

August 30, 2011



Dear Meadow Creek Condominium Owner:

The attached Annual Report was prepared at the direction of the Board of Directors of the Meadow Creek Condominiums as required by the Bylaws, Article VI. We are pleased to report that your Association's financial situation is much improved over a year ago.

During the year which ended December 31, 2010, your Association realized an overall surplus of \$371,370, compared to a deficit of [\$127,642] in 2009, an improvement of nearly a half million dollars. In accordance with current preferred accounting practice for community associations, the Association's financial activity is separated into Operating and Replacement Funds, which allows for a more accurate assessment of the Association's financial condition.

The Operating Fund accounted for the entire surplus of \$371,370, as there was no activity, either income or expenses, in the Replacement Fund. Operating expenses totaled \$1,493,581 against total income of \$1,864,951. (In 2009 expenses totaled \$2,034,167 vs. income of \$1,906,525.) As a result of the Operating Fund surplus, the Operating Fund balance increased from a negative [\$235,815] at the end of 2009, to a positive balance of \$135,455 on 12/31/2010.

As noted above, there was no activity in the Replacement Fund. Contributions to the Replacement Fund were suspended during 2010 to help provide the working capital needed by the Association to become current on its monthly obligations. However, in 2011 monthly contributions to the Replacement Fund were resumed per the budgeted \$442,000 annual appropriation. Through the end of July, contributions and interest credited to the Replacement Fund totaled \$257,895. Capital expenditures during the same period totaled \$77,740, which left a Replacement Fund balance of \$180,155 at the end of July 2011.

Total Members' Equity stood at \$135,455 as of 12/31/2010 and cash in the bank totaled \$267,379, up from just \$33,520 a year earlier.

Collections remain a challenge despite an aggressive collection policy, including foreclosure and personal judgments. Collections will continue to be a problem so long as mortgage foreclosures occur at a record rate, and the reality is that the Association is not going to recover all of the unpaid assessments, particularly when the owner (or past owner) files bankruptcy.

If you have any questions concerning the information presented in this Annual Report, please feel free to contact the undersigned at 763-512-4320 or via email at dstendal@omega-mgt.com.

Very truly yours,

A handwritten signature in black ink, appearing to read "David C. Stendal", written over a white background.

David C. Stendal

Association Manager

DCS/mz

cc: Board of Directors

OMEGA MANAGEMENT, INC.

Managing to Make a Difference

15350 25TH AVE. N. SUITE 108

PLYMOUTH, MN 55447-1991

(763) 449-9100

(763) 449-9110 FAX

August 30, 2011

**ANNUAL REPORT
OF WESTBROOKE CONDOMINIUM ASSOCIATION
D/B/A MEADOW CREEK CONDOMINIUMS**

- A. Statement of any capital expenditures in excess of two percent of the Association's current budget or \$5,000, whichever is greater, approved by the Association for the current year or succeeding two fiscal years:

Asphalt repair and sealcoating: \$139,455
Attic insulation, sealing: \$61,600 (completed and paid)
Two water heaters: \$9,536 (completed and paid)
Two pair washer, dryer: \$6,604 (completed and paid)

- B. A statement of the balance in any reserve or replacement fund:

\$180,155 as of July 31, 2011.

- C. A copy of the statement of revenues and expenses for the Association's last fiscal year, and a balance sheet as of the end of said fiscal year:

Please refer to the attached "INDEPENDENT AUDITORS' REPORT" and "FINANCIAL STATEMENTS" prepared by Casey, Menden, Faust & Nelson, P.A.

- D. A statement of the status of any pending litigation or judgments to which the Association is a party:

None, other than for the collection of delinquent assessments.

