
Goldcrest Homeowners Association
A Washington Nonprofit Corporation

Financial Statements

For the Fiscal Year Ended March 31, 2013 and 2012

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Goldcrest Homeowners Association
1450 Sunnyvale Court NW
Olympia, WA 98502

Report on the Financial Statements

We have audited the accompanying financial statements of Goldcrest Homeowners Association (Goldcrest), which comprise the balance sheet as of March 31, 2013 and 2012, and the related statements of revenues, expenses, and changes in retained earnings and cash flows 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 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.

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 Goldcrest Homeowners Association as of March 31, 2013 and 2012, and the results of its operations and its cash

flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Major Repairs and Replacements is 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 to 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.



Aberdeen, WA

August 30, 2013

Goldcrest Homeowners Association
Balance Sheet

As of March 31, 2013 and 2012

	March 31, 2013			March 31, 2012		
	Operating Fund	Reserve Fund	Total	Operating Fund	Reserve Fund	Total
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$ 35,506	\$ 10,009	\$ 45,515	\$ 18,441	\$ 4,000	\$ 22,441
Assessments Receivable	3,986	-	3,986	2,320	-	2,320
Prepaid Expenses	533	-	533	581	-	581
Total Current Assets	40,025	10,009	50,034	21,342	4,000	25,342
Property & Equipment						
Land Improvements & Equipment	138,500	-	138,500	138,500	-	138,500
Accumulated Depreciation	(73,360)	-	(73,360)	(70,270)	-	(70,270)
Total Property & Equipment	65,140	-	65,140	68,230	-	(68,230)
Total Assets	\$ 105,165	\$ 10,009	\$ 115,174	\$ 89,572	\$ 4,000	\$ 93,572
LIABILITIES AND RETAINED EARNINGS						
Current Liabilities						
Employment Taxes Payable	\$ -	\$ -	\$ -	\$ 5,640	\$ -	\$ 5,640
Landscaping Services Payable	2,174	-	2,174	-	-	-
Prepaid Assessments	975	-	975	-	-	-
Total Current Liabilities	3,149	-	3,149	5,640	-	5,640
Retained Earnings						
Reserve Fund	-	10,009	10,009	-	4,000	4,000
Operating Fund	102,016	-	102,016	83,932	-	83,932
Total Retained Earnings	102,016	10,009	112,025	83,932	4,000	87,932
Total Liabilities & Retained Earnings	\$ 105,165	\$ 10,009	\$ 115,174	\$ 89,572	\$ 4,000	\$ 93,572

The accompanying notes are an integral part of these financial statements

Goldcrest Homeowners Association
Statement of Revenues, Expenses and Changes in Retained Earnings

Fiscal Years Ended March 31, 2013 and 2012

	Fiscal Year Ended March 31, 2013			Fiscal Year Ended March 31, 2012		
	Operating Fund	Reserve Fund	Total	Operating Fund	Reserve Fund	Total
Operating Revenues						
Member Assessments	\$ 58,148	\$ -	\$ 58,148	\$ 60,567	\$ -	\$ 60,567
Late Fees, Charges & Other	1,927	-	1,927	1,387	-	1,387
Employment Tax Refund	1,369	-	1,369	-	-	-
Grants	2,000	-	2,000	1,635	-	1,635
Total Revenues	63,444	-	63,444	63,589	-	63,589
Operating Expenses						
Bank Charges	15	-	15	-	-	-
Landscaping and Maintenance	27,211	-	27,211	27,260	-	27,260
Pet Waste Removal and Misc. Debris Removal & Front Entry Maintenance	474	-	474	985	-	985
Supplies	1,428	-	1,428	10,369	-	10,369
Depreciation	145	-	145	261	-	261
Insurance	3,090	-	3,090	3,090	-	3,090
Member Communication	1,975	-	1,975	1,977	-	1,977
Legal and Professional	1,525	-	1,525	1,777	-	1,777
Special Projects	6,541	-	6,541	3,699	-	3,699
Taxes	2,364	-	2,364	6,082	-	6,082
	(5,331)	-	(5,331)	2,063	-	2,063
Total Expenses	39,437	-	39,437	57,563	-	57,563
Excess (Deficit) of Operating Revenues Over Operating Expenses	24,007	-	24,007	6,026	-	6,026
Other Income – Interest Income	77	9	86	-	-	-
Excess (Deficit) of Revenues Over Expenses	24,084	9	24,093	6,026	-	6,026
Beginning Retained Earnings	83,932	4,000	87,932	81,906	-	81,906
Transfer Between Funds	(6,000)	6,000	-	(4,000)	4,000	-
Ending Retained Earnings	\$ 102,016	\$ 10,009	\$ 112,025	\$ 83,932	\$ 4,000	\$ 87,932

