

ALLEN & COOK, INC.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Country Club Vista Homeowners Association

We have reviewed the accompanying balance sheet of Country Club Vista Homeowners Association as of December 31, 2010 with comparative totals for 2009, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The supplementary information about future repairs and replacements of common property on pages 9-10 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 compiled the supplementary information from information that is the representation of management of Country Club Vista Homeowners Association, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Allen & Cook, Inc.

March 21, 2011

Country Club Vista Homeowners Association
Balance Sheets
December 31, 2010
(With Comparative Totals for 2009)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Totals 2010</u>	<u>2009</u>
ASSETS:				
Cash and cash equivalents	\$ 248,145	312,777	560,922	818,954
Accounts receivable, net of allowance for doubtful accounts of \$80,000 in 2009 and \$60,000 in 2009	135,064		135,064	105,120
Accounts receivable-City of Richmond (Note F)	83,938	9,995	93,933	
Investment in certificates of deposit		483,083	483,083	114,176
Due from operating fund		72,575	72,575	75,000
Due from replacement fund	3,125		3,125	1,633
Prepaid insurance	21,661		21,661	27,879
Prepaid income tax		881	881	808
Other prepaid expenses				5,500
	<u>491,933</u>	<u>879,311</u>	<u>1,371,244</u>	<u>1,149,070</u>
Total Assets				
LIABILITIES AND FUND BALANCES:				
Accounts payable	18,100		18,100	18,100
Assessments received in advance	50,240		50,240	26,118
Due to replacement fund	72,575		72,575	75,000
Due to operating fund		3,125	3,125	1,633
	<u>140,915</u>	<u>3,125</u>	<u>144,040</u>	<u>120,851</u>
Total Liabilities				
Fund Balances	<u>351,018</u>	<u>876,186</u>	<u>1,227,204</u>	<u>1,028,219</u>
Total Liabilities and Fund Balances	<u>\$ 491,933</u>	<u>879,311</u>	<u>1,371,244</u>	<u>1,149,070</u>

SEE NOTES TO FINANCIAL STATEMENTS
SEE ACCOUNTANT'S REVIEW REPORT

Country Club Vista Homeowners Association
Statement of Revenue and Expenses and Changes in Fund Balances
For the Year Ended December 31, 2010
(With Comparative Totals for 2009)

	Operating Fund	Replacement Fund	Totals 2010	2009
REVENUE:				
Regular assessments (Note B)	\$ 458,135	200,000	658,135	657,564
Interest on savings (Note A-3)	2,143	5,955	8,098	9,749
Other income	<u>20,716</u>		<u>20,716</u>	<u>28,791</u>
Total Revenue	480,994	205,955	686,949	696,104
EXPENSES:				
Management	68,852		68,852	67,085
Insurance	29,431		29,431	29,121
Legal and accounting	7,522		7,522	4,317
Other administrative expenses	15,106		15,106	6,577
Uncollectible accounts	21,180		21,180	12,000
Gas and electricity	382		382	417
Water and sewer	12,310		12,310	8,826
Landscape maintenance	252,627		252,627	252,440
Vandalism	6,505		6,505	4,139
Security	13,356		13,356	
Irrigation maintenance	14,955		14,955	11,650
OSR maintenance	16,800		16,800	15,700
Replacement fund expenses		23,888	23,888	54,575
Other common area maintenance	3,631		3,631	803
Income taxes (Note D)		<u>1,419</u>	<u>1,419</u>	<u>1,792</u>
Total Expenses	<u>462,657</u>	<u>25,307</u>	<u>487,964</u>	<u>469,442</u>
Excess (deficiency) of revenue over expense	18,337	180,648	198,985	226,662
Beginning fund balance	350,681	677,538	1,028,219	801,557
Changes to fund balances:				
Additional allocation to the replacement fund	<u>(18,000)</u>	<u>18,000</u>		
Ending fund balance	<u>\$ 351,018</u>	<u>876,186</u>	<u>1,227,204</u>	<u>1,028,219</u>

SEE NOTES TO FINANCIAL STATEMENTS
SEE ACCOUNTANT'S REVIEW REPORT

Country Club Vista Homeowners Association

Statement of Cash Flows

For the Year Ended December 31, 2010

(With Comparative Totals for 2009)