- E. A detailed description of the insurance coverage provided by the Association, including a statement as to which, if any, of the items referred to in Section 515B.3-113(b) of the Act are insured by the Association:

The Association maintains a Master Policy which provides for real property and liability coverage. This policy meets or exceeds the insurance requirements as set forth in the Declaration. **It should be noted this coverage carries a \$5,000 deductible and does not extend to personal property. Homeowners are strongly encouraged to obtain insurance to protect against loss of personal belongings and insurance deductibles which may be assessed to them.**

The items referred to in Section 515B.3-l 13(b) of the Act that are insured by the Association include: (check all boxes that apply)

- Ceiling or wall furnishing materials.
- Floor coverings.
- Cabinetry.
- Finished millwork.
- Electrical or plumbing fixtures serving a single unit.
- Built-in appliances.
- Originally constructed additional improvements and betterments.
- Additional improvements and betterments installed by unit owner.

For additional information, please contact Robert Mickelson, American Family Insurance, at 651-636-9952.

- F. Statement of the total past due Assessments on all Units, current as of not more than sixty days prior to the date of the report:

\$107,133 as of July 31, 2011.

**WESTBROOKE CONDOMINIUM
ASSOCIATION
D/B/A MEADOW CREEK
CONDOMINIUMS**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

**WESTBROOKE CONDOMINIUM ASSOCIATION
D/B/A MEADOW CREEK CONDOMINIUMS**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Balance Sheet	2
Statement of Revenues, Expenses, Changes in Fund Balances.....	3
Statement of Cash Flows	4
Notes to Financial Statements	5

Casey, Menden, Faust & Nelson, P.A.

7900 West 78th Street, Suite 450
Edina, Minnesota 55439-2586

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Tel (952) 946-7900

Fax (952) 946-7901

MEMBERS

Minnesota Society of
Certified Public Accountants

American Institute of
Certified Public Accountants

MICHAEL A. CASEY, C.P.A.
JOHN F. MENDEN, C.P.A.
DOUGLAS J. FAUST, C.P.A.
JOHN C. NELSON, C.P.A.
MICHAEL A. CASEY, JR., C.P.A.
SCOTT M. CALLAHAN, C.P.A.
DONALD G. LANGEWISCH, C.P.A.
PAULA M. MEIDL, C.P.A.
JASON E. THOMAS, C.P.A.
MICHAEL P. MENDEN, C.P.A.
JESSICA J. MAGRUM, C.P.A.
ELIZABETH A. NAUGHTON, C.P.A.
STEPHEN J. DEVRIES
ANDREW M. CASEY
CARLA M. ALLEX
CATHY L. DALRYMPLE
BRADLEY D. BREEGGMANN
BRENDA L. NAASZ
MARCIA R. RUDERMAN
GREGORY B. KAIBEL
MICHAEL B. ANDERSON
LUANN M. MENDEN

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Westbrooke Condominium Association
d/b/a Meadow Creek Condominiums
Hopkins, Minnesota

We have audited the accompanying balance sheet of Westbrooke Condominium Association as of December 31, 2010, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Westbrooke Condominium Association's management. 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 misstatements. 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 Westbrooke Condominium Association as of December 31, 2010, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit. Westbrooke Condominium Association has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented supplemental 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 a part of, the basic financial statements.

Casey, Menden, Faust & Nelson, P.A.

August 16, 2011

WESTBROOKE CONDOMINIUM ASSOCIATION

BALANCE SHEET

DECEMBER 31, 2010

	2010		
	<u>Operating</u>	<u>Replacement</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
<u>ASSETS</u>			
Cash in bank	\$ 267,379	\$ -	\$ 267,379
Assessments receivable	88,020	-	88,020
Allowance for doubtful accounts	(60,000)	-	(60,000)
Prepaid insurance	10,672	-	10,672
Prepaid income taxes	300	-	300
Property and equipment, net	<u>7,823</u>	<u>-</u>	<u>7,823</u>
Total assets	<u>\$ 314,194</u>	<u>\$ -</u>	<u>\$ 314,194</u>
<u>LIABILITIES AND FUND</u>			
<u>BALANCES</u>			
Accounts payable	\$ 123,593	\$ -	\$ 123,593
Security deposits	2,423	-	2,423
Prepaid assessments	26,797	-	26,797
Note payable - bank	25,754	-	25,754
Accrued interest payable	172	-	172
Accrued income taxes	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>178,739</u>	<u>-</u>	<u>178,739</u>
Total fund balances	<u>135,455</u>	<u>-</u>	<u>135,455</u>
Total liabilities and fund balances	<u>\$ 314,194</u>	<u>\$ -</u>	<u>\$ 314,194</u>

