

SANDSPOINT WEST
CONDOMINIUMS ASSOCIATION, INC

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

For the Year Ended
December 31, 2009

NAGESH & CARTER, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

SANDSPOINT WEST
CONDOMINIUMS ASSOCIATION, INC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of the
SANDSPOINT WEST CONDOMINIUMS ASSOCIATION, INC

We have audited the accompanying Balance Sheets of SANDSPOINT WEST CONDOMINIUMS ASSOCIATION, INC, as of December 31, 2009 and 2008 and the related Statements of Assessments, Revenues, Expenses, and Changes in Fund Balances as well as the Statements of Cash Flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards as generally accepted in the United States of America. These 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SANDSPOINT WEST CONDOMINIUMS ASSOCIATION, INC, as of December 31, 2009 and 2008 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.

SANDSPOINT WEST CONDOMINIUMS ASSOCIATION, INC has not estimated the remaining lives and replacement cost of common property and, therefore, has not presented the estimates of future costs of major repairs and replacements. The American Institute of Certified Public Accountants has determined the estimates are required to supplement, but are not required to be part of, the basic financial statements.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules on pages 8 through 10 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nagesh & Carter, PLLC

Houston, Texas

July 7, 2010

SANDSPOINT WEST CONDOMINIUMS ASSOCIATION, INC.
BALANCE SHEETS
As of December 31, 2009 and 2008

	Operating Fund	Replacement Fund	2009 Total	Memo 2008 Total
<u>ASSETS</u>				
Current Assets				
Cash	\$12,004	\$189,184	\$201,188	\$111,905
Accounts receivable	11,981	-	11,981	18,410
Prepaid expenses	-	-	-	705
Total current assets	\$23,985	\$189,184	\$213,169	\$131,020
<u>LIABILITIES AND FUND BALANCE</u>				
Current liabilities				
Prepaid maintenance fees	\$7,174	-	\$7,174	\$9,868
Total current liabilities	7,174	-	7,174	9,868
Fund balance	\$16,811	\$189,184	205,995	121,152
Total liabilities and fund balance	\$23,985	\$189,184	\$213,169	\$131,020

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

SANDSPOINT WEST CONDOMINIUMS ASSOCIATION, INC.
STATEMENT OF ASSESSMENTS, REVENUES AND EXPENSES
AND
CHANGES IN FUND BALANCES
For The Years Ended December 31, 2009 and 2008

	Operating Fund	Replacement Fund	2009 Total	Memo 2008 Total
Assessments and revenues				
Maintenance fees	\$291,864	-	\$291,864	\$291,864
Adjustments and write-offs	(2,996)	-	(2,996)	(8,088)
Late fees & penalties	1,064	-	1,064	1,813
Interest income	-	\$1,595	1,595	1,125
Other income	75	-	75	409
Insurance fire proceeds	2,016	-	2,016	-
Capital reserve funding (Transfer)	(97,999)	97,999	-	-
Total revenues	194,024	99,594	293,618	287,123
Operating expenses				
Administrative	28,475	-	28,475	28,668
Recreational facilities maintenance	19,381	-	19,381	19,352
Contract services	45,264	-	45,264	43,786
Utilities	64,789	-	64,789	65,603
Insurance	50,866	-	50,866	55,819
Renovations and improvements	-	-	-	88,758
Fire repairs	-	-	-	1,000
Total expenses	208,775	-	208,775	302,986
Assessments and revenues over (under) expenses	(14,751)	99,594	84,843	(15,863)
Fund balance, beginning of the year	31,562	89,590	121,152	137,015
Fund balance, end of the year	\$16,811	\$189,184	\$205,995	\$121,152

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

SANDSPOINT WEST CONDOMINIUMS ASSOCIATION, INC.
STATEMENTS OF CASH FLOW
For The Years Ended December 31, 2009 and 2008

	Operating Fund	Replacement Fund	2009 Total	Memo 2008 Total
Operations				
Assessments and revenues over (under) expenses	(\$14,751)	\$99,594	\$84,843	(\$15,863)
<i>Adjustments to reconcile assessments and revenues over (under) expenses to cash flow from operations</i>				
Accounts receivable	6,429	-	6,429	19,313
Prepaid expenses	705	-	705	5,014
Prepaid assessments	(2,694)	-	(2,694)	914
Total from operations	(10,311)	99,594	89,283	9,378
 Increase (decrease) in cash	 (10,311)	 99,594	 89,283	 9,378
Cash, beginning of the year	22,315	89,590	111,905	102,527
Cash, end of the year	\$12,004	\$189,184	\$201,188	\$111,905

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SANDSPOINT WEST CONDOMINIUMS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2009 and 2008

1. ORGANIZATION

SANDSPOINT WEST CONDOMINIUMS ASSOCIATION, INC ("the Association") was incorporated in the State of Texas as a not-for-profit corporation on August 15, 1980.

The Association is the governing body of the homeowners of Sandspoint West Condominiums Association, Inc. a 141 unit condominium complex in Houston, Harris County, Texas. The purpose of the Association is to operate, manage, maintain, and administer the affairs of Sandspoint West Condominiums.

