Joseph H. Vandal, CPA, PS
Member of American Institute of CPAs, Washington Society of CPAs
A professional Service Corporation

Keri Holland
Stone Brook Homeowner's Association
Vantage Community Management
8290 28th Ct. NE, Ste C
Lacey, WA 98516

Dear Keri Holland:

Enclosed you will find:

1. Draft Financial Statements for the year ended December 31, 2016.

2. Management Representation Letter

3. The Tax Return

4. The Bill For Services

5. Letter to those of Governance

Please review the Draft Financial Statements and the letter of Governance with the Board of Directors. If the Financial Statements and the letter of Governance meet with the approval of the Board of Directors and Management, the Management Representation Letter should be signed by a duly authorized representative of management and the Board of Directors and returned to us. Once we receive a signed Management Representation Letter we will issue the final bound Financial Statements.

Please also review the tax return, and if it meets with the approval of management and the Board of Directors the return should be signed by an Officer of the Association and mailed to the Internal Revenue Service (envelope to the IRS enclosed).

The Bill for Services is due upon receipt.

If you have any questions or if we can assist you in any way please call us at (425) 885-5134 or email at office@jhvandalcpa.com

Sincerely,

Joseph H. Vandal CPA PS

Jay Vandal CPA

Certified Public Accountant / 2020 124th Ave NE, Suite C-203, Bellevue WA 98005 / (425) 885-5134

Joseph H. Vandal, CPA PS

23515 NE NOVELTY HILL RD
SUITE B221 #111
REDMOND, WA 98053

Invoice

Date	Invoice #
12/18/2017	129271

Bill To
Stone Brook Homeowner's Association Vantage Community Management 8290 28th Ct NE Ste C Lacey, WA 98516

Received

DEC 29 2017

Vantage Community
Management Inc.

P.O. No.	Terms	Project

Quantity	Description	Rate	Amount
	Preparation of audited financial statements and tax return year ended December 31, 2016	1,750.00	1,750.00

Total $1,750.00

STONE BROOK HOME OWNER'S ASSOCIATION

INDEPENDENT AUDITOR'S REPORT

AND

AUDITED FINANCIAL STATEMENTS

FOR THE

YEAR ENDED DECEMBER 31, 2016

STONE BROOK HOME OWNER'S ASSOCIATION

TABLE OF CONTENTS

DRAFT
For Discussion Only

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Stone Brook Home Owner's Association

We have audited the accompanying financial statements of Stone Brook Home Owner's Association, which comprise the balance sheet as of December 31, 2016, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stone Brook Home Owner's Association as of December 31, 2016, and the results of its operations and its cash flows for year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the information about the estimates of future costs of major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Joseph H. Vandal, CPA PS
Bellevue, Washington

December 18, 2017

STONE BROOK HOME OWNER'S ASSOCIATION
BALANCE SHEET
December 31, 2016

	OPERATING FUND	REPLACEMENT RESERVE FUND	TOTAL
ASSETS			
Cash-Checking	$ 55,319	$ -	$ 55,319
Cash-Replacement Reserve	-	19,324	19,324
Assessments Receivable	10,663	-	10,663
Allowance for Doubtful Accounts	(6,458)		(6,458)
Prepaid Insurance	499		499
Total Assets	$ 60,023	$ 19,324	$ 79,347
LIABILITIES AND FUND BALANCE			
Accounts Payable	$ 1,967	$ -	$ 1,967
Prepaid Assessments	1,623	-	1,623
Total Liabilities	3,590	-	3,590
Fund Balance	56,433	19,324	75,757
Total Liabilities & Fund Balance	$ 60,023	$ 19,324	$ 79,347

STONE BROOK HOME OWNER'S ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE
For the Year Ended December 31, 2016

	OPERATING FUND	REPLACEMENT RESERVE FUND	TOTAL
REVENUES			
Assessments			
Regular	$ 53,475	$ 4,275	$ 57,750
Other	5,274	-	5,274
Interest	68	26	94
TOTAL REVENUE	58,817	4,301	63,118
EXPENSES			
Management Fee	10,212	-	10,212
Administration	4,565	-	4,565
Professional Services	1,395	-	1,395
Licenses and Permits	54	-	54
Insurance	3,324	-	3,324
Bad Debt	6,458	-	6,458
Repairs and Maintenance	1,252	-	1,252
Grounds and Landscape	12,882	-	12,882
Utilities	10,157	-	10,157
TOTAL EXPENSES	50,299	-	50,299
REVENUES OVER/(UNDER) EXPENSES	8,518	4,301	12,819
BEGINNING FUND BALANCE	47,915	15,023	62,938
Transfer to/(from)	-	-	-
ENDING BALANCE	$ 56,433	$ 19,324	$ 75,757

