

**POINTE WOODWORTH HOMEOWNERS' ASSOCIATION**

**INDEPENDENT AUDITOR'S REPORT**

**AND**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE**

**YEAR ENDED DECEMBER 31, 2021**

**AND**

**UNAUDITED SUPPLEMENTARY INFORMATION**

**POINTE WOODWORTH HOMEOWNERS' ASSOCIATION**

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# Joseph H. Vandal, CPA, PS

Member of American Institute of CPAs, Washington Society of CPAs  
A Professional Service Corporation

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members  
Pointe Woodworth Homeowners' Association

We have audited the accompanying financial statements of Pointe Woodworth Homeowners' Association, which comprise the balance sheet as of December 31, 2021, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pointe Woodworth Homeowners' Association as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibility under those standards are further described in the auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pointe Woodworth Homeowners' Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pointe Woodworth Homeowners' Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## INDEPENDENT AUDITOR'S REPORT--Continued

### Auditor's Responsibilities for the Audit of the Financial Statements - Continued

In performing an audit in accordance with generally accepted auditing standards, we:

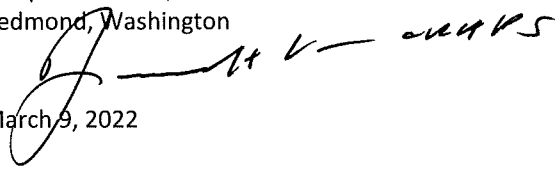
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pointe Woodworth Homeowners' Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pointe Woodworth Homeowners' Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### 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 common property on page 11 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 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.

Joseph H. Vandal, CPA PS  
Redmond, Washington

  
March 9, 2022

**POINTE WOODWORTH HOMEOWNERS' ASSOCIATION**  
**BALANCE SHEET**  
**December 31, 2021**

	OPERATING FUND	REPLACEMENT RESERVE FUND	TOTAL
<u>ASSETS</u>			
Cash-Checking	\$ 109,174	\$ -	\$ 109,174
Cash-Reserves	-	177,165	177,165
Certificates of Deposit	-	261,765	261,765
Assessments Receivable	1,614	-	1,614
Allowance for Doubtful Accounts	(1,614)	-	(1,614)
Other Receivables	760	-	760
Prepaid Insurance	1,187	-	1,187
Total Assets	\$ 111,121	\$ 438,930	\$ 550,051
 <u>LIABILITIES AND FUND BALANCE</u>			
Accounts Payable	\$ 950	\$ -	\$ 950
Prepaid Assessments	16,489	-	16,489
Total Liabilities	17,439	-	17,439
Fund Balance	93,682	438,930	532,612
Total Liabilities & Fund Balance	\$ 111,121	\$ 438,930	\$ 550,051

**POINTE WOODWORTH HOMEOWNERS' ASSOCIATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE**  
**For the Year Ended December 31, 2021**

	OPERATING FUND	REPLACEMENT RESERVE FUND	TOTAL
	<u>                    </u>	<u>                    </u>	<u>                    </u>
REVENUES			
Assessments			
Regular	\$ 100,980	\$ 70,020	\$ 171,000
Bad Debt Recovery	6,583	-	6,583
Other Income	10,943	-	10,943
Interest	-	1,044	1,044
TOTAL REVENUE	<u>118,506</u>	<u>71,064</u>	<u>189,570</u>
EXPENSES			
Management Fees	11,400	-	11,400
Administrative Expenses	375	-	375
Legal and Accounting	371	-	371
Permits and Fees	10	-	10
Property Taxes	1,441	-	1,441
Insurance	4,285	-	4,285
Repairs and Maintenance	18,549	-	18,549
Landscaping	33,632	-	33,632
Utilities	5,723	-	5,723
Major Repairs and Replacements	-	5,915	5,915
TOTAL EXPENSES	<u>75,786</u>	<u>5,915</u>	<u>81,701</u>
REVENUES OVER/(UNDER) EXPENSES	42,720	65,149	107,869
BEGINNING FUND BALANCE	56,421	368,322	424,743
Transfer to (from)	<u>(5,459)</u>	<u>5,459</u>	<u>-</u>
ENDING BALANCE	<u>\$ 93,682</u>	<u>\$ 438,930</u>	<u>\$ 532,612</u>

**POINTE WOODWORTH HOMEOWNERS' ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2021**

	<u>OPERATING FUND</u>	<u>REPLACEMENT RESERVE FUND</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
REVENUE OVER/(UNDER) EXPENSES	\$ 42,720	\$ 65,149	\$ 107,869
Adjustments to reconcile excess of expenses over revenues to net cash provided by activities:			
(Increase) Decrease in:			
Assessments Receivable	183	-	183
Other Receivables	834	-	834
Prepaid Insurance	(38)	-	(38)
Increase (Decrease) in:			
Accounts Payable	(1,511)	-	(1,511)
Prepaid Assessments	(818)	-	(818)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>41,370</u>	<u>65,149</u>	<u>106,519</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Interfund transfers	(5,459)	5,459	-
<u>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</u>	<u>(5,459)</u>	<u>5,459</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH & EQUIVALENTS	35,911	70,608	106,519
CASH & EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>73,263</u>	<u>368,322</u>	<u>441,585</u>
CASH & EQUIVALENTS AT END OF THE PERIOD	<u>\$ 109,174</u>	<u>\$ 438,930</u>	<u>\$ 548,104</u>

**POINTE WOODWORTH HOMEOWNERS' ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE A – NATURE OF ORGANIZATION**

Pointe Woodworth Homeowners' Association is a statutory homeowners' association in the State of Washington organized and incorporated in 1998. The Association is responsible for the operation and maintenance of the common property of Pointe Woodworth Homeowners' Association. Pointe Woodworth Homeowners' Association consists of 180 residential lots located in Tacoma, Washington.