The accompanying notes are an integral part of these financial statements

WESTBROOKE CONDOMINIUM ASSOCIATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2010

	2010		
	Operating Fund	Replacement Fund	Total
Revenues:			
Assessments	\$ 1,743,545	\$ -	\$ 1,743,545
Uncollected assessments	(13,189)	-	(13,189)
	1,730,356	-	1,730,356
Interest income	54	-	54
Rental	34,519	-	34,519
Laundry	72,560	-	72,560
Loss on unit held for sale	(3,686)	-	(3,686)
Other	31,148	-	31,148
Total revenues	1,864,951	-	1,864,951
Expenses:			
Management fee	95,107	-	95,107
Other administrative	45,952	-	45,952
Professional fees	19,370	-	19,370
Property tax appeal legal expense	32,644	-	32,644
Payroll and related	255,993	-	255,993
Utilities	390,239	-	390,239
Trash removal	59,351	-	59,351
Grounds and related	116,546	-	116,546
Repairs and maintenance	260,594	-	260,594
Security	15,419	-	15,419
Pool expense	14,731	-	14,731
Insurance	110,605	-	110,605
Bad debt expense	56,458	-	56,458
Property taxes	9,615	-	9,615
Interest expense	8,046	-	8,046
Depreciation expense	2,292	-	2,292
Income tax expense	619	-	619
Total expenses	1,493,581	-	1,493,581
Excess (deficit) of revenues			
over expenses	371,370	-	371,370
Beginning fund balances	(235,915)	-	(235,915)
Ending fund balances	\$ 135,455	\$ -	\$ 135,455

The accompanying notes are an integral part of these financial statements

WESTBROOKE CONDOMINIUM ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

	2010		
	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Excess (deficit) of revenues over expenses	\$ 371,370	\$ -	\$ 371,370
Adjustments to reconcile excess (deficit) of revenues over expenses to cash flows from operating activities:			
Loss on sale of unit held for sale	3,686	-	3,686
Depreciation expense	2,292	-	2,292
Allowance for doubtful accounts	45,000	-	45,000
Assessments receivable	(6,992)	-	(6,992)
Prepaid insurance	(4,271)	-	(4,271)
Prepaid income taxes	(300)	-	(300)
Accounts payable	(135,043)	-	(135,043)
Security deposits	(448)	-	(448)
Prepaid assessments	(6,815)	-	(6,815)
Accrued interest payable	(787)	-	(787)
Accrued income taxes	-	-	-
Net cash flows from operating activities	267,692	-	267,692
Cash flows from investing activities:			
Purchases of building equipment	(10,115)	-	(10,115)
Proceeds from unit held for sale	37,729	-	37,729
Net cash flows from investing activities	27,614	-	27,614
Cash flows from financing activities:			
Principal payments on notes payable - bank	(61,446)	-	(61,446)
Increase (decrease) in cash	233,860	-	233,860
Cash: Beginning of year	33,520	-	33,520
Cash: End of year	\$ 267,380	\$ -	\$ 267,380
Supplemental disclosure:			
Income taxes paid			\$ 919
Interest paid			\$ 8,833

The accompanying notes are an integral part of these financial statements

WESTBROOKE CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

NOTE 1 - NATURE OF ORGANIZATION

Westbrooke Condominium Association d/b/a Meadow Creek Condominiums is a statutory condominium association formed on April 11, 1980 under the laws of the State of Minnesota. The Association is responsible for the operation and maintenance of the common property of Westbrooke Condominium Association which consists of 536 residential units and 200 garage units located in Hopkins, Minnesota.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FASB Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("FASB") issued "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles", which establishes the FASB Accounting Standards Codification ("ASC") as the source of authoritative accounting principles recognized by the FASB to be applied in preparation of financial statements in conformity with GAAP. The ASC is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Codification does not change or alter existing GAAP. The implementation had no impact to the Company's financial position or results of operations.