The affairs of the Association are managed and controlled by its Board of Directors. These Directors are empowered to exercise, on behalf of the Association, all of the powers, duties, and authorities vested or delegated to it by virtue of the Association's By-Laws, Articles of Incorporation, Declarations and/or Covenants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

METHOD OF ACCOUNTING

The Association is a not-for-profit organization, which employs the fund method of accounting on an accrual basis in order to properly account for restrictions on the expenditures resulting from actions of the Board or the homeowners.

These financial statements segregate the accounting for such funds into operating and capital reserve or replacement funds. The disbursements from the operating fund are generally at the discretion of the Board and property managers and are used for operating expenses. The disbursements from the capital reserve or replacement fund generally may only be utilized in accordance with the purposes established.

OWNERS ASSESSMENTS

The assessments or maintenance fees assessed are based on an annual budget as adopted by the Board pursuant to the by-laws of the Association.

CASH AND CASH EQUIVALENTS

The Association considers cash on hand and cash in banks and all other highly liquid debt instruments purchased with original maturities of three (3) months or less to be cash equivalents.

CAPITALIZATION POLICY

The replacements and improvements to the real property and common areas are expensed in the year incurred.

SANDSPOINT WEST CONDOMINIUMS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2009 and 2008

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.

3. ACCOUNTS RECEIVABLE

The Association's accounts receivable represents payments due from delinquent homeowners. The balances are from a few homeowners, some of whom are seriously delinquent. The Association anticipates collecting these balances through its collection efforts, including filing liens and legal actions against these homeowners. The collection of these amounts will be affected by the foreclosure of liens superior to the lien by the homeowner's association such as mortgage lien holders, delinquent property tax liens, and/or bankruptcies by the homeowners.

When the assessments are deemed not collectible, the Association records bad debts using the direct write off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts. The management of the Association however, believes that the net uncollectible assessments from any one year is insignificant, and the effect of using the direct write off method is not materially different from the results that would have been obtained under the allowance method.

As of December 31, 2009 and 2008 the Association had assessments receivable of \$11,981 and \$18,410 respectively. It is the opinion of the management that the Association will prevail against the homeowners whose assessments are delinquent and that the net uncollectible assessments from any one year is insignificant, and, accordingly no allowance for uncollectible accounts is deemed necessary.

4. FEDERAL INCOME TAXES

Homeowners' Associations may be taxed either as Homeowners' Associations or regular Corporations.

As a regular Corporation, membership income is exempt from taxation if the required elections are made (such as returning to homeowners excess funds or reducing future assessments). Then the Association is taxed only on its non-membership income (such as interest earnings) at regular federal corporate income tax rates. The Corporate tax rates are graduated based on income levels from a minimum of 15% to a maximum rate of 39%.

As a Homeowners' Association, the Association is taxed on its non-exempt function income (such as interest earnings) at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

SANDSPOINT WEST CONDOMINIUMS ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2009 and 2008

The Association elected to file its tax return as a Homeowners' Association for the year ended December 31, 2009.

5. MEMO CAPTIONS

The "Memo" captions, when used on the columns of the combined statements, means totals are presented as an overview and for informational purposes only. They present the financial position, results of operations and statement of cash flows for the Association as a whole but do not present in detail the amounts of the various funds.

6. REPLACEMENT FUNDING PROGRAM

The Association is responsible for repairs and replacement of common property. The support provided by the owners towards these expenses are segregated and accounted for as capital reserve or replacement funds. These funds are held in separate investment accounts, and are generally not used for normal operating expenses.

An independent study to determine the costs and funding program for the replacement of the Association's common areas has not been conducted. Accordingly, the current program may not be sufficient to meet all future replacement costs. Therefore, when replacement funds are needed, the Association, pursuant to the by-laws, may have to increase the monthly assessments, pass special assessments, borrow, or delay replacement until funds are available.

SUPPLEMENTAL SCHEDULES

SANDSPPOINT WEST CONDOMINIUMS ASSOCIATION, INC.
ANALYSIS OF ASSESSMENTS, REVENUES AND EXPENSES
For The Year Ended December 31, 2009

