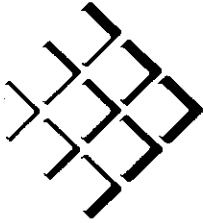


RIDGEWOOD HILLS MASTER ASSOCIATION
FINANCIAL STATEMENTS
And
INDEPENDENT AUDITORS' REPORT
For The Year Ended December 31, 2009



**WEIDNER
& ASSOCIATES, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS
3002 SOUTH OAK WAY
LAKEWOOD, CO 80227



Independent Auditors' Report

To the Board of Directors and Members
Ridgewood Hills Master Association

We have audited the accompanying balance sheet of Ridgewood Hills Master Association as of December 31, 2009, and the related statements of revenues and expenditures and changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the Association's Board of Directors. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ridgewood Hills Master Association as of December 31, 2009, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The supplementary information on future major repairs and replacements included in this report is not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe that the supplementary information is in conformity with guidelines established by accounting principles generally accepted in the United States of America.

Weidner & Associates, P.C.

Certified Public Accountants
Lakewood, Colorado
June 29, 2010

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**Ridgewood Hills Master Association
Balance Sheet
December 31, 2009**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
ASSETS:			
Cash:			
Checking and money market accounts	\$17,627	\$2,616	\$20,243
Certificates of deposit		470,545	470,545
Petty cash	400		400
Total cash	<u>18,027</u>	<u>473,161</u>	<u>491,188</u>
Accrued interest		1,082	1,082
Accounts receivable - members, net of an allowance for doubtful accounts of \$7,000	24,306		24,306
Prepaid insurance	1,589		1,589
Prepaid income taxes	4,128		4,128
Interfund receivable (payable)	<u>5</u>	<u>(5)</u>	<u>0</u>
	<u>\$48,055</u>	<u>\$474,238</u>	<u>\$522,293</u>
LIABILITIES:			
Accounts payable	\$3,476		\$3,476
Deferred revenue - prepaid assessments	40,568		40,568
	<u>44,044</u>	<u>0</u>	<u>44,044</u>
MEMBERS' EQUITY:			
Fund balances	<u>4,011</u>	<u>474,238</u>	<u>478,249</u>
	<u>\$48,055</u>	<u>\$474,238</u>	<u>\$522,293</u>

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

Ridgewood Hills Master Association
Statement of Revenues and Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2009

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
REVENUES:			
Assessments - members (Note 3)	\$251,100		\$251,100
Budgeted allocation of assessments to reserve fund	(34,000)	\$34,000	0
Legal fees, late fees and other member charges	32,382		32,382
Refund of prior year property tax	312		312
Interest	26	20,304	20,330
	<u>249,820</u>	<u>54,304</u>	<u>304,124</u>
EXPENDITURES:			
Operating			
Landscape contract	\$72,991		\$72,991
Water and sewer	33,782		33,782
Management fees	30,638		30,638
Office expenses	20,281		20,281
Legal and audit fees	17,118		17,118
Grounds improvements	13,949		13,949
Sprinkler repairs	13,321		13,321
Income tax	2,873		2,873
Snow removal	8,552		8,552
Insurance	6,384		6,384
Tree / shrub maintenance	4,275		4,275
Other grounds expenses	4,160		4,160
Bad debt	3,412		3,412
Social	3,023		3,023
Electricity	2,165		2,165
Native area maintenance	1,720		1,720
Other operating expenses	285		285
Reserve			
Concrete replacement and repairs		\$31,351	31,351
Asphalt sealcoating		17,100	17,100
Signage		10,896	10,896
Other contingencies		2,663	2,663
	<u>238,929</u>	<u>62,010</u>	<u>300,939</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,891	(7,706)	3,185
Fund balances - beginning of year	<u>(6,880)</u>	<u>481,944</u>	<u>475,064</u>
Fund balances - end of year	<u>\$4,011</u>	<u>\$474,238</u>	<u>\$478,249</u>

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

**Ridgewood Hills Master Association
Statement of Cash Flows
For the Year Ended December 31, 2009**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (deficiency) of revenues over expenditures	\$10,891	(\$7,706)	\$3,185
Adjustments to reconcile excess (deficiency) of revenues over expenditures to net cash provided by (used in) operating activities:			
(Increase) decrease in accounts receivable	(12,317)		(12,317)
(Increase) decrease in prepaid income taxes	(4,128)		(4,128)
Change in interfund receivable (payable)	(5)	5	0
Increase (decrease) in accounts payable	(2,507)		(2,507)
Increase (decrease) in income taxes payable	(1,599)		(1,599)
Increase (decrease) in prepaid assessments	(6,717)		(6,717)
Total adjustments	<u>(27,273)</u>	<u>5</u>	<u>(27,268)</u>
Net cash provided by (used in) operating activities	<u>(16,382)</u>	<u>(7,701)</u>	<u>(24,083)</u>
Cash at beginning of year	<u>34,409</u>	<u>480,862</u>	<u>515,271</u>
Cash at end of year	<u>\$18,027</u>	<u>\$473,161</u>	<u>\$491,188</u>
<u>Supplemental Disclosure of Cash Flows Information:</u>			
Income taxes paid during the year	<u>\$8,600</u>	<u>\$0</u>	<u>\$8,600</u>
Interest paid during the year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

Ridgewood Hills Master Association
Supplementary Information on Future Major Repairs and Replacements
December 31, 2009
Unaudited

The Association's reserve study provides estimates of the remaining useful lives and of the repair and replacement costs of the components of the Association's common property. The Association's management company updated that study in 2010. Costs were the estimated costs to repair and replace the components at the end of their estimated useful lives. Funding requirements consider an annual inflation rate of 3% and interest at 2%, net of taxes, on amounts funded for future major repair and replacements. See the reserve study for additional detail regarding the timing and frequency of the repairs and replacements for the various elements of the study. Some of the items in the following table may have already been repaired or replaced as of the date of this report.