The accompanying notes are an integral part of these financial statements

Goldcrest Homeowners Association
Statement of Cash Flows

Fiscal Years Ended March 31, 2013 and 2012

	Fiscal Year Ended March 31, 2013			Fiscal Year Ended March 31, 2012		
	Operating Fund	Reserve Fund	Total	Operating Fund	Reserve Fund	Total
Cash Flows From Operating Activities						
Excess (Deficit) of Revenues Over Expenses	\$ 24,084	\$ 9	\$ 24,007	\$ 6,026	\$ -	\$ 6,026
Adjustments to Reconcile Excess (Deficit) of Revenues over Expenses to Net Cash Provided by Operating Activities:						
Depreciation	3,090	-	3,090	3,090	-	3,090
(Increase)/Decrease Assessment Receivable	(1,666)	-	(1,666)	(2,320)	-	(2,320)
(Increase)/Decrease Prepaid Expenses	48	-	48	(581)	-	(581)
Increase/(Decrease) Current Liabilities	(2,491)	-	(2,491)	5,640	-	5,640
Net Cash Provided (Used) By Operating Activities	23,065	9	22,988	11,855	-	11,855
Cash Flow From Investing Activities	-	-	-	-	-	-
Cash Flow from Financing Activities						
Transfers Between Funds	(6,000)	6,000	-	(4,000)	4,000	-
Net Increase (Decrease) In Cash	17,065	6,009	23,074	7,855	4,000	11,855
Cash At Beginning Of Year	18,441	4,000	22,441	10,586	-	10,589
Cash At End Of Year	\$ 35,506	\$ 10,009	\$ 45,515	\$ 18,441	\$ 4,000	\$ 22,441
Supplemental Disclosure of Cash Flow Information						
Cash Paid During The Year For:						
Interest			\$ -			\$ -
Income Taxes			\$ -			\$ -

The accompanying notes are an integral part of these financial statements

Goldcrest Homeowners Association
Notes to Financial Statements

As of March 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization--

The Goldcrest Homeowners Association (Goldcrest) is a nonprofit corporation formed in 1976 under the laws of the State of Washington. Goldcrest is located in Olympia, Washington and consists of 180 lots. The common area of the subdivision consists of approximately 30 acres of greenbelt; a fraction of the greenbelt along Goldcrest Drive is maintained by an independent landscaping contractor. The purpose of Goldcrest is to:

- Enhance and protect the value, attractiveness, and desirability of the homes and land comprising Goldcrest subdivision;
- Preserve and protect the greenbelt;
- Preserve and improve the common areas of the greenbelt under the master landscape plan;
- Preserve the sidewalks and pathways within the Goldcrest boundaries;
- Establish and enforce covenants;
- Authorize social and recreational use of the greenbelt consistent with the Goldcrest's master landscape plan;
- Sponsor neighborhood beautification cleanup projects; and
- Represent the members of Goldcrest on City of Olympia or State of Washington or other governmental entities or agency or legislative matters that affect the greenbelt, the covenants or the operations of Goldcrest.

Basis of Accounting—

Goldcrest uses fund accounting, which requires funds, such as operating funds and funds designated for future major repairs and replacements, to be classified separately for accounting and reporting purposes.

Disbursements from the operating fund are generally at the discretion of the Board of Directors. Disbursements from the replacement fund are generally made only for designated purposes with prior approval from the Board of Directors.

Allowance for Doubtful Accounts—

Goldcrest pursues delinquent owners through filing liens against the owner's property, and finally with legal action if the member does not cure the delinquency. Liens are filed no later than one year following the failure to pay an assessment, but the Board may file a lien earlier than one year if the circumstances warrant it. The

Goldcrest Homeowners Association
Notes to Financial Statements

As of March 31, 2013 and 2012

protective covenants which encumber each lot provide that the obligation to pay assessments is both personal against the homeowners and also runs with the land.

