

AUDIT COMMITTEE REPORT

To the Board of Directors
San Ignacio Vistas, Inc.

We have performed an internal audit of the accompanying Statements of Assets, Liabilities and Fund Balances (modified cash basis) and Revenue, Expenses and Changes in Fund Balances (modified cash basis) of San Ignacio Vistas, Inc. as of and for the years ended December 31, 2019 and 2018. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on the financial statements based on our internal audit.

We conducted our internal audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our internal audit procedures included examining, on a test basis, evidence supporting the amounts in the financial statements as well as evaluating the overall financial statement presentation. We believe that our internal audit procedures provide a reasonable basis for our opinion.

The financial statements are consistently prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, as the internal audit committee, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, fund balances, revenue, expenses and changes in fund balances of San Ignacio Vistas, Inc. as of and for the years ended December 31, 2019 and 2018, on the modified cash basis of accounting.

The San Ignacio Vistas, Inc.
Internal Audit Committee

January 28, 2020

San Ignacio Vistas, Inc.
Statement of Assets, Liabilities and Fund Balances
(Modified Cash Basis)
December 31, 2019 with Comparative Totals for 2018

	Operating Fund	Reserve Fund	Total All Funds	
			2019	2018
ASSETS				
Cash (Note 1)	\$ 105,134	\$ 71,763	\$ 176,897	\$ 144,237
Investments (Note 2)		510,198	510,198	503,268
Prepaid Expense	1,143		1,143	
Due from Operating Fund		13,291	13,291	
TOTAL ASSETS	<u>\$ 106,277</u>	<u>\$ 595,252</u>	<u>\$ 701,529</u>	<u>\$ 647,505</u>
LIABILITIES				
Assessments Received in Advance	\$ 68,249	\$ 13,291	\$ 81,540	\$ 80,070
Due to Reserve Fund	13,291		13,291	\$ 25,900
TOTAL LIABILITIES	81,540	13,291	94,831	105,970
FUND BALANCES	<u>24,737</u>	<u>581,961</u>	<u>606,698</u>	<u>567,435</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 106,277</u>	<u>\$ 595,252</u>	<u>\$ 701,529</u>	<u>\$ 673,405</u>

See Notes to Financial Statements

San Ignacio Vistas, Inc.
Statement of Revenue, Expenses and Changes in Fund Balances
(Modified Cash Basis)
Year Ended December 31, 2019 with Comparative Totals for 2018

	<u>Operating Fund</u>		<u>Reserve Fund</u>		<u>Actual Total All Funds</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>2019</u>	<u>2018</u>
REVENUE						
Assessments	\$ 82,120	\$ 82,120	\$ 41,000	\$ 41,000	\$ 123,120	\$ 120,840
Transfer and Document Fees	3,600	4,800	-	-	4,800	3,000
Interest and Dividends	130	805	11,000	13,380	14,185	24,088
	<u>85,850</u>	<u>87,725</u>	<u>52,000</u>	<u>54,380</u>	<u>142,105</u>	<u>147,928</u>
TOTAL REVENUE						
	<u>85,850</u>	<u>87,725</u>	<u>52,000</u>	<u>54,380</u>	<u>142,105</u>	<u>147,928</u>
EXPENSES						
Maintenance	58,050	59,833	24,000	18,186	78,019	80,063
Administrative	21,490	18,334	-	-	18,334	18,019
Other	6,270	6,489	-	-	6,489	5,715
	<u>85,810</u>	<u>84,656</u>	<u>24,000</u>	<u>18,186</u>	<u>102,842</u>	<u>103,797</u>
TOTAL EXPENSES						
	<u>85,810</u>	<u>84,656</u>	<u>24,000</u>	<u>18,186</u>	<u>102,842</u>	<u>103,797</u>
EXCESS REVENUE	40	3,069	28,000	36,194	39,263	44,131
FUND BALANCES						
Beginning of Year	<u>17,891</u>	<u>21,668</u>	<u>505,413</u>	<u>545,767</u>	<u>567,435</u>	<u>523,304</u>
END OF YEAR	<u>\$ 17,931</u>	<u>\$ 24,737</u>	<u>\$ 533,413</u>	<u>\$ 581,961</u>	<u>\$ 606,698</u>	<u>\$ 567,435</u>