STONE BROOK HOME OWNER'S ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

	OPERATING FUND	REPLACEMENT RESERVE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
REVENUE OVER/(UNDER) EXPENSES	$ 8,518	$ 4,301	$ 12,819
Adjustments to reconcile excess of expenses over revenues to net cash provided by activities:			
(Increase) Decrease in:			
Assessments Receivable	(4,105)	-	(4,105)
Other Current Assets	(13,840)		(13,840)
Prepaid Insurance	43	-	43
Increase (Decrease) in:			
Accounts Payable	78	-	78
Prepaid Assessments	1,273	-	1,273
NET CASH PROVIDED BY OPERATING ACTIVITIES	(8,033)	4,301	(3,732)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund transfers	-	-	-
NET INCREASE (DECREASE) IN CASH & EQUIVALENTS	(8,033)	4,301	(3,732)
CASH & EQUIVALENTS AT BEGINNING OF THE PERIOD	63,352	15,023	78,375
CASH & EQUIVALENTS AT END OF THE PERIOD	$ 55,319	$ 19,324	$ 74,643

NOTE A – NATURE OF ORGANIZATION

Stone Brook Home Owner's Association is a statutory homeowner's association in the State of Washington organized and incorporated in 1989. The Association is responsible for the operation and maintenance of the common property of Stone Brook Home Owner's Association. Stone Brook Home Owner's Association consists of 165 residential lots located in Federal Way, Washington.

NOTE B – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 18, 2017, the date that the financial statements were available to be issued.

NOTE C-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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 the 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, insurance proceeds (if any), insurance repairs (if any), and litigation costs (if any) relating to the afore mentioned proceeds.

Cash and Cash Equivalents

The Association considers cash on deposit, cash on hand, money market funds (if any) and certificates of deposit (if any) and any other highly-liquid securities to be cash and or cash equivalents. Any penalties for early withdrawal would not have a material effect on the financial statements.

NOTE C-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. If assessments are inadequate, the Board of Directors, subject to the limitations of their authority described in the Association's governing documents, may have to increase regular assessments or pass special assessments. At December 31, 2016, the Association had assessments delinquent 90 days or more of approximately $6,458.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it using the straight-line method.

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.

NOTE D-INCOME TAXES

Condominium associations may be taxed either as homeowners' associations or as regular corporations. In 2016, the Association elected to be taxed as a homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as net interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

As of December 31, 2016, the tax years that remain subject to examination by taxing authorities begin with 2013.

NOTE E-FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds (assets less liabilities as reported on the balance sheet), which in aggregate are approximately $19,324 at December 31, 2016, are held in separate accounts and are generally not available for operating purposes. Cash balances shown on the balance sheet that are part of these funds are held in separate bank accounts.

The Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of future major repairs and replacements that may be required in the future, nor has a plan been developed to fund those needs. When funds are required for future major repairs and replacements, the Association may have to borrow, increase maintenance assessments, pass special assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

NOTE F-COMMITMENTS

The Association has various contracts for services including but not limited to management, maintenance, and landscaping.

NOTE G-ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2016:

	Operating Fund
Assessments	$ 10,663
Allowance for Doubtful Accounts	(6,458)
	$ 4,205

Bad debt expense for the year ended December 31, 2016 was $6,458.

To the Board of Directors and
Keri Holland
Stone Brook Homeowner's Association
Vantage Community Management
8290 28th Ct. NE, Ste C
Lacey, WA 98516

We have audited the financial statements of **Stone Brook Homeowner's Association** for the year ended **December 31, 2016**, and have issued our report thereon dated Dec 18th 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated Jan 10th 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by **Stone Brook Homeowner's Association** are described in Note **1** to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated Dec 18th 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with use to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

To provide additional oversight of outside bookkeeper, we recommend that the Treasurer, or another Board member, should review and sign off on the monthly bank statements and reconciliations.

Reminders

As reminders, we recommend that the Reserve Study be updated annually, the Board Document approval of all budgets and expenditures over a specific dollar amount, that all check registers be reviewed monthly, and supporting invoices, as well as the financial statements, that there is competitive bidding for all large expenditures, that signature cards be updated whenever there is a change in the Board of Directors and Management, that all information be included in the Associations minutes of the Board of Directors meetings (unless the Associations attorney has advised them against that), that insurance coverage is reviewed annually, and that the Board of Directors meet with the Association's insurance agent annually, and any large variances between budget assessments and actual assessments, as well as budgeted expenses and actual expenses, be documented in the minutes of the meetings of the Board of Directors, including an explanation as to why those variances occurred. It is very important that all assets (for example, CD's, money market accounts, checking accounts, accounts receivable, and liabilities (for example, account payables, or loans) that appear on the Balance Sheet be supported by a work paper and a source document (ie; and actual bank statement, accounts receivable listing, or a loan document). In addition, if the Board of Directors or Management is aware of an asset or liability that the Association has it should be added to the Balance Sheet, if it is not currently reported on the Balance Sheet.

