

Financial Statements

Montage at Mission Hills, Inc.

December 31, 2009

Healey & Associates
Certified Public Accountants and Consultants

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ACCOUNTANT'S REVIEW REPORT

Board of Directors and Members
Montage at Mission Hills, Inc.
Rancho Mirage, California

I have reviewed the accompanying Balance Sheet of Montage at Mission Hills, Inc. as of December 31, 2009, and the related Statements of Revenues, Expenses and Changes in Fund Balances and Cash Flows, for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Montage at Mission Hills, Inc.

A review consists principally of inquiries of management personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.



April 20, 2010

MONTAGE AT MISSION HILLS, INC.

BALANCE SHEET
DECEMBER 31, 2009

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 19,265	\$ 14,786	\$ 34,051
Certificates of deposit:			
1.83% matures September 15, 2010	-	11,397	11,397
2.23% matures June 18, 2010	-	10,132	10,132
2.76% matures February 10, 2010	-	11,302	11,302
2.23% matures January 30, 2010	-	23,401	23,401
1.98% matures May 23, 2010	-	11,483	11,483
1.34% matures February 15, 2010	-	10,722	10,722
Assessments receivable	11,830	-	11,830
Prepaid insurance	3,064	-	3,064
Inter fund receivable (payable)	2,163	(2,163)	-
	<u>\$ 36,322</u>	<u>\$ 91,060</u>	<u>\$ 127,382</u>
LIABILITIES			
Assessments collected in advance	8,914	-	8,914
Income taxes payable	-	279	279
	8,914	279	9,193
FUND BALANCES	<u>27,408</u>	<u>90,781</u>	<u>118,189</u>
	<u>\$ 36,322</u>	<u>\$ 91,060</u>	<u>\$ 127,382</u>

See accompanying notes and accountants' review report.

MONTAGE AT MISSION HILLS, INC.

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
DECEMBER 31, 2009

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessments	\$ 194,436	\$ 20,604	\$ 215,040
Interest	-	1,892	1,892
Late fees and miscellaneous	8,210	-	8,210
	<u>\$ 202,646</u>	<u>\$ 22,496</u>	<u>\$ 225,142</u>
EXPENSES			
Collection fees	1,300	-	1,300
Income taxes	-	719	719
Insurance	4,848	-	4,848
Landscape maintenance	29,889	-	29,889
Management	23,528	-	23,528
Office and miscellaneous	3,521	-	3,521
Pest control	2,100	-	2,100
Printing and postage	4,148	-	4,148
Professional fees	1,673	-	1,673
Repairs and maintenance - electrical	6,693	-	6,693
Repairs and maintenance - fountains	1,680	-	1,680
Repairs and maintenance - general	5,296	-	5,296
Repairs and maintenance - street sweeping	3,840	-	3,840
Repairs and maintenance - gates	1,424	-	1,424
Replacements - refresh G.F. entrance	-	8,400	8,400
Replacements - fountain motor, gaskets	-	862	862
Replacements - sprinkler controllers	-	1,997	1,997
Replacements - telephone entry system	-	1,200	1,200
Replacements - painting of main gate	-	1,700	1,700
Social membership	92,544	-	92,544
Telephone - gate	1,128	-	1,128
Utilities - electricity	11,351	-	11,351
Utilities - water	4,126	-	4,126
	<u>199,089</u>	<u>14,878</u>	<u>213,967</u>
Total expenses			
EXCESS OF REVENUES OVER EXPENSES	3,557	7,618	11,175
FUND BALANCES - Beginning of year	<u>23,851</u>	<u>83,163</u>	<u>107,014</u>
FUND BALANCES - End of year	<u>\$ 27,408</u>	<u>\$ 90,781</u>	<u>\$ 118,189</u>

See accompanying notes and accountants' review report.

MONTAGE AT MISSION HILLS, INC.

