

The Ridge Club Community
Association, Inc.

Financial Statements & Independent
Auditor's Report

For the Year Ended December 31, 2007

Patricia G. Cobb, P.C.

Certified Public Accountant

Independent Auditor's Report

To the Board of Directors
The Ridge Club Community Association, Inc.
Sandwich, Massachusetts

I have audited the accompanying balance sheet of The Ridge Club Community Association, Inc. as of December 31, 2007, and the related statements of revenues, expenses and fund balance, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for our opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ridge Club Community Association, Inc. as of December 31, 2007, 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 Ridge Club Community Association, Inc. has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented the Supplementary Information on Future Major Repairs and Replacements that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be part of, the basic financial statements.



Patricia G. Cobb
Certified Public Accountant
June 25, 2008

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The Ridge Club Community Association, Inc.
Balance Sheet
December 31, 2007

	<u>Community Association Operating Fund</u>	<u>Reflection Village Operating Fund</u>	<u>Community Association Reserve Fund</u>	<u>Reflection Village Reserve Fund</u>	<u>Reflection Village Septic Reserve Fund</u>	<u>Total 2007</u>
<u>Assets</u>						
Cash	\$ 136,614	\$ 24,872	\$ 219,453	\$ -	\$ 75,484	\$ 456,423
Assessments receivable	7,251	4,693	-	-	-	11,944
Other current assets	4,943	-	-	-	-	4,943
Interfund balances	<u>6,006</u>	<u>(15,012)</u>	<u>(4,909)</u>	<u>46,639</u>	<u>(32,724)</u>	<u>-</u>
	<u>\$ 154,814</u>	<u>\$ 14,553</u>	<u>\$ 214,544</u>	<u>\$ 46,639</u>	<u>\$ 42,760</u>	<u>\$ 473,310</u>
<u>Liabilities & Fund Balance</u>						
Liabilities:						
Accounts payable & accrued expenses	\$ 24,811	\$ 6,746	\$ 656	\$ -	\$ -	\$ 32,213
Prepaid assessments	105,021	2,860	-	-	-	107,881
Escrow account	19,500	-	-	-	-	19,500
Income taxes payable	<u>2,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,452</u>
Total Liabilities	151,784	9,606	656	-	-	162,046
Fund balance	<u>3,030</u>	<u>4,947</u>	<u>213,888</u>	<u>46,639</u>	<u>42,760</u>	<u>311,264</u>
	<u>\$ 154,814</u>	<u>\$ 14,553</u>	<u>\$ 214,544</u>	<u>\$ 46,639</u>	<u>\$ 42,760</u>	<u>\$ 473,310</u>

See notes to financial statements.

The Ridge Club Community Association, Inc.
Statement of Revenues, Expenses and Fund Balance
Year Ended December 31, 2007

	Community Association Operating Fund	Reflection Village Operating Fund	Community Association Reserve Fund	Reflection Village Reserve Fund	Reflection Village Septic Reserve Fund	Total 2007
OPERATING REVENUES:						
Assessments	\$ 231,000	\$ 110,184	\$ 133,000	\$ 22,296	\$ 4,800	\$ 501,280
Country club assessments	-	-	6,000	-	-	6,000
Investment & other income	<u>10,785</u>	<u>2,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,607</u>
	241,785	113,006	139,000	22,296	4,800	520,887
OPERATING EXPENSES:						
Security	75,084	-	-	-	-	75,084
Professional fees	5,565	-	-	-	-	5,565
Management fee	19,860	7,440	-	-	-	27,300
Other administrative expenses	4,697	444	-	-	-	5,141
Insurance	4,576	549	-	-	-	5,125
Road expense	747	-	25,250	-	-	25,997
Repairs & maintenance	5,496	10,134	18,124	-	-	33,754
Painting	-	16,200	-	-	-	16,200
Irrigation	-	-	9,424	-	-	9,424
Landscaping	81,829	69,349	-	-	-	151,178
Snow removal	3,851	5,271	-	-	-	9,122
Utilities	7,478	4,061	-	-	-	11,539
Rubbish removal	27,338	-	-	-	-	27,338
Income taxes	<u>2,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,739</u>
	<u>239,260</u>	<u>113,448</u>	<u>52,798</u>	<u>-</u>	<u>-</u>	<u>405,506</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	2,525	(442)	86,202	22,296	4,800	115,381
FUND BALANCE, beginning of year	<u>505</u>	<u>5,389</u>	<u>127,686</u>	<u>24,343</u>	<u>37,960</u>	<u>195,883</u>
FUND BALANCE, end of year	<u>\$ 3,030</u>	<u>\$ 4,947</u>	<u>\$ 213,888</u>	<u>\$ 46,639</u>	<u>\$ 42,760</u>	<u>\$ 311,264</u>

See notes to financial statements.