See Notes to Financial Statements

San Ignacio Vistas, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

1. CASH	2019		2018	
	Operating	Reserve	Operating	Reserve
Commerce Bank Checking	\$ 105,134	\$ 60,293	\$ 101,738	\$ 37,317
Vanguard Federal Money Market		11,470		5,182
	\$ 105,134	\$ 71,763	\$ 101,738	\$ 42,499
		\$ 176,897		\$ 144,237
2. INVESTMENTS				
2019 Reserve Fund Investments	APY/ Shares	Fair Value	Carrying Value	
Wells Fargo CD (matures 3/20)	2.55%	240,000	240,000	
Washington Federal CD (matures 2/20)	1.95%	65,935	65,935	
Vanguard Wellington Fund	1055.112	81,709	66,072	
Vanguard Total Stock Market Fund	555.646	44,702	33,056	
BMO CD (matures 6/20)	2.40%	105,135	105,135	
		\$ 537,481	\$ 510,198	
Unrealized Gain		\$ 27,283		
2018 Reserve Fund Investments	APY/ Shares	Fair Value	Carrying Value	
Wells Fargo CD (matures 3/20)	2.55%	240,000	240,000	
Commerce CD (matured 6/19)	0.98%	104,181	104,181	
Washington Federal CD (matures 2/20)	1.93%	64,359	64,359	
Vanguard Wellington Fund	1006	64,463	62,444	
Vanguard Total Stock Market Fund	545	33,851	32,284	
		\$ 506,854	\$ 503,268	
Unrealized Gain		\$ 3,586		

SAN IGNACIO VISTAS, INC.
Notes to Financial Statements
December 31, 2019 and 2018

2. INVESTMENTS Continued

Investments are carried at cost, including reinvested dividends or credited interest. The Board's investment policy allows up to 40% of the "Reserve Net Assets" (i.e. Fund Balance) to be invested in Mutual Funds or other like investments. At December 31, 2019 investments in Vanguard Mutual Funds of \$99,128 is below the 40% threshold of \$232,784.

3. ORGANIZATION

San Ignacio Vistas, Inc. (SIV or Association) is incorporated as a non-profit corporation under Arizona Law. The duration of its existence is perpetual. The purpose of the Association is to preserve the property values and natural beauty of the area by providing architectural control of the 228 lots comprising the Association and maintaining the common Areas (streets, sidewalks, drainage-ways and natural vegetation).

The Association is governed by the Declaration of Establishment of Covenants, Conditions and Restrictions (CC&Rs) as amended by the Members from time to time.

As a Homeowners Association, SIV is considered a Common Interest Realty Association for accounting and financial reporting purposes.

4. BASIS OF ACCOUNTING

The financial statements are prepared on a modified cash basis of accounting. Under this method, transactions are generally reported at the time cash is received or disbursed. The primary exception relates to member annual assessments, a substantial portion of which are collected by December 31 for the following fiscal year. In the year-end financial statements such amounts are classified as "Assessments Received in Advance" and recognized as revenue in the fiscal year for which they are budgeted.

5. FUND ACCOUNTING

The Association uses an Operating Fund and Reserve Fund for accounting purposes. The Operating Fund is used for normal day-to day activities and the Reserve Fund is restricted (pursuant to the CC&Rs) exclusively for major maintenance, repairs and replacements of Common Areas. The Annual Member Assessments are levied for each Fund separately.

The Association has developed a Replacement Reserve Plan (RRP) to project future expenditures for designated Common Area purposes. The RRP is reviewed annually by the Road Subcommittee and the Financial Advisory Committee who then make a recommendation to the Board as to the Annual Assessment to the Reserve Fund for the coming year.

In 2017 the Board engaged independent specialist consultants, Association Reserves, LLC (AR) to update, without site visit, it's study prepared in September 2012. Based upon their review of the RRP and the Reserve Fund assets AR considers the Reserve Fund Balance to be "Strong" and any special assessment risk is currently "Low".

SAN IGNACIO VISTAS, INC.
Notes to Financial Statements
December 31, 2019 and 2018

5. Fund Accounting continued

Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the Reserve Fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the authority under the CC&Rs, subject to membership approval, to levy special assessments, or delay major repairs and replacements until sufficient funds are available.

6. FIXED ASSETS

As permitted by industry practice, the Association has elected not to recognize as assets in its financial statements the Common Areas and office equipment which it owns.

7. INCOME TAXES

The Association has obtained a ruling from the Internal Revenue Service that it is exempt from income taxes pursuant to Section 501 (C) (4) of the Internal Revenue Code.

8. RELATED PARTY TRANSACTIONS

The Association contracts with Reliable Secretary Services (RSS) to provide day-to-day operations services, including, but not limited to , maintenance of the homeowners database, corporate files, obtaining legal opinions as directed by the Board, negotiation of the contract for garbage services, process mail to homeowners relative to enforcement of deed restrictions and provisions of the governing documents, generating notices, invoicing homeowners for Annual Assessments and respond to disclosures for any transfer or sale of a lot within San Ignacio Vistas, the development and maintenance of the Association website, preparation and distribution of newsletters and a neighborhood phone directory.

RSS is owned by Marianne Bishop, who is a Board Member and Officer of SIV.

Pursuant to the Association's Bylaws, no Board member or Officer, including Mrs. Bishop, receives any compensation for their volunteer services.

Total fees paid to RSS amounted to \$13,380 in 2019 and \$12,996 in 2018 plus certain office expenses (phone and internet).

In the opinion of the Board, the fees paid are reasonable for the services provided.

9. RECLASSIFICATIONS

Certain reclassifications have been made to the 2018 Financial Statements for comparative purposes with the 2019 Financial Statements.