STATEMENT OF CASH FLOWS
DECEMBER 31, 2009

	Operating Fund	Replacement Fund	Total
Cash flows from Operating Activities			
Excess of revenues over expenses	\$ 3,557	\$ 7,618	\$ 11,175
Adjustments to reconcile excess of revenues to net cash provided by operating activities			
(Increase) decrease in current assets:			
Assessments receivable	(5,822)	-	(5,822)
Prepaid insurance	965	-	965
Increase (decrease) in current liabilities:			
Assessments collected in advance	2,264	-	2,264
Architectural deposits	(1,000)	-	(1,000)
Income taxes payable	-	279	279
Interfund transfers	(2,163)	2,163	-
Net cash provided by (used in) operating activities	(2,199)	10,060	7,861
Cash Flows from investing activities			
Certificates of deposit matured	-	66,673	66,673
Purchase of certificates of deposit	-	(78,437)	(78,437)
Net cash provided by (used in) investing activities	-	(11,764)	(11,764)
Cash Flows from financing activities	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,199)	(1,704)	(3,903)
CASH - Beginning of year	21,464	16,490	37,954
CASH - End of year	\$ 19,265	\$ 14,786	\$ 34,051

Supplemental information:

Cash paid during the year for:

Income taxes

Interest

\$	440
\$	-

See accompanying notes and accountants' review report.

MONTAGE AT MISSION HILLS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1: ORGANIZATION

Montage at Mission Hills, Inc. (the Association) was incorporated as a General Non-Profit Mutual Benefit Corporation in California on February 26, 2002. The main purpose of the Association is to manage and maintain the common areas for the 128 single family homes located in Rancho Mirage, California.

Initial improvements to the common areas, contributed by the developer, are not recorded on the books because these items are owned by the individual owners in common and not by the Association.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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 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.

The Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Monthly assessments billed to homeowners were \$140, of which \$13 was designated for the replacement fund. Management believes that accounts receivable are substantially collectible. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are in arrears.

Preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

MONTAGE AT MISSION HILLS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3: REPLACEMENT FUND

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds generally are not available for expenditures for normal operation.

A reserve study was conducted in November 2007, by an outside company, and updated in November 2009 by a board member, to estimate the remaining useful lives and the replacement costs of the components of common property. Based on this study and amounts already accumulated, a funding requirement of \$21,900 is included in the 2010 budget.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. Increased assessments greater than 20% of the annual budget or special assessments greater than 5% of the annual budget must be approved by the members.

NOTE 4: INCOME TAXES

The Association qualifies as an exempt membership corporation for both Federal and State income taxes. Accordingly, a tax liability is only incurred on income from nonmember sources such as interest income. The Association elects to allocate any excess revenues over expenses from the operating fund, as applicable, to the replacement fund.

See accountants' review report.

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REPORT OF INDEPENDT CERTIFIED PUBLIC ACCOUNTANT
ON SUPPLEMENTARY INFORMATION

The Supplementary Information on future Major Repairs and Replacements on the following page is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



April 20, 2010

MONTAGE AT MISSION HILL, INC.

SUPPLEMENTARY INFORMATION ON FUTURE REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2009
 (UNAUDITED)

An independent study was conducted January 1 2008 and updated in November 2009 to estimate the remaining useful lives and the replacement costs of the components of common area property. The study assumed 2% inflation and a 2% return on investments, net of income taxes. The following table is based on the study.

	<u>Estimated Remaining Life</u>	<u>Estimated Replacement Cost</u>	<u>2010 Funding Requirements*</u>	<u>Component 12/31/2009*</u>
Access system	2-5	\$ 35,640	\$ -	\$ -
Asphalt/concrete	3-21	341,850	-	-
Electrical	1-18	40,530	-	-
Fence/Gates	1-22	30,100	-	-
Landscape/Drainage	1-10	30,550	-	-
Mailboxes	7	9,600	-	-
Monuments	4	6,000	-	-
Paint	2	17,200	-	-
Water Features	1-10	14,332	-	-
		<u>\$ 519,258</u>	<u>\$ 21,900</u>	<u>\$ 93,223</u>

* Unallocated

See accountants' review report.