17,236
Postage and office	<u>11,886</u>
	218,973

See accountant's report.