

ARRANMORE HOMEOWNERS' ASSOCIATION

**TEN MONTHS ENDED DECEMBER 31, 2009
AND YEAR ENDED FEBRUARY 28, 2009**

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Board of Directors
Arranmore Homeowners' Association
Portland, Oregon

We have compiled the accompanying balance sheets of ARRANMORE HOMEOWNERS' ASSOCIATION as of December 31, 2009 and February 28, 2009 and the related statements of revenues, expenses and changes in fund balance and statements of cash flows for the periods then ended, and the accompanying supplementary information contained on page 8, which is presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of financial statements and supplementary schedules, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

Jack W. Olds + Company LLP

February 13, 2010

ARRANMORE HOMEOWNERS' ASSOCIATION

BALANCE SHEETS – DECEMBER 31, 2009 AND FEBRUARY 28, 2009

	<u>December 31, 2009</u>			<u>February 28, 2009</u>		
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total</u>
<u>ASSETS</u>						
<u>CURRENT ASSETS</u>						
Cash, checking	\$ 705	\$ -	\$ 705	\$ 10,574	\$ -	\$ 10,574
Cash, interest bearing	90,197	75,306	165,503	160,011	76,173	236,184
Assessments receivable	7,274	1,410	8,684	69,299	13,375	82,674
Allowance for doubtful accounts	(6,650)	(1,350)	(8,000)	(6,650)	(1,350)	(8,000)
Interfund	(132)	132	-	(21,375)	21,375	-
Prepaid insurance	722	-	722	-	-	-
Total current assets	<u>92,116</u>	<u>75,498</u>	<u>167,614</u>	<u>211,859</u>	<u>109,573</u>	<u>321,432</u>
<u>FACILITIES AND EQUIPMENT</u>						
Recreational facilities	-	217,920	217,920	-	184,457	184,457
Recreational equipment	-	2,142	2,142	-	2,142	2,142
Landscaping	-	2,258	2,258	-	-	-
Irrigation well and equipment	-	73,228	73,228	-	73,228	73,228
	-	295,548	295,548	-	259,827	259,827
Less accumulated depreciation	-	249,250	249,250	-	246,684	246,684
	-	46,298	46,298	-	13,143	13,143
	<u>\$ 92,116</u>	<u>\$121,796</u>	<u>\$213,912</u>	<u>\$211,859</u>	<u>\$122,716</u>	<u>\$334,575</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>CURRENT LIABILITIES</u>						
Accounts payable	\$ 2,989	\$ -	\$ 2,989	\$ 10,341	\$ -	\$ 10,341
Payroll liabilities	-	-	-	-	-	-
Unearned assessments	28,273	5,469	33,742	166,309	32,175	198,484
Total current liabilities	<u>31,262</u>	<u>5,469</u>	<u>36,731</u>	<u>176,650</u>	<u>32,175</u>	<u>208,825</u>
FUND BALANCE	<u>60,854</u>	<u>116,327</u>	<u>177,181</u>	<u>35,209</u>	<u>90,541</u>	<u>125,750</u>
	<u>\$ 92,116</u>	<u>\$121,796</u>	<u>\$213,912</u>	<u>\$211,859</u>	<u>\$122,716</u>	<u>\$334,575</u>

See accountants' compilation report
See notes to financial statements

ARRANMORE HOMEOWNERS' ASSOCIATION

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
TEN MONTHS ENDED DECEMBER 31, 2009 AND YEAR ENDED FEBRUARY 28, 2009**

