

THE VINEYARD, A CONDOMINIUM
INDEPENDENT AUDITOR'S REPORT
AND
AUDITED FINANCIAL STATEMENTS
FOR THE
YEAR ENDED DECEMBER 31, 2020
AND
UNAUDITED SUPPLEMENTARY INFORMATION

THE VINEYARD, A CONDOMINIUM

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Joseph H. Vandal, CPA, PS

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
The Vineyard, A Condominium

We have audited the accompanying financial statements of The Vineyard, A Condominium, which comprise the balance sheet as of December 31, 2020, 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.

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.

INDEPENDENT AUDITOR'S REPORT--Continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

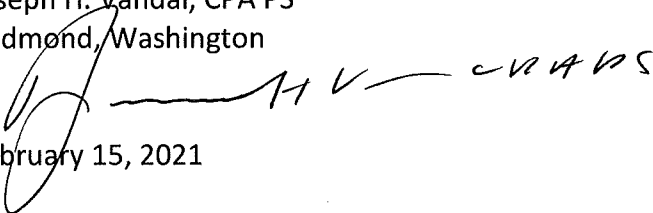
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Vineyard, A Condominium as of December 31, 2020, and the results of its operations and its cash flows for year then ended in conformity with accounting principles generally accepted in the United States of America.

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 pages 11-12 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

 JH Vandal
February 15, 2021

THE VINEYARD, A CONDOMINIUM
BALANCE SHEET
December 31, 2020

	<u>OPERATING FUND</u>	<u>REPLACEMENT RESERVE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash-Checking	\$ 18,333	\$ -	\$ 18,333
Cash-Insurance Reserve	16,374	-	16,374
Cash-Replacement Reserve	-	464,040	464,040
Assessments Receivable	4,350	-	4,350
Allowance for Doubtful Accounts	(1,256)	-	(1,256)
Prepaid Insurance	<u>13,349</u>	<u>-</u>	<u>13,349</u>
Total Assets	<u>\$ 51,150</u>	<u>\$ 464,040</u>	<u>\$ 515,190</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Accounts Payable	\$ 13,835	\$ -	\$ 13,835
Prepaid Assessments	<u>1,504</u>	<u>-</u>	<u>1,504</u>
Total Liabilities	15,339	-	15,339
Fund Balance	<u>35,811</u>	<u>464,040</u>	<u>499,851</u>
Total Liabilities & Fund Balance	<u>\$ 51,150</u>	<u>\$ 464,040</u>	<u>\$ 515,190</u>

THE VINEYARD, A CONDOMINIUM
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
For the Year Ended December 31, 2020

	OPERATING FUND	REPLACEMENT RESERVE FUND	TOTAL
REVENUES			
Assessments			
Regular	\$ 134,352	\$ 75,600	\$ 209,952
Bad Debt Recovery	456	-	456
Other	3,163	-	3,163
Interest	63	1,236	1,299
TOTAL REVENUE	<u>138,034</u>	<u>76,836</u>	<u>214,870</u>
EXPENSES			
Management Fee	10,920	-	10,920
Administration	3,421	-	3,421
Professional Services	3,008	-	3,008
Licenses and Permits	694	-	694
Insurance	15,642	-	15,642
Repairs and Maintenance	64,618	-	64,618
Grounds and Landscape	14,612	-	14,612
Utilities	67,270	-	67,270
Major Repairs and Replacements	-	45,431	45,431
TOTAL EXPENSES	<u>180,185</u>	<u>45,431</u>	<u>225,616</u>
REVENUES OVER/(UNDER) EXPENSES	(42,151)	31,405	(10,746)
BEGINNING FUND BALANCE	78,538	432,059	510,597
Transfer to (from)	<u>(576)</u>	<u>576</u>	<u>-</u>
ENDING BALANCE	<u>\$ 35,811</u>	<u>\$ 464,040</u>	<u>\$ 499,851</u>

THE VINEYARD, A CONDOMINIUM
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

	OPERATING FUND	REPLACEMENT RESERVE FUND	TOTAL
<u>CASH FLOWS FROM OPERATING</u>			
<u>ACTIVITIES</u>			
REVENUE OVER/(UNDER) EXPENSES	\$ (42,151)	\$ 31,405	\$ (10,746)
Adjustments to reconcile excess of expenses over revenues to net cash provided by activities:			
(Increase) Decrease in:			
Assessments Receivable	(1,499)	-	(1,499)
Prepaid Insurance	(1,919)	-	(1,919)
Increase (Decrease) in:			
Accounts Payable	7,562	-	7,562
Prepaid Assessments	(1,813)	-	(1,813)
<u>NET CASH PROVIDED BY</u>			
<u>OPERATING ACTIVITIES</u>	<u>(39,820)</u>	<u>31,405</u>	<u>(8,415)</u>
<u>CASH FLOWS FROM</u>			
<u>FINANCING ACTIVITIES</u>			
Interfund transfers	(576)	576	-
<u>NET CASH (USED) PROVIDED</u>			
<u>BY FINANCING ACTIVITIES</u>	<u>(576)</u>	<u>576</u>	<u>-</u>
NET INCREASE (DECREASE)			
IN CASH & EQUIVALENTS	(40,396)	31,981	(8,415)
CASH & EQUIVALENTS AT			
BEGINNING OF THE PERIOD	<u>75,103</u>	<u>432,059</u>	<u>507,162</u>
CASH & EQUIVALENTS AT			
END OF THE PERIOD	<u>\$ 34,707</u>	<u>\$ 464,040</u>	<u>\$ 498,747</u>

THE VINEYARD, A CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A – NATURE OF ORGANIZATION

The Vineyard, A Condominium is a statutory condominium association in the State of Washington organized and incorporated in 2004. The Association is responsible for the operation and maintenance of the common property of The Vineyard, A Condominium. The Vineyard, A Condominium consists of 54 residential units located in Olympia, 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 February 15, 2021, 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.