The Ridge Club Community Association, Inc.
Statement of Cash Flows
Year Ended December 31, 2007

	Community Association Operating Fund	Reflection Village Operating Fund	Community Association Reserve Fund	Reflection Village Reserve Fund	Reflection Village Septic Reserve Fund	Total 2007
OPERATING ACTIVITIES:						
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ 2,525	\$ (442)	\$ 86,202	\$ 22,296	\$ 4,800	\$ 115,381
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by operating activities:						
Changes in:						
Assessments receivable	718	(1,614)	-	-	-	(896)
Other current assets	(4,098)	-	-	-	-	(4,098)
Accounts payable & accrued expenses	12,853	4,415	(544)	-	-	16,724
Prepaid assessments	101,221	2,860	-	-	-	104,081
Income taxes payable	1,239	-	-	-	-	1,239
Net cash provided by operating activities	114,458	5,219	85,658	22,296	4,800	232,431
FINANCING ACTIVITIES:						
Interfund activity	(45,356)	13,568	44,809	(22,296)	9,275	-
Net cash provided by (used in) financing activities	(45,356)	13,568	44,809	(22,296)	9,275	-
NET INCREASE IN CASH	69,102	18,787	130,467	-	14,075	232,431
CASH, beginning of year	67,512	6,085	88,986	-	61,409	223,992
CASH, end of year	<u>\$ 136,614</u>	<u>\$ 24,872</u>	<u>\$ 219,453</u>	<u>\$ -</u>	<u>\$ 75,484</u>	<u>\$ 456,423</u>
SUPPLEMENTAL CASH FLOW INFORMATION:						
Cash paid for income taxes	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,500</u>

See notes to financial statements.

The Ridge Club Community Association, Inc.
Notes to Financial Statements
Year Ended December 31, 2007

A. History and Purpose of Trust:

The Ridge Club Condominium Association, Inc. is a residential community situated on approximately 295 acres of land in Sandwich, Massachusetts that was organized as a not-for-profit corporation in the Commonwealth of Massachusetts on December 29, 1999 to administer and manage the common areas for the benefit of the homeowners. The Association is composed of various residential lot homes and twenty-four homes that were constructed by the Developer in a village cluster known as Reflection Village. The Developer sold the remaining lots to individuals for the construction of additional single-family dwellings. As of December 31, 2007 182 lots contributed to the common expenses.

B. Summary of Significant Accounting Policies:

Fund accounting -

To ensure the 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.

Community Association Operating Fund - This fund is used to account for financial resources available for general operations.

Reflection Village Operating Fund - This fund is used to account for financial resources available for general use specifically for Reflection Village.

Community Association Reserve Fund - This fund is used to accumulate financial resources designated for future repairs and replacements of paved areas and landscaping.

Reflection Village Reserve Fund - This fund is used to accumulate financial resources designated for future repairs and replacements for Reflection Village excluding the septic system.

Reflection Village Septic Reserve Fund - This fund is used to account for financial resources designated for future repair and replacements to Reflection Village's septic system.

Assessments Receivable -

The Board of Directors and managing agent have reviewed the assessments receivable as of December 31, 2007 and consider assessments receivable to be fully collectible. Since any past due fees or assessments may be secured by a lien on the homeowners' unit with the power of foreclosure, no allowance for uncollectible assessments is considered necessary.

Interest Earned -

The Board of Directors' policy is to allocate interest earned on all cash accounts to the operating fund.

The Ridge Club Community Association, Inc.
Notes to Financial Statements
Year Ended December 31, 2007

B. Summary of Significant Accounting Policies (continued):

Property -

Real property and common areas acquired by the Developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual homeowners in common and not by the Association.

Member assessments -

Association members are subject to annual assessments for each residential lot to provide funds for the Association's operating expenses and major repairs and replacements. In addition, each homeowner in Reflection Village is subject to a quarterly assessment to provide funds for landscaping and other expenditures related only to village operations and septic system reserve funds. Any excess assessments at year-end are retained by the Association for use in future years.

Fund balances are taken into account by the Board of Directors in determining the amount of annual assessments to each homeowner to cover the estimated common expenses.

Income taxes -

Community associations may be taxed as either homeowner's associations or as regular corporations. For the year ended December 31, 2007, the Association was taxed as a regular corporation. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earnings.

Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

C. Architectural Approval Committee:

The Association's Architectural Approval Committee must approve construction of all single-family homes in the Association. A non-refundable plan approval fee of \$500 is charged for each lot to be developed. In addition \$1,500 for each lot is held in an escrow until such time as the home is completed in accordance with the approved plan. At December 31, 2007 \$19,500 was included in an escrow account held for this purpose.

D. Concentration of Credit Risk:

The Trust maintains commercial checking accounts at a bank with a combined balance in excess of the \$100,000 federally insured level.

The Ridge Club Community Association, Inc.
Notes to Financial Statements
Year Ended December 31, 2007

E. Future Major Repairs and Replacements:

In 2001, the Association began to set aside funds for the future repair and replacement of the network of roads and landscape improvements in the community exclusive of country club roads. The Association contributed \$50,000 for this purpose in 2007. The maintenance of the Country Club Road is a shared responsibility between the private golf club and the Association. Both the Association and the golf club each contributed \$6,000 toward the future maintenance of this road in 2007. In addition, the Association contributed \$77,000 for general capital improvement projects as determined by the Board of Directors. As of December 31, 2007 the Association had set aside \$213,888 in the Community Association Reserve Fund.

The homeowners at Reflection Village are funding for the replacement cost associated with their shared septic system based on annual contributions of \$4,800. As of December 31, 2006, the Association has set aside \$42,760 for this purpose.

The homeowners at Reflection Village are also providing funding for a general capital improvement fund. The contribution to this fund for 2007 was \$22,296. During the year the Board did not spend any monies for capital improvements. As of December 31, 2007, \$46,639 has been set aside for this purpose.

The Association has not conducted a recent formal study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. When funds are required to meet future needs for major repairs and replacements, the Association may need to borrow, increase maintenance assessments, or delay repairs and maintenance until funds are available. The effect on future assessments has not been determined.