

**The Ridges Homeowners Association, Inc.**  
Omaha, Nebraska

**Financial Statements – Modified Cash Basis**  
**December 31, 2018**

**Together with Independent Accountant's Review Report**

# The Ridges Homeowners Association, Inc.

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## **Independent Accountant's Review Report**

To the Members of  
The Ridges Homeowners Association, Inc.

We have reviewed the accompanying financial statements of The Ridges Homeowners Association, Inc. ("Association"), which comprise the statement of assets and fund balance – modified cash basis as of December 31, 2018, the related statement of revenue collected, expenses paid, and changes in fund balance – modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

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 the modified cash basis of accounting.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

### **Other Matter**

Management has omitted information about future major repairs and replacements of common property that the modified cash basis of accounting require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the American Institute of Certified Public Accountants, who consider it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. The results of our review of the basic financial statements are not affected by this missing information.

*Seim Johnson, LLP*

Omaha, Nebraska,  
February 18, 2019.

**The Ridges Homeowners Association, Inc.**

**Statement of Assets and Fund Balance – Modified Cash Basis**

**December 31, 2018**

**See Independent Accountant's Review Report**

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**ASSETS RECOGNIZED:**

Cash and cash equivalents	\$	67,034
Property and improvements, net		<u>175,500</u>
Total assets	\$	<u><u>242,534</u></u>

**FUND BALANCE,**

Fund balance - operating fund	\$	<u><u>242,534</u></u>
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*See notes to financial statements*

## The Ridges Homeowners Association, Inc.

### Statement of Revenue Collected, Expenses Paid, and Changes in Fund Balance – Modified Cash Basis For the Year Ended December 31, 2018 See Independent Accountant's Review Report

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#### REVENUE COLLECTED:

Assessments	\$ 388,449
Late fees	5,288
Other income	<u>6,911</u>
Total revenue collected	<u>400,648</u>

#### EXPENSES PAID:

Management and administrative:	
Management fee	36,000
Legal, professional, and other	23,553
Grounds care and maintenance:	
Mowing	81,400
Entrance signs	8,680
Flowers, landscaping, and mulch	53,970
Sprinklers	28,088
Tree care	14,457
Mailbox repair	14,485
Security	10,151
Fountains and ponds	7,869
Snow removal	12,600
Trash	3,900
Other	16,209
Utilities	74,848
Social events	8,980
Taxes and licenses	<u>3,412</u>
Total expenses paid	<u>398,602</u>

Revenue collected over expenses paid	2,046
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Fund balance - beginning of year	<u>240,488</u>
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Fund balance - end of year	<u><u>\$ 242,534</u></u>
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*See notes to financial statements*

# The Ridges Homeowners Association, Inc.

## Notes to Financial Statements

December 31, 2018

### See Independent Accountant's Review Report

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#### (1) Description of Reporting Entity and Summary of Significant Accounting Policies

The Ridges Homeowners Association, Inc. ("Association") was formed in March of 1993 as a not for profit corporation. The Association was established for the preservation of the values and amenities of The Ridges, the maintenance of the character and residential integrity of The Ridges, and the promotion of the health, safety, recreation, welfare and enjoyment of the residents of The Ridges.

The following is a summary of significant accounting policies followed in the preparation of these financial statements.

##### A. *Basis of Presentation*

The Association's policy is to prepare its financial statements on a modified cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis includes recording the capitalization and depreciation on long-lived assets. Under this basis, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when the related liability is incurred. Consequently, accounts receivable, accounts payable, and accrued expenses are not included in the financial statements.

##### B. *Use of Estimates*

The preparation of financial statements in conformity with the modified cash basis of accounting 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 revenue and expenses during the reporting period. Actual results may differ from those estimates.

##### C. *Cash and Cash Equivalents*

Cash and cash equivalents include all highly liquid investments purchased with an original maturity of three months or less.

The Association maintains its cash balance at one financial institution. The Association did not have any cash balances at December 31, 2018 that were uninsured under the Federal Deposit Insurance Corporation.

##### D. *Property and Improvements*

Property and improvements consists of common areas land and land improvements acquired via contribution from the original developer. The land and land improvements can be sold at the discretion of the board with proceeds retained by the Association. Common areas are restricted to use by the Association members and guests. Depreciation is computed using the straight-line method over estimated useful lives of the assets. Upon retirement or other disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the statement of revenue collected, expenses paid, and changes in fund balance. Maintenance and repairs are charged to expense when paid. The Association has no formal capitalization policy at this time.

##### E. *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 fund(s) established according to their nature and purpose:

# The Ridges Homeowners Association, Inc.

## Notes to Financial Statements

December 31, 2018

### See Independent Accountant's Review Report

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Operating fund – This fund is used to account for financial resources available for general operations of the Association.

#### *F. Income Taxes*

Homeowner associations may be taxed either as homeowner associations or as nonexempt membership organizations. For the year ended December 31, 2018, the Association has elected to be taxed as a homeowners association. Under that election, the Association generally is taxed only on non-exempt income, such as interest, at applicable Federal and State tax rates.

#### *G. Assessments*

Association members are subject to an annual assessment to provide funds for the Association's operating expenses. Homeowner dues are billed in February and are due the following month. Late payments are assessed penalties and interest. Any excess assessments at year end are retained by the Association for use in future years. There were no special assessments in 2018.

#### *H. Subsequent Events*

The Association considered events occurring through February 18, 2019 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

## **(2) Property and Improvements**

As of December 31, 2018, property and improvements recorded on the statement of assets and fund balance consisted of the following:

Land	\$	175,500
Land improvements		<u>28,400</u>
		203,900
Less accumulated depreciation		<u>(28,400)</u>
Property and improvements, net	\$	<u><u>175,500</u></u>

The Association incurred no depreciation expense during 2018.

## **(3) Management Agreement**

The Association has entered into a management agreement through November 2018 whereas a management company shall bill and collect annual homeowner dues, engage in legal proceedings, prepare payments of operating expenses, distribute newsletters, and maintain the property. Management fees of \$36,000 are included in the statement of revenue collected, expenses paid, and changes in fund balance. The Association and management company are currently utilizing a month to month contract until a long term management agreement can be finalized.

## **(4) Assessments Receivable**

Assessments receivable as of December 31, 2018 amounted to approximately \$12,200. As seen in Note 1, the assessments receivable and related revenue are excluded from the financial statements prepared in accordance with the modified cash basis of accounting. The assessments receivable are expected to be collected in less than one year.