Because the Board of Directors change annually we include these reminders.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Required Supplementary Information – Reserve Study

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

This information is intended solely for the use of Board of Directors and management of **Stone Brook Homeowner's Association** and is not intended to be and should not be used by anyone other than those specified parties.

Please contact us if you need any additional information or if you are not clear on the communication in this letter. (425-885-5134) or at Office@jhvandalcpa.com

Sincerely,

Joseph H. Vandal CPA PS

Management and Client Representation Letter
of
Stone Brook Homeowner's Association

Joseph H. Vandal CPA PS
2020 124th Ave NE, C-203
Bellevue, WA 98005

This representation letter is provided in connection with your audit of the financial statements of Stone Brook Homeowner's Association which comprise the balance sheet as of December 31, 2016, and the related statements of revenues, expenses, and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of Dec 18th, 2017, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated Jan 25th, 2017, including our responsibility for the preparation and fair presentation of the financial statements.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent or detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10. Material concentrations have been properly disclosed in accordance with U.S. GAAP.

11. Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

12. Transfers of designation of fund balance or inter-fund borrowings have been properly authorized and approved and have been properly recorded or disclosed in accordance with U.S. GAAP.

13. Uncollectible inter-fund loans have been properly accounted for and disclosed in accordance with GAAP.

Information Provided

14. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
    b. Additional information that you have requested from us for the purpose of the audit.
    c. Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.

15. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

17. We have no knowledge of any fraud or suspected fraud that affects the Association and involves:

    a. Management,
    b. Employees who have significant roles in internal control, or
    c. Others where the fraud could have a material effect on the financial statements.

18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements communicated by employees, former employees, regulators, or others.

19. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

20. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

21. We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.

22. The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

23. We acknowledge our responsibilities for presenting the required supplementary information (RSI) in accordance with U.S. GAAP. The RSI is measured and presented within the prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

24. We acknowledge our responsibility for presenting the supplementary information in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant

assumptions or interpretations underlying the measurement and presentation of the supplementary information.

25. The board of directors is collecting funds for future major repairs and replacements in conformity with Stone Brook Homeowner's Association's policy to fund those needs based on a study conducted in
__NA____________.

26. The Association's allocation of expenses against exempt and nonexempt function income conforms with IRS rules, which require that the allocation be made "on a reasonable basis." We have adequately documented such allocation.

27. The Association has excess membership income in the current year and for tax purposes has elected to either (a) offset it against next year's assessments or (b) refund it to the members. We have adequately documented such election in the current year.

28. We understand that management is responsible for the Association's choice of filing Form 1120 or Form 1120-H or (if applicable form 1120C CO-OPS or 990 Non Profits) and the consequences thereof.

29. We have or have not consulted an attorney and the following applies (check one)

✓ We **have** consulted an attorney only for the collection of past due assessments, rules and regulation violations, and or interpretations of amendments to the Association's governing documents. **There are no lawsuits or threatened lawsuits, or claims against the Association.**

_____ We **have** consulted an attorney and there are pending threatened lawsuits, litigation, claims, or assessments or unasserted claims against the Association. Please describe:

____

____

____

_____ We **have not** consulted an attorney. We believe there are pending or threatened lawsuits, litigation, claims, or assessments or unasserted claims against the Association. Please describe:

____

____

____

_____ We **have not** consulted an attorney. There are no lawsuits or threatened lawsuits or claims against the Association.

30. Please explain below if there are any alleged construction defects, a current ~~investigation for construction defects or if the Association has filed a lawsuit~~ for construction defects or any warranty claims:

None

31. We understand that the determination of the existence of construction defects or warranty claims is outside the scope your audit (not included as part of the audit). We also understand that it is the responsibility of the Board of Directors and or management to seek the guidance of the Association's attorney to determine if construction defects exist and if claims including but not limited to warranty claims should be made.