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 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.

Unclassified Balance Sheet

The current/noncurrent distinction is deemed in practice to have little or no relevance to townhome and condominium associations. Accordingly, the Association has presented an unclassified balance sheet in accordance with industry standards.

(Continued)

WESTBROOKE CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

Investment instruments purchased with a maturity of three months or less are considered to be cash equivalents. Certificates of deposit and other securities with original maturities over three months are classified as short term investments. At December 31, 2010, there were no cash equivalents.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not reflected in the Association's financial statements because the Association has no basis in these assets. Accordingly, items such as the buildings, sidewalks, roadways and land are not recognized as assets.

In conformity with industry practice, the Association's policy is to recognize the following common property as assets.

- (a) Common personal property.
- (b) Common real property to which it has title and that it can dispose of for cash while retaining the proceeds or that is used to generate significant cash flows from members on the basis of usage or from nonmembers.

Property and equipment are carried at cost. Depreciation is provided on a straight line basis over the estimated useful lives of the related assets. A summary of property and equipment as of December 31, 2010 is as follows:

	<u>2010</u>	<u>Useful Lives</u>
Condominium units and garages	\$ 229,600	15
Building equipment	<u>10,116</u>	3
Property and equipment, at cost	239,716	
Accumulated depreciation	<u>(231,893)</u>	
	<u>\$ 7,823</u>	

(Continued)

WESTBROOKE CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on disposition of property and equipment are included in income.

Comprehensive Income

GAAP: Comprehensive Income establishes standards for the reporting and disclosure of comprehensive income and its components which will be presented in association with an Association's financial statements. Comprehensive income is defined as the change in a business enterprise's equity during a period arising from transactions, events or circumstances relating to non-owner sources, such as unrealized gains or losses on available-for-sale securities. It includes all changes in equity during a period except those resulting from investments by or distributions to owners. Net income and comprehensive income were the same for the year ended December 31, 2010.

Concentrations, Risks and Uncertainties

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.

Cash

Bank exceeded federally insured levels in 2010.

(Continued)

WESTBROOKE CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations, Risks and Uncertainties (Continued)

Assessments Receivable

Association members are subject to monthly 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 homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in future years. Management has recorded an allowance for doubtful accounts. While the ultimate uncollectible amounts may differ, management believes that any additional loss would not materially impact the Association's financial position. Due to uncertainties in the collection process, however, it is at least reasonably possible management's estimate will change during the next year. That change cannot be estimated.

NOTE 3 - INCOME TAXES

Condominium associations may elect to be taxed as regular corporations or as homeowners' associations. The Association elected to be taxed as a regular corporation for the year ended December 31, 2010. Under that election, the Association is generally taxed only on non member income, such as interest earnings and rental income, at a regular federal and state corporate tax rates.

Federal and state taxing authorities generally have the right to examine returns for three years from the date of filing. Any interest or penalties incurred by the Association would be included in operating expenses in the accompanying financial statements. No interest or penalties are reflected in the 2010 financial statements.

NOTE 4 - NOTE PAYABLE - BANK

The Association has a loan at Western Bank payable in monthly installments of \$1,383 including interest at 8.0% through August 12, 2012. This loan is secured by substantially all of the Associate's assets.