Therefore, the assessments can be obtained from a subsequent owner and Goldcrest believes that it will recover delinquent assessments eventually. Accordingly, an allowance for doubtful accounts has not been established. Bad debts for fiscal years ended March 31, 2013 and 2012, was \$0.

Goldcrest charges late fees on past due assessments.

Depreciation Policy—

Land improvements and equipment is capitalized at cost. Goldcrest uses a straight line depreciation policy based on the estimated useful life of the asset.

Statement of Cash Flows—

Cash and cash equivalents includes cash on hand, cash in deposit in financial institutions and all highly liquid debt instruments purchased with a maturity of one year of less.

Estimates—

The preparation of financial statements in conformity with U. S. generally accepted accounting principals requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2- ASSESSMENTS

Goldcrest charges each lot owner a yearly assessment, which was \$325 for fiscal year ended March 31, 2013 and 2012. There are no special assessments against lot owners that are outstanding or planned for the foreseeable future. The Board recommends that amount of assessments and expenditures of the following fiscal year and that proposed budget must be approved by the members at the annual meeting.

The Board of Directors determines the amount to be placed in the replacement reserve, which was established in December 2011. The amount allocated for the replacement reserve in Fiscal year 2012 was \$6,000; \$10,000 has been allocated for Fiscal Year 2013. The amount will increase further in future years.

NOTE 3 – TAXES

Income Taxes-

Every year, Goldcrest can elect to be taxed as a homeowners' association in accordance with Internal Revenue Code Section 528. If the Association does not make the election, Goldcrest is taxed as a corporation. As a homeowners' association, Goldcrest excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to owners. Interest income is not exempt income and is taxed at the 30%

Goldcrest Homeowners Association
Notes to Financial Statements

As of March 31, 2013 and 2012

tax rate. For the fiscal years ended March 31, 2013 and 2012, Goldcrest elected to be taxed as a homeowners' association.

Goldcrest files income tax returns in the U.S. federal jurisdiction. Goldcrest is no longer subject to U.S. federal income tax examinations by tax authorities for the fiscal years before March 31, 2009. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

Employment Taxes-

In June 2011, The Goldcrest received from a former Secretary/Treasurer financial records covering the period from 1980 to 2002. An extensive analysis of these records showed that the Goldcrest had employees and, therefore, employment related taxes were due for this period.

The IRS was consulted concerning the most appropriate method for filing those taxes. The total tax liability was estimated to be \$5,640, including interest, which was accrued at March 31, 2012. During the fiscal year March 31, 2013, the tax liability was forgiven by the IRS.

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

RCW 64.38.010 et seq. requires that the Association set aside reserves for the replacement of improvements to the subdivision. The monies set aside for major repairs and replacements are held in a separate savings account and are not available for funding normal operations except under unusual circumstances as determined by the Board.

The Board of Directors performed a study in 2012 to estimate the remaining useful lives and the replacement costs. The replacement cost estimates were based on estimated replacement costs plus an inflation factor of 3%. The Board agreed to continue to rely on the reserve study prepared in 2012, however, an updated study may be necessary in future years.

Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, Goldcrest has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 5 – SUBSEQUENT EVENTS

No events have occurred through August 30, 2013, which is the date the financial statements were available to be issued, based on client facts and circumstances, for events requiring recording or disclosure in the financial statements for the fiscal year ended March 31, 2013.

Goldcrest Homeowners Association
 Supplementary Information on Future Major Repairs
 and Replacements

March 31, 2013

The following information is based on the study detailed in Note 4 and presents significant information about the components of Association property.

Components	Estimated Remaining Useful Life (Years)	Total Life	Estimated Replacement Cost
Sprinkler System at Entrances	9	24	\$ 6,720
3 Brick Monuments	29	59	14,564
Benches in Urban Garden Area	24	29	1,047
Playset & Picnic Table in Open Area of Greenbelt	4	14	1,558
Concrete Sidewalk	29	59	242,726
Asphalt Walking Path	11	24	37,070
Total			<u>\$ 303,685</u>

The accompanying notes are an integral part of these financial statements.