**NOTE B – DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 9, 2022, the date that the financial statements were available to be issued.

**NOTE C-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 use 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 the 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, insurance proceeds (if any), insurance repairs (if any), and litigation costs (if any) relating to the afore mentioned proceeds.

Cash and Cash Equivalents

The Association considers cash on deposit, cash on hand, money market funds (if any) and certificates of deposit (if any) and any other highly-liquid securities to be cash and or cash equivalents. Any penalties for early withdrawal would not have a material effect on the financial statements.



**POINTE WOODWORTH HOMEOWNERS' ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE C-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Member 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. Assessments receivable at the balance sheet date represent fees due from lot owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. If assessments are inadequate, the Board of Directors, subject to the limitations of their authority described in the Association's governing documents, may have to increase regular assessments or pass special assessments. At December 31, 2021, the Association had assessments delinquent 90 days or more of approximately \$1,614.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it using the straight-line method.

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.

**NOTE D-COMMITMENTS**

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

**POINTE WOODWORTH HOMEOWNERS' ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE E-INCOME TAXES**

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. In 2021, the Association elected to be taxed as a homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as net interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

As of December 31, 2021, the tax years that remain subject to examination by taxing authorities begin with 2018.

**NOTE F-FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds (assets less liabilities as reported on the balance sheet), which in aggregate are approximately \$438,930 at December 31, 2021, are held in separate accounts and are generally not available for operating purposes. Cash balances shown on the balance sheet that are part of these funds are held in separate bank accounts.

The Association engaged a specialist who conducted a study update in 2013 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is partially funding for such major repairs and replacements over the estimated lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, 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 the limitations of the authority described in the Association's governing documents, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

**POINTE WOODWORTH HOMEOWNERS' ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021**

**NOTE G-ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at December 31, 2021:

	<u>Operating Fund</u>
Assessments	\$ 1,614
Allowance for Doubtful Accounts	<u>(1,614)</u>
	<u>\$ 0</u>

Bad debt recovered for the year ended December 31, 2021 was \$6,583.

**SUPPLEMENTARY INFORMATION**

**POINTE WOODWORTH HOMEOWNERS' ASSOCIATION**  
**UNAUDITED SUPPLEMENTARY INFORMATION ON**  
**FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
**December 31, 2021**

A specialist conducted a study update in 2013 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. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information on page 11 is based on the study and present significant information about the components of common property.

THE SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS THAT HAS  
NOT BEEN AUDITED APPEARS ON PAGE 11

**UNAUDITED SUPPLEMENTARY INFORMATION**

**Pointe Woodworth Homeowners Association  
Distribution of Accumulated Reserves**

Report Date July 20, 2013  
 Beginning Fiscal Year January 01, 2014  
 Account Number WA-1211-003

Version Number Level 2 U

Description	Remaining Life	Replacement Year	Assigned Reserves	Fully Funded Reserves
Asphalt Roads-Maintenance	0	2014	18,320	18,320
Basketball Equipment-Replacement	0	2014	4,000	4,000
Drainage Shelves-Maintenance & Repair	0	2014	4,000	4,000
Entrance Access Control Panels-Replacement	0	2014	7,000	7,000
Gate Operators-Replacement	0	2014	9,400	9,400
Play Equipment-Replacement	0	2014	25,000	25,000
Surveillance System-Replacement	0	2014	7,500	7,500
Wood Perimeter Fencing-Paint & Seal	0	2014	5,170	5,170
Picnic Assets-Replacement	1	2015	2,361	2,361
Exterior Paint-Lighthouse	2	2016	4,000	4,000
Perimeter Wall-Maintenance (C.M.U.)	2	2016	5,760	5,760
Wood Perimeter Fencing-Replacement	3	2017	27,166	27,166
Basketball Court Fence-Replacement	4	2018	3,744	3,744
Mailboxes-Replacement	4	2018	*12,706	17,920
Entrance Gates-Replacement	9	2023		15,360
Signage-Replacement	9	2023		3,200
Asphalt Roads-Resurfacing (a)	14	2028		172,747
Basketball Court-Resurfacing	14	2028		7,680
Metal Fencing & Gates-Replacement (Entries)	14	2028		2,267
Perimeter Fencing-Chain Link-Replacement	14	2028		50,880
Retention Pond Fencing-Chain Link-Replacement	14	2028		7,056
Asphalt Path-Resurfacing (Park)	18	2032		6,970
Asphalt Roads-Resurfacing (b)	18	2032		58,220
Street Lights-Replacement	19	2033		32,183
Total Asset Summary			<u>\$136,127</u>	<u>\$497,903</u>

Fully Funded Level 27%

*\*1 Indicates Partially Funded*

See Independent Auditor's Report and Notes to Financial Statements  
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