32. Reserve studies and funding:

A. The Association is required to accumulate funds (money) for future major repairs or replacements (reserve funds) (check one):

YES ✓
NO ______

B. A reserve study has been completed (check one):

YES ______
NO ✓

C. The Association is funding reserves based on the studies estimates or recommendations (Check One):

_____ not at all
✓ partially
_____ fully
_____ not applicable

D. The method(s) the Association intends to fund reserves is (are) (check one or more):

✓ Through annual periodic assessments.
✓ Through annual excess membership assessments.
✓ Through special assessments as the need arise.
✓ Through borrowing as the need arise.

33. We are responsible for the presentation or omission of the supplemental information accompanying the financial statements about future major repairs and replacements.

34. We believe there are no corrections needed to be made to the Reserve Study if included as unaudited Supplementary information.

35. We have reviewed the adequacy of insurance coverage during the year.

36. Were any major repairs or replacements made to the common property of the Association prior to the Association's year-end and the Association has not received a bill for the repairs or replacements.

__✓__ NO

_____ YES (If yes) Please describe the repair, the estimate of the cost of the repair, and whom payable to.

____

____

37. We have reviewed the draft financial statements and if applicable have attached to this letter any corrections we believe need to be made to the financial statements to prevent them from being misleading.

38. We understand that your audit included the use of tests and sampling procedures that would not necessarily detect all errors, irregularities, illegal acts including fraud should any have existed or occurred.

39. We understand that it is our responsibility to safeguard Association assets and we have obtained adequate insurance coverage and have in place procedures to reduce the risks associated with that responsibility. Because of these actions, the likelihood of any financial loss to the association is remote.

As of Dec. 18th, 2017.

No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

✓ Signature:_______________________ Title:_____________ Date:__________

✓ Signature:_______________________ Title:_____________ Date:__________

✓ Signature:_______________________ Title:_____________ Date:__________

Stone Brook Homeowner's Association

Form **1120-H** Department of the Treasury Internal Revenue Service

U.S. Income Tax Return for Homeowners Associations

▶ Information about Form 1120-H and its separate instructions is at www.irs.gov/form1120h.

OMB No. 1545-0123

2016

For calendar year 2016 or tax year beginning , and ending

TYPE OR PRINT	
Name	STONE BROOK HOME OWNER'S ASSOCIATION C/O VANTAGE COMMUNITY MANAGEMENT
Number, street, and room or suite no. If a P.O. box, see instructions.	8290 28TH CT. NE, STE C
City or town, state or province, country, and ZIP or foreign postal code	LACEY, WA 98516

Employer identification number: 91-1598843

Date association formed: 06/29/1989

Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return

A	Check type of homeowners association: ☐ Condominium management association ☒ Residential real estate association ☐ Timeshare association		
B	Total exempt function income. Must meet 60% gross income test	B	63024.
C	Total expenditures made for purposes described in 90% expenditure test	C	50205.
D	Association's total expenditures for the tax year	D	50299.
E	Tax-exempt interest received or accrued during the tax year	E	0.

Gross Income (excluding exempt function income)

1	Dividends	1	
2	Taxable interest — See Statement 1	2	94.
3	Gross rents	3	
4	Gross royalties	4	
5	Capital gain net income (attach Schedule D (Form 1120))	5	
6	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6	
7	Other income (excluding exempt function income) (attach statement)	7	
8	**Gross income** (excluding exempt function income). Add lines 1 through 7	8	94.

Deductions (directly connected to the production of gross income, excluding exempt function income)

9	Salaries and wages	9	
10	Repairs and maintenance	10	
11	Rents	11	
12	Taxes and licenses	12	
13	Interest	13	
14	Depreciation (attach Form 4562)	14	
15	Other deductions (attach statement) — See Statement 2	15	94.
16	**Total deductions.** Add lines 9 through 15	16	94.
17	Taxable income before specific deduction of $100. Subtract line 16 from line 8	17	0.
18	Specific deduction of $100	18	$100.00

Tax and Payments

19	**Taxable income.** Subtract line 18 from line 17			19	-100.
20	Enter 30% (0.30) of line 19. (Timeshare associations, enter 32% (0.32) of line 19.)			20	0.
21	Tax credits			21	
22	**Total tax.** Subtract line 21 from line 20. See instructions for recapture of certain credits			22	0.
23 a	2015 overpayment credited to 2016	23a			
b	2016 estimated tax payments	23b	c Total ▶ 23c	0.	
d	Tax deposited with Form 7004		23d		
e	Credit for tax paid on undistributed capital gains (attach Form 2439)		23e		
f	Credit for federal tax paid on fuels (attach Form 4136)		23f		
g	Add lines 23c through 23f			23g	0.
24	**Amount owed.** Subtract line 23g from line 22. See instructions			24	
25	**Overpayment.** Subtract line 22 from line 23g			25	
26	Enter amount of line 25 you want: **Credited to 2017 estimated tax** ▶	**Refunded** ▶		26	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer | Date | ▶ Title