	Operating Fund	Replacement Fund	Totals 2010	2009
Cash Flows From Operating Activities:				
Excess (deficiency) of revenue over expenses	\$ 18,337	180,648	198,985	226,662
Adjustments to reconcile net income to net cash provided by operating activities:				
Interfund transfers	(18,000)	18,000		
(Increase) - Decrease in:				
Accounts receivable	(29,944)		(29,944)	(2,058)
Accounts receivable-City of Richmond	(83,938)	(9,995)	(93,933)	
Due from operating fund		2,425	2,425	(75,000)
Due from replacement fund	(1,492)		(1,492)	(1,088)
Prepaid insurance	6,218		6,218	19,612
Prepaid income tax		(73)	(73)	(808)
Other prepaid expenses	5,500		5,500	(5,500)
Increase - (Decrease) in:				
Accounts payable				18,100
Assessments received in advance	24,122		24,122	
Income tax payable				(521)
Due to replacement fund	(2,425)		(2,425)	75,000
Due to operating fund		1,492	1,492	1,088
Net cash flows from operating activities	(81,622)	192,497	110,875	255,487
Cash Flows From Investing Activities:				
Purchase of certificates of deposit		(483,083)	(483,083)	(114,176)
Proceeds from certificates of deposit		114,176	114,176	135,876
Net cash flows from investing activities		(368,907)	(368,907)	21,700
Net increase(decrease) in cash	(81,622)	(176,410)	(258,032)	277,187
Cash at beginning of year	329,767	489,187	818,954	541,767
Cash at end of year	\$ 248,145	312,777	560,922	818,954

SEE NOTES TO FINANCIAL STATEMENTS
SEE ACCOUNTANT'S REVIEW REPORT

Country Club Vista Homeowners Association
Notes To Financial Statements
December 31, 2010 and 2009

(A) - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(1) Organization

The Association was incorporated August 11, 2000, to provide for the orderly maintenance, preservation, and architectural control of the common areas within the development, which consists of 645 residential units located in the City of Richmond, California.

The Association derives its authority and responsibilities from its Declaration of Covenants, Conditions and Restrictions. An elected Board of Directors makes most policy decisions and oversees daily operations, but major decisions are referred to the general association membership if required by the governing documents.

Membership in the Association is mandatory for homeowners. Voting members consist of all owners. Each owner is obligated to pay annual assessments to the Association to support its operations and purposes.

(2) Funds

Since the Association is a not-for-profit organization, the accompanying financial statements have been prepared using a fund method of accounting. Under this method of accounting, funds are separated into two categories, operating funds and replacement funds. Operating funds are those whose disposition is at the discretion of the Board of Directors and are generally used for regular operating expenses. Replacement funds are those funds that have been limited to specific purposes by the membership or the Board of Directors.

(3) Interest Earned

It is the policy of the Board of Directors that interest earned on restricted savings is restricted and is recorded in the replacement fund when earned.

(CONTINUED)

Country Club Vista Homeowners Association
Notes To Financial Statements
December 31, 2010 and 2009

(A) - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES-Continued

(4) Capitalization Policy and Depreciation

The Association has not capitalized in the financial statements the common area real property acquired at its inception from the developer. This policy of non-capitalization is widely followed in the homeowners association industry as all beneficial rights of ownership belong to the unit owners and not to the Association.

Replacements and improvements to the real property are not capitalized for the same reasons described above. They are instead charged directly to either operating or restricted funds in the period they are incurred.

(5) Statement of Cash Flow Information

For purposes of the Statement of Cash Flows, the Association considers all short-term investments with maturity at date of purchase of three months or less to be cash equivalents.

(6) Assessments Receivable

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's Declaration provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on other assets of the unit owner.

(7) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(8) Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, certificates of deposit, accounts receivable and accounts payable approximate their fair value due to the short term maturities of these instruments.

(CONTINUED)

Country Club Vista Homeowners Association
Notes To Financial Statements
December 31, 2010 and 2009

(B) - REGULAR ASSESSMENTS

During the fiscal years ended December 31, 2010 and 2009, regular annual assessments were payable to the Association in monthly installments of \$85.

The annual budget and owners' assessments are determined by the Board of Directors. Annual budgets are approved and assessments are divided between the operating fund to meet normal operating costs and contributions to the replacement funding program.

Delinquent assessments may be secured by a lien on the property against which the assessments are made, and the Association has the power to foreclose the property of any owner who fails to pay assessments.

It is the Association's policy that any excess operating funds at the end of a fiscal year be applied to the following year's assessment.

(C) - RESTRICTED FUNDS AND REPLACEMENT FUNDING PROGRAM

Restricted funds represent amounts designated for specific uses by the membership or Board of Directors; generally these funds are set-aside in interest bearing accounts to be retained for the designated purpose. Restricted replacement funds are amounts to be spent on future repair and replacement of selected Association common areas.