Future maturities on the note payable - bank are as follows:

2011	\$ 15,077
2012	10,677
	<u>\$ 25,754</u>

(Continued)

WESTBROOKE CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

NOTE 5 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are normally held in separate accounts and are generally not available for operating purposes. At December 31, 2010 the Association has not segregated and funded anything into the replacement fund. Normally the Association would fund for such major repairs and replacements over the estimated useful lives of the components based on the study's estimate of future replacement costs, considering amounts previously accumulated in the replacement fund. At December 31, 2009 the Association determined monies held in the operating fund were inadequate to meet Association needs and the Association transferred the replacement fund monies into the operating fund. Therefore, amounts accumulated in the replacement fund are not adequate to meet future needs. If funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or to delay major repairs and replacements until funds are available.

The Association is developing a new replacement fund study in 2011.

In April 2011 the Association resumed funding of the replacement fund.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 16, 2011, which is the date the financial statements were available to be issued.

In July 2011 the Association entered into an easement agreement and non-exclusive marketing agreement with Comcast. The terms of this agreement are confidential, but are available to association members.

AMERICAN FAMILY MUTUAL INSURANCE COMPANY

MADISON, WISCONSIN 53783-0001

COMMERCIAL LIABILITY UMBRELLA POLICY

DECLARATIONS

POLICY NUMBER
22XA115102

CUSTOMER BILLING ACCOUNT
013-199-269 36

NAMED WESTBROOKE CONDOMINIUM ASSOCIATION
INSURED DBA MEADOW CREEK CONDOMINIUMS

MAILING C/O OMEGA MANAGEMENT
ADDRESS 15350 25TH AVE N STE 108
PLYMOUTH, MN 55447-2091

POLICY PERIOD FROM 11-01-2010 TO 11-01-2011
12:01 A.M. Standard Time at your mailing address shown above.

FORM OF BUSINESS CORPORATION

LIMITS OF INSURANCE

AGGREGATE LIMIT \$2,000,000
EACH OCCURRENCE LIMIT \$2,000,000
PERSONAL AND ADVERTISING INJURY LIMIT \$2,000,000

SELF INSURED RETENTION \$10,000

SCHEDULE OF UNDERLYING INSURANCE

UNDERLYING INSURANCE - BUSINESSOWNERS POLICY LIMIT OF INSURANCE
AGGREGATE LIMIT (OTHER THAN PRODUCTS-COMPLETED OPERATIONS) \$4,000,000
PRODUCTS-COMPLETED OPERATIONS AGGREGATE LIMIT \$4,000,000
LIABILITY & MEDICAL EXPENSES \$2,000,000

UNDERLYING INSURANCE - AUTOMOBILE LIABILITY LIMIT OF INSURANCE
HIRED & NON OWNED AUTO LIABILITY \$2,000,000

TOTAL ADVANCE PREMIUM \$2,647.00

Forms and endorsements applying to and made part of this policy at time of issue:

CU 00 00 12 07 CU 00 01 12 07 CU 00 04 05 09 CU 01 06 12 07 CU 01 10 09 00
CU 21 12 09 00 CU 21 15 09 00 CU 21 18 09 00 CU 21 23 02 02 CU 21 27 12 04
CU 21 35 06 08 CU 21 42 12 04 CU 21 50 03 05 CU 21 52 12 05 CU 21 56 06 06
CU 71 01 10 01 CU 71 02 10 01 CU 71 08 10 01 CU 73 01 12 04 IL 00 17 11 98
IL 09 85 01 08

AUTHORIZED REPRESENTATIVE

Jack Schwandt
President

[Signature]
Secretary

COUNTERSIGNED
LICENSED RESIDENT AGENT

AGENT 370-053
ROBERT E. MICKELSON AGENCY, INC.
888 COUNTY ROAD D W STE 202
NEW BRIGHTON, MN 55112-3491

PHONE
651-636-9952

PAGE 01
BRANCH EMS018 RENW
ENTRY DATE 09-02-2010