May the IRS discuss this return with the preparer shown below (see instr.)? ☐ Yes ☐ No

Paid Preparer's Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed	PTIN
Joseph Vandal CPA		12/23/17	☐	P01494284

Firm's name ▶ JOSEPH H. VANDAL CPA PS — Firm's EIN ▶ 91-1547353

Firm's address ▶ 23515 NE NOVELTY HILL RD, STE B221 #111 REDMOND, WA 98053 — Phone no. 425-885-5134

Form 1120-H	Interest Income	Statement 1

Description	US	Other
BANK INTEREST		94.
Total to Form 1120-H, Line 2		94.

Form 1120-H	Other Deductions	Statement 2

Description	Amount
MANAGEMENT	94.
Total to Form 1120-H, Line 15	94.

Form **1120-H** Department of the Treasury Internal Revenue Service

U.S. Income Tax Return for Homeowners Associations

▶ Information about Form 1120-H and its separate instructions is at www.irs.gov/form1120h.

OMB No. 1545-0123 **2016**

For calendar year 2016 or tax year beginning , and ending

TYPE OR PRINT	Name STONE BROOK HOME OWNER'S ASSOCIATION C/O VANTAGE COMMUNITY MANAGEMENT	Employer identification number 91-1598843
	Number, street, and room or suite no. If a P.O. box, see instructions. 8290 28TH CT. NE, STE C	Date association formed
	City or town, state or province, country, and ZIP or foreign postal code LACEY, WA 98516	06/29/1989

Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return

A	Check type of homeowners association: ☐ Condominium management association ☒ Residential real estate association ☐ Timeshare association		
B	Total exempt function income. Must meet 60% gross income test	B	63024.
C	Total expenditures made for purposes described in 90% expenditure test	C	50205.
D	Association's total expenditures for the tax year	D	50299.
E	Tax-exempt interest received or accrued during the tax year	E	0.

Gross Income (excluding exempt function income)

1	Dividends	1	
2	Taxable interest See Statement 1	2	94.
3	Gross rents	3	
4	Gross royalties	4	
5	Capital gain net income (attach Schedule D (Form 1120))	5	
6	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6	
7	Other income (excluding exempt function income) (attach statement)	7	
8	**Gross income** (excluding exempt function income). Add lines 1 through 7	8	94.

Deductions (directly connected to the production of gross income, excluding exempt function income)

9	Salaries and wages	9	
10	Repairs and maintenance	10	
11	Rents	11	
12	Taxes and licenses	12	
13	Interest	13	
14	Depreciation (attach Form 4562)	14	
15	Other deductions (attach statement) See Statement 2	15	94.
16	**Total deductions.** Add lines 9 through 15	16	94.
17	Taxable income before specific deduction of $100. Subtract line 16 from line 8	17	0.
18	Specific deduction of $100	18	$100.00

Tax and Payments

19	**Taxable income.** Subtract line 18 from line 17	19	-100.
20	Enter 30% (0.30) of line 19. (Timeshare associations, enter 32% (0.32) of line 19.)	20	0.
21	Tax credits	21	
22	**Total tax.** Subtract line 21 from line 20. See instructions for recapture of certain credits	22	0.
23 a	2015 overpayment credited to 2016 — 23a		
b	2016 estimated tax payments — 23b — c Total ▶ 23c 0.		
d	Tax deposited with Form 7004 — 23d		
e	Credit for tax paid on undistributed capital gains (attach Form 2439) — 23e		
f	Credit for federal tax paid on fuels (attach Form 4136) — 23f		
g	Add lines 23c through 23f	23g	0.
24	**Amount owed.** Subtract line 23g from line 22. See instructions	24	
25	**Overpayment.** Subtract line 22 from line 23g	25	
26	Enter amount of line 25 you want: **Credited to 2017 estimated tax** ▶ **Refunded** ▶	26	

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Copy

▶ Signature of officer — Date — ▶ Title

May the IRS discuss this return with the preparer shown below (see instr.)? ☐ Yes ☐ No

Paid Preparer's Use Only				
Print/Type preparer's name: Joseph Vandal CPA	Preparer's signature	Date	Check ☐ if self-employed	PTIN P01494284
Firm's name ▶ JOSEPH H. VANDAL CPA PS			Firm's EIN ▶ 91-1547353	
Firm's address ▶ 23515 NE NOVELTY HILL RD, STE B221 #111 REDMOND, WA 98053			Phone no. 425-885-5134	

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