

**FOX RIDGE
HOMEOWNERS ASSOCIATION**
Spokane, Washington

**FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT**
December 31, 2011



June 19, 2012

To the Owners of Fox Ridge Howowners Association

We have audited the cash basis financial statements of Fox Ridge Howowners Association for the year ended December 31, 2011, and have issued our report thereon dated June 19, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 23, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters in January, 2012.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fox Ridge Howowners Association are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.



Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 19, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Owners of Fox Ridge Howowners Association and management of Fox Ridge Howowners Association and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Schoedel + Schoedel

SCHOEDEL & SCHOEDEL, CPAs, PLLC



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INDEPENDENT AUDITOR'S REPORT

Fox Ridge Homeowners Association
Spokane, Washington

We have audited the accompanying of assets, liabilities, and members' equity - cash basis of Fox Ridge Homeowners Association as of December 31, 2011 and the related statements of receipts and expenditures and members' equity - cash basis, and cash flows - cash basis for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 2, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and members' equity - cash basis of Fox Ridge Homeowners Association as of December 31, 2011, and its receipts and expenditures and changes in members' equity - cash basis, and cash flows - cash basis for the year then ended, on the basis of accounting described in note 2.

Schoedel & Schoedel CPAs PLLC

June 19, 2012

FOX RIDGE HOMEOWNERS ASSOCIATION
Spokane, Washington

STATEMENT OF ASSETS, LIABILITIES AND MEMBERS' EQUITY - CASH BASIS
December 31, 2011

ASSETS

Cash	\$	1,044
Total assets	\$	<u>1,044</u>

LIABILITIES AND MEMBERS' EQUITY

Members' Equity	\$	1,044
Total equity	\$	<u>1,044</u>

The accompanying notes are an intergral part of the financial statements.

FOX RIDGE HOMEOWNERS ASSOCIATION
Spokane, Washington

STATEMENT OF RECEIPTS AND EXPENDITURES AND MEMBERS' EQUITY-CASH BASIS
For the year ended December 31, 2011

	<u>Operating</u>
RECEIPTS:	
Member assessments:	
Operating dues, gross	\$ 20,126
Total receipts	<u>20,126</u>
EXPENDITURES:	
Bank service charges	122
Professional fees	3,402
Landscaping	11,630
Maintenance	897
Marketing	617
Office Expense	929
Real estate taxes and licenses	10
Utilities	1,982
Total expenditures	<u>19,589</u>
NET RECEIPTS OVER EXPENDITURES	537
MEMBERS' EQUITY - Beginning	<u>507</u>
MEMBERS' EQUITY - Ending	<u>\$ 1,044</u>

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

FOX RIDGE HOMEOWNERS ASSOCIATION
Spokane, Washington

STATEMENTS OF CASH FLOWS - CASH BASIS
For the year ended December 31, 2011

Cash flows from operating activities:	
Reconciliation of excess of revenues over expenses to net cash provided by operating activities:	
Excess of receipts over expenditures	\$ 537
Net cash provided (used) by operating activities	537
Cash flows from investing activities	-
Cash flows from financing activities	-
Net increase in cash and cash equivalents	537
Cash and cash equivalents at beginning of year	507
Cash and cash equivalents at end of year	\$ 1,044

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

FOX RIDGE HOMEOWNERS ASSOCIATION
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES:

Organization and Purpose - The Fox Ridge Homeowners Association is an association organized as a not-for-profit corporation for the purpose of maintaining and preserving common property of Fox Ridge. The Association is incorporated under the laws of the State of Washington and began its operations in 2005.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The summary of significant accounting policies of Fox Ridge Homeowners Association is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting - The accompanying financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because (a) the effects of outstanding dues and obligations for assessments unpaid at the date of the financial statement are not included in the financial statement and (b) accounts payable are not calculated or recorded in the financial statement.

Cash and Cash Equivalents - The Association considers cash and cash equivalents as demand deposits at banks and currency on hand.

Subsequent Events - Management has evaluated subsequent events through June 19, 2012, the date the financial statements were available to be issued.

NOTE 3 - OWNERS' ASSESSMENTS:

Quarterly assessments to owners were \$25.00. The annual budget and assessments of owners are determined by the board of directors and are approved by the owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

FOX RIDGE HOMEOWNERS ASSOCIATION
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS:

The Association has not accumulated funds for future major repairs or replacements. When those funds are needed, the Association plans to increase charges or delay repairs and replacements until funds are available.

The board of directors is currently conducting a study to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates will be obtained from licensed contractors who inspected the property.

NOTE 5 – TAXES:

The Association elected to file as a homeowners' association in accordance with Internal Revenue Service (IRS) Code section 528, using form 1120-H. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to owners.