<u>Component / Activity</u>	<u>As of June, 2010</u>	
	<u>Next Scheduled Major Repair/ Replacement</u>	<u>Estimated Repair and Replacement Costs to be Incurred At Next Scheduled Major Repair/ Replacement</u>
Cedar privacy fence - replace	2019	\$78,302
Decorative fence - replace	2010 - 2014	138,586
Rail fence - replace	2025 - 2029	1,079,635
Vinyl fence - replace	2029	90,060
Fence staining	2010	8,250
Asphalt - resurface	2024	53,934
Asphalt - sealcoat / repair	2014	5,403
Concrete walkways - repair / replace	2012	4,244
Concrete swales - replace	2013	1,913
Concrete drive - repair	2011	25,755
Bus stop structure - refurbish	2021	6,230
Monument signs - refurbish / replace	2023	33,783
Signs - replace	2012	1,167
Irrigation timeclocks - replace	2012	4,244
Irrigation motors / pumps - replace	2012	9,019
Irrigation controllers - replace	2012	3,714
Rock veneer - repair	2012	2,122
Drainage (ponds) - clean and maintain	2010	76,805
Total		<u>\$1,623,166</u>
Reserve fund balance recommended at December 31, 2009 in the Association's reserve study		<u>\$472,485</u>
Reserve fund balance at December 31, 2009		<u>\$474,238</u>

**Ridgewood Hills Master Association
Notes to Financial Statements
December 31, 2009**

NOTE 1. ORGANIZATION

Ridgewood Hills Master Association ("The Association") is a residential management association incorporated on January 8, 1996 as a Colorado nonprofit corporation. The Association was formed to maintain and preserve the common property on behalf of its members. The Association is located in Larimer County, Colorado and consists of the owners of 837 residences. The Members elect the Association's Board of Directors. The Board volunteers its time to manage the affairs of the Association.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements and the related income tax returns have been prepared on the accrual basis.

FUND ACCOUNTING

The accounts of the Association are maintained in accordance with fund accounting whereby resources are classified for reporting purposes into funds with specified activities or purposes. The Association's two funds are operating and reserve. The operating fund is used to account for the general operations of the Association. The reserve fund is used to account for money set aside and related expenditures for major repairs and replacements.

DELINQUENT ASSESSMENTS

The Association's policy is to enforce collection of assessments by retaining legal counsel and by placing liens on the properties of delinquent members.

COMMON PROPERTY

Consistent with preferable accounting for residential associations the Association's property, including common areas, is not capitalized in these financial statements. That property is commonly owned by the resident-owners, cannot be detached from the development and sold, and is not used by the Association to generate cash.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Such estimates can also affect the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

NOTE 3. ASSESSMENTS

Assessments are determined by the Board of Directors upon approval of the annual budget and are intended to meet both the normal operating costs of the Association and the costs of estimated future major repairs or capital improvements. Assessments to homeowners were \$150 semi-annually during 2009. Assessments for the year included amounts designated in the Association's budget for the reserve fund as discussed in Note 4 below. The Association may levy special assessments to cover costs as described in the Association's governing documents.

**Ridgewood Hills Master Association
Notes to Financial Statements
December 31, 2009**

NOTE 4. RESERVE FUND - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that a reserve fund be accumulated for the future repair and replacement of the major components of the Association's common property. The Association's reserve study is a plan for the accumulation and disposition of reserve fund resources. The study provides estimates of the remaining useful lives of the components of the Association's common property. The study also provides estimates of annual additions to the reserve fund and of the periodic costs to repair and replace the common property. Information based on the Association's reserve study is presented on an unaudited page of this report captioned "Supplementary Information on Future Major Repairs and Replacements."

The Association's budget for 2009 allocated \$34,000 of assessment revenues to the reserve fund. The budgeted allocation is included in reserve fund revenues in the Statement of Revenues and Expenditures and Changes in Fund Balances for the year. The gross amount transferred to the reserve fund during 2009 was \$34,000.

Future allocations of assessment revenues to the reserve fund may vary from the amounts detailed in the reserve study. Further, the timing and amount of actual reserve fund expenditures may vary from the reserve study's estimates. These variations may be material. Therefore, the reserve fund may not be adequate to meet the costs of all future major repairs and replacements. If additional amounts are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. Any of these steps, or a combination of these steps, may be required to meet the Association's future repair and replacement needs.

NOTE 5. FEDERAL AND STATE CORPORATE INCOME TAXES

The Association must file annual federal and Colorado income tax returns. As a homeowner association, one of two federal forms can be filed – a Form 1120 Corporate Return, or a Form 1120-H Homeowner Association Return. Considerations made in selecting a form to be used include minimizing long-term income taxes, minimizing filing risks, and protecting the Association's reserve assessments from taxation.

For the year ended December 31, 2009 the Association elected to use federal Form 1120. The Association had net taxable income for the year which was taxed at a 15% rate on the federal return and at a 4.63% rate on the Colorado return. The Association's federal income taxes for 2009 were \$2,171; Colorado income taxes were \$703. At December 31, 2009 the Association has a section 277 membership loss carryforward of \$9,117. The carryforward does not have a defined expiration date and it may be useful in minimizing future income taxes.