THE VINEYARD, A CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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 unit 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, 2020, the Association had assessments delinquent 90 days or more of approximately \$1,256.

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.

THE VINEYARD, A CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE E-INCOME TAXES

Condominium associations may be taxed either as homeowners' associations or as regular corporations. In 2020, 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, 2020, the tax years that remain subject to examination by taxing authorities begin with 2017.

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 \$464,040 at December 31, 2020, 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 in 2019 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.

THE VINEYARD, A CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE G-INSURANCE FUNDS

At December 31, 2020, the amount of deposits in a separate account designated for insurance purposes was \$16,374.

NOTE H-ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2020:

	<u>Operating</u> <u>Fund</u>
Assessments	\$ 4,350
Allowance for Doubtful Accounts	<u>(1,256)</u>
	<u>\$ 3,094</u>

Bad debt recovered for the year ended December 31, 2020 was \$456.

NOTE I-UNINSURED CASH BALANCES

The Association maintains its cash balances at several financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured balances are approximately \$248,747 at December 31, 2020.

SUPPLEMENTARY INFORMATION

THE VINEYARD, A CONDOMINIUM
UNAUDITED SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
December 31, 2020

A specialist conducted a study in 2019 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 pages 11-12 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 PAGES 11-12

UNAUDITED SUPPLEMENTARY INFORMATION

The Vineyard Category Summary of Reserve Fund Assignments

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Replacement Cost	Assigned Reserves	Fully Funded
Streets/Asphalt							
Asphalt Resurface	2030	30	15	10	109,504	0	85,170
Asphalt Sealcoat	2020	5	0	0	<u>25,409</u>	<u>25,409</u>	<u>25,409</u>
Streets/Asphalt - Total					<u>\$134,914</u>	<u>\$25,409</u>	<u>\$110,579</u>
Fencing/Security							
Cedar Fence Sealcoat	2022	5	0	2	7,613	4,568	4,568
Perimeter Fence Replacement	2032	15	0	12	49,543	0	9,909
Private Yard Fence Replacement	2027	15	0	7	<u>15,115</u>	<u>0</u>	<u>8,061</u>
Fencing/Security - Total					<u>\$72,271</u>	<u>\$4,568</u>	<u>\$22,538</u>
Building Components							
Chimney Covers and Flu Caps	2035	25	0	15	11,364	0	4,546
Deck Rails Replacement	2025	40	0	5	6,856	5,999	5,999
Decks Clean/Repair/Sealcoat	2020	5	0	0	3,825	3,825	3,825
Exterior Lights	2022	30	-14	2	14,846	12,990	12,990
Exterior Surface Paint/Caulk	2025	10	0	5	112,059	56,029	56,029
Exterior Surface Replacement	2024	25	14	4	112,059	100,566	100,566
Gutters & Downspouts	2034	25	0	14	42,263	0	18,596
Shingle Roof Replacement	2035	25	0	15	175,170	0	70,068
Windows & Sliders Replacements	2025	40	0	5	221,963	191,786	194,217
Wood Shingles - Topical Treatment	2020	5	0	0	2,950	2,950	2,950
Wood Shingles Repair/Replace	2038	25	0	18	<u>33,976</u>	<u>0</u>	<u>9,513</u>
Building Components - Total					<u>\$737,330</u>	<u>\$374,145</u>	<u>\$479,299</u>
Grounds Components							
Basketball Hoop	2020	15	-1	0	2,691	2,691	2,691
Concrete Basketball Court	2026	30	11	6	11,814	0	10,085
Landscape Refurbish	2020	5	0	0	3,193	3,193	3,193
Monument/Sign	2044	25	0	24	9,091	0	364
Septic Pumps - Repair/Replace	2022	10	0	2	6,818	5,455	5,455
Septic Repair/Replacements	2035	50	0	15	340,921	0	238,645
Septic Tank Pump Out	2020	5	0	0	<u>2,608</u>	<u>2,608</u>	<u>2,608</u>
Grounds Components - Total					<u>\$377,137</u>	<u>\$13,947</u>	<u>\$263,040</u>
Mailboxes							
Mailboxes	2040	25	0	20	<u>8,285</u>	0	<u>1,657</u>
Mailboxes - Total					<u>\$8,285</u>		<u>\$1,657</u>

See Independent Auditor's Report and Notes to Financial Statements
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UNAUDITED SUPPLEMENTARY INFORMATION

The Vineyard Category Summary of Reserve Fund Assignments

Description	Replacement Year	Useful Life	Adjustment	Remaining Life	Replacement Cost	Assigned Reserves	Fully Funded
Total Asset Summary					<u>\$1,329,937</u>	<u>\$418,070</u>	<u>\$877,114</u>
Contingency at 3.00%						<u>\$12,930</u>	<u>\$27,127</u>
Summary Total						<u>\$431,000</u>	<u>\$904,241</u>
Percent Fully Funded					48%		
Current Average Liability per Unit (Total Units: 54)					-\$8,764		

See Independent Auditor's Report and Notes to Financial Statements
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