	<u>Actual</u>	<u>%age</u>	<u>Average Annual Per Home</u>
Assessments and revenues			
Maintenance fees	\$291,864	100.00%	\$2,069.96
Adjustments and write-offs	(2,996)	-1.03%	(21.25)
Late fees & penalties	1,064	0.36%	7.55
Interest income	1,595	0.55%	11.31
Other income	75	0.03%	0.53
Insurance fire proceeds	2,016	0.69%	14.30
Total revenues	293,618	100.60%	2,082.40
Administrative Expenses			
Collection and legal expenses, net of recovery	2,723	0.93%	19.31
Management fees	19,200	6.58%	136.17
Audit	1,250	0.43%	8.87
Office, postage and other expenses	5,302	1.82%	37.60
Total administrative expenses	28,475	9.76%	201.95
Facilities maintenance			
Maintenance and supplies	19,381	6.64%	137.45
Total facilities maintenance	19,381	6.64%	137.45
Contract services			
Landscape maintenance	15,588	5.34%	110.55
Pool	3,907	1.34%	27.71
Trash removal	15,172	5.20%	107.60
Mosquito and pest control	5,147	1.76%	36.50
Porter service	5,450	1.87%	38.65
Total contract services	45,264	15.51%	321.02
Utilities			
Electricity	7,468	2.56%	52.96
Water and sewer	56,358	19.31%	399.70
Telephone	963	0.33%	6.83
Total utilities	64,789	22.20%	459.50
Insurance			
	50,866	17.43%	360.75
Total expenses	208,775	71.53%	1,480.67
Revenues over (under) expenses	\$84,843	29.07%	\$601.72

*The foregoing notes are an integral
part of these financial statements*

SANDSPOINT WEST CONDOMINIUMS ASSOCIATION, INC.
ACTUAL TO BUDGET
ASSESSMENTS, REVENUES AND EXPENSES
For The Year Ended December 31, 2009

	<u>Actual</u>	<u>Budget</u>	Variance <u>F (UF)</u>
Assessments and revenues			
Maintenance fees	\$291,864	\$291,864	-
Adjustments and write-offs	(2,996)	-	(\$2,996)
Late fees & penalties	1,064	1,200	(136)
Interest income	1,595	120	1,475
Other income	75	-	75
Insurance fire proceeds	2,016	-	2,016
Total revenues	293,618	293,184	434
Administrative Expenses			
Collection and legal expenses, net of recovery	2,723	4,800	2,077
Management fees	19,200	19,200	-
Audit	1,250	1,560	310
Interest expense	-	2,400	2,400
Office, postage and other expenses	5,302	4,944	(358)
Total administrative expenses	28,475	32,904	4,429
Facilities maintenance			
Maintenance and supplies	19,381	11,400	(7,981)
Total facilities maintenance	19,381	11,400	(7,981)
Contract services			
Landscape maintenance	15,588	15,588	-
Pool	3,907	3,576	(331)
Trash removal	15,172	15,408	236
Mosquito and pest control	5,147	5,424	277
Porter service	5,450	5,400	(50)
Total contract services	45,264	45,396	132
Utilities			
Electricity	7,468	10,200	2,732
Water and sewer	56,358	62,160	5,802
Telephone	963	888	(75)
Total utilities	64,789	73,248	8,459
Insurance	50,866	54,000	3,134
Renovations and improvements	-	76,236	76,236
Total expenses	208,775	\$293,184	84,409
Revenues over expenses	\$84,843	-	\$84,843

*The foregoing notes are an integral
part of these financial statements*

SANDSPOINT WEST CONDOMINIUMS ASSOCIATION, INC.
COMPARATIVE ANALYSIS OF
ASSESSMENTS, REVENUES AND EXPENSES
For The Years Ended December 31, 2009 to 2006

	<u>2009</u>	<u>Memo 2008</u>	<u>Memo 2007</u>	<u>Memo 2006</u>
Assessments and revenues				
Maintenance fees	\$291,864	\$291,864	\$379,044	\$379,051
Adjustments and write-offs	(2,996)	(8,088)	(17,787)	(2,842)
Late fees & penalties	1,064	1,813	2,429	2,045
Interest income	1,595	1,125	854	481
Other income	75	409	818	-
Proceeds from sold units	-	-	38,174	-
Insurance fire proceeds	2,016	-	64,542	-
Total revenues	293,618	287,123	468,074	378,735
Administrative Expenses				
Collection and legal expenses, net of recovery	2,723	1,156	3,557	4,419
Management fees	19,200	19,200	19,200	25,950
Audit	1,250	1,200	1,200	2,700
Interest expense	-	-	-	1,046
Office, postage and other expenses	5,302	7,112	5,468	5,661
Total administrative expenses	28,475	28,668	29,425	39,776
Facilities maintenance				
Maintenance and supplies	19,381	19,352	9,667	11,932
Total facilities maintenance	19,381	19,352	9,667	11,932
Contract services				
Landscape maintenance	15,588	15,588	14,289	15,588
Pool	3,907	3,572	3,572	3,572
Trash removal	15,172	14,048	18,525	14,323
Mosquito and pest control	5,147	5,128	2,244	3,663
Porter service	5,450	5,450	5,450	5,500
Total contract services	45,264	43,786	44,080	42,646
Utilities				
Electricity	7,468	9,201	9,222	9,020
Water and sewer	56,358	55,508	53,750	56,619
Telephone	963	894	884	943
Total utilities	64,789	65,603	63,856	66,582
Insurance	50,866	55,819	63,126	64,091
Renovations and improvements	-	88,758	131,610	166,313
Fire repairs	-	1,000	64,449	-
Total expenses	208,775	302,986	406,213	391,340
Revenues over expenses	\$84,843	(\$15,863)	\$61,861	(\$12,605)

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part of these financial statements*