A long-term, formal funding program is one that is based on a study that identifies specific common area components such as roofs, streets, paint, decks, etc., the expected replacement costs and expected remaining service lives of each, and provides a plan for accumulating over time the funds that will be needed to replace each major item at the time that replacement becomes necessary.

An independent formal study to determine the adequacy of the current funding program for the replacement of selected Association common area components was conducted by The Helsing Group, in 2008. The 2011 budget, which was approved by the Board of Directors in November 2010, incorporates the current funding requirements determined by the study.

Actual expenditures may vary from the estimated amounts 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, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

(CONTINUED)

Country Club Vista Homeowners Association
Notes To Financial Statements
December 31, 2010 and 2009

(D) - INCOME TAXES

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2010 and 2009, the Association was taxed as a regular corporation. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates.

Income tax expense at December 31, 2010 and 2009, was \$1,419 and \$1,792 respectively. During the years ending December 31, 2010 and 2009, the Association paid \$1,492 and \$3,121 in cash for income taxes.

(E) - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 21, 2011, the date on which the financial statements were available to be issued.

(F) - JOINT AGREEMENT WITH CITY OF RICHMOND

As part of the agreement between the City of Richmond (the City) and the developer to proceed with this development the City placed \$650,000 in a commercial bank to be used to reimburse the Association for costs incurred to maintain City landscaping. Withdrawals require approval from both the City and the Association. During the year ending December 31, 2010 the Association submitted a request for reimbursement for landscape beautification to the City of Richmond in the amount of \$93,933. During the year ended December 31, 2009 the Association submitted a request for reimbursement for the purchase of a water meter in the amount of \$41,325. At December 31, 2010, the remaining balance in the joint landscape reimbursement account is \$428,747, including the balance of \$93,933 that was paid and received on March 2, 2011.

(G) - LAWSUIT

During the year ended December 31, 2010, the Association, along with a group of homeowners entered into a class action lawsuit against SCS Development Co., et al for two defect actions relating to front yard landscaping and sound walls. In March, 2011, the Association received a settlement offer relating to the front yard landscaping totaling \$34,000 net of legal fees and costs to resolve the front yard landscaping claims for the 68 of the 117 litigation homes that are involved in the class action suit. The Board is currently reviewing the offer and has not made a final decision. The remaining claim is expected to be mediated in the following months.

Country Club Vista Homeowners Association
 Supplementary Information On Future Major Repairs And Replacements (Unaudited)
 December 31, 2010

The Helsing Group, conducted a study in 2008, to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future replacement costs at the date of the study. Estimated current replacement costs have been adjusted to reflect a 3.30% inflation factor between the date of the study and the date that the components will require repair and replacement. A 4.50% pre-tax interest rate has been applied to the cash flow.

The following table is based on the study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Future Replacement Costs</u>
Concrete Wall Repair Fund	3-23 yrs	\$ 4,166,096
Concrete Repair Fund	3 yrs	4,535
Furnishings Tot Lot 1-6	1-13 yrs	349,972
Irrigation, Residence	1-8 yrs	399,973
Irrigation Tot Lot 1-6	5-13 yrs	55,207
Paint	1-3 yrs	109,219
Planters, Re-Line	13 yrs	14,092
Signs	8 yrs	746
Wood, Replace	13 yrs	39,302
Wrought Iron	18 yrs	<u>24,989</u>
Total		\$ <u>5,164,131</u>

The Association uses the cash flow method of funding the replacement fund. Under the cash flow method, the funding for each individual component is not separately calculated. The actual fund balance at December 31, 2010 is \$876,186 with expected minimum contributions of \$200,000 for the year ending December 31, 2011.

Country Club Vista Homeowners Association
Supplementary Information On Future Major Repairs And Replacements (Unaudited)
December 31, 2009

The Helsing Group, conducted a study in 2008, to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future replacement costs at the date of the study. Estimated current replacement costs have been adjusted to reflect a 3.30% inflation factor between the date of the study and the date that the components will require repair and replacement. A 4.50% pre-tax interest rate has been applied to the cash flow.

The following table is based on the study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Future Replacement Costs</u>
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Signs	8 yrs	746
Wood, Replace	13 yrs	39,302
Wrought Iron	18 yrs	<u>24,989</u>
Total		\$ <u>5,164,131</u>

The Association uses the cash flow method of funding the replacement fund. Under the cash flow method, the funding for each individual component is not separately calculated. The actual fund balance at December 31, 2009 is \$677,538 with expected minimum contributions of \$200,000 for the year ending December 31, 2010.