	December 31, 2009			February 28, 2009		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
REVENUES						
Membership assessment, annual fee	\$138,036	\$ 26,706	\$164,742	\$166,309	\$ 32,175	\$198,484
Investment income	1,318	1,096	2,414	2,266	688	2,954
Miscellaneous income	390	550	940	958	641	1,599
Total revenues	<u>139,744</u>	<u>28,352</u>	<u>168,096</u>	<u>169,533</u>	<u>33,504</u>	<u>203,037</u>
OPERATING EXPENSES						
Administrative:						
Insurance	1,429	-	1,429	2,736	-	2,736
Bad debt expense	-	-	-	6,650	1,350	8,000
Legal and accounting	5,399	-	5,399	7,134	-	7,134
Newsletter	184	-	184	218	-	218
Office operations	479	-	479	1,206	-	1,206
Other	690	-	690	622	-	622
Total administrative	<u>8,181</u>	<u>-</u>	<u>8,181</u>	<u>18,566</u>	<u>1,350</u>	<u>19,916</u>
Landscape:						
Maintenance contract	65,794	-	65,794	89,880	-	89,880
Depreciation	-	893	893	-	939	939
Repairs and maintenance	4,753	-	4,753	11,641	3,695	15,336
Water systems	15,534	-	15,534	8,928	-	8,928
Total landscape	<u>86,081</u>	<u>893</u>	<u>86,974</u>	<u>110,449</u>	<u>4,634</u>	<u>115,083</u>
Recreational center:						
Other	142	-	142	142	-	142
Depreciation	-	1,673	1,673	-	-	-
Pool operations	10,305	-	10,305	9,732	1,650	11,382
Repairs and maintenance	135	-	135	35	-	35
Utilities	9,255	-	9,255	9,162	-	9,162
Total recreational center	<u>19,837</u>	<u>1,673</u>	<u>21,510</u>	<u>19,071</u>	<u>1,650</u>	<u>20,721</u>
Total operating expenses	<u>114,099</u>	<u>2,566</u>	<u>116,665</u>	<u>148,086</u>	<u>7,634</u>	<u>155,720</u>
EXCESS OF REVENUES OVER EXPENSES	25,645	25,786	51,431	21,447	25,870	47,317
FUND BALANCE, beginning of period	35,209	90,541	125,750	33,762	44,671	78,433
FUND TRANSFERS	-	-	-	(20,000)	20,000	-
FUND BALANCE, end of period	<u>\$ 60,854</u>	<u>\$116,327</u>	<u>\$177,181</u>	<u>\$ 35,209</u>	<u>\$ 90,541</u>	<u>\$125,750</u>

See accountants' compilation report
See notes to financial statements

ARRANMORE HOMEOWNERS' ASSOCIATION

**STATEMENTS OF CASH FLOWS
TEN MONTHS ENDED DECEMBER 31, 2009 AND YEAR ENDED FEBRUARY 28, 2009**

	<u>December 31, 2009</u>			<u>February 28, 2009</u>		
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Excess of revenues over expenses	\$ 25,645	\$ 25,786	\$ 51,431	\$ 21,447	\$ 25,870	\$ 47,317
Adjustments to reconcile excess of revenues over expenses to net cash provided by (used for) operating activities:						
Provision for doubtful accounts	-	-	-	6,650	1,350	8,000
Depreciation and amortization	-	2,566	2,566	-	939	939
Gain on sale of equipment	-	(550)	(550)	-	-	-
Decrease (increase) in prepaid insurance	(722)	-	(722)	305	-	305
Decrease (increase) in accounts receivable	62,025	11,965	73,990	(5,077)	(675)	(5,752)
Increase (decrease) in accounts payable	(7,352)	-	(7,352)	8,841	-	8,841
Increase (decrease) in unearned assessments	(138,036)	(26,706)	(164,742)	-	-	-
Net cash provided by (used for) operating activities	<u>(58,440)</u>	<u>13,061</u>	<u>(45,379)</u>	<u>32,166</u>	<u>27,484</u>	<u>59,650</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of well pump	-	-	-	-	(14,082)	(14,082)
Repairs to swimming pool	-	(33,463)	(33,463)	-	-	-
Purchase of landscaping	-	(2,258)	(2,258)	-	-	-
Proceeds from sale of pump	-	550	550	-	-	-
Funding future replacements	-	-	-	(20,000)	20,000	-
Total cash provided by (used for) investing activities	<u>-</u>	<u>(35,171)</u>	<u>(35,171)</u>	<u>(20,000)</u>	<u>5,918</u>	<u>(14,082)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Interfund transfers	(21,243)	21,243	-	573	(573)	-
NET CASH INCREASE (DECREASE)	(79,683)	(867)	(80,550)	12,739	32,829	45,568
CASH, beginning of period	<u>170,585</u>	<u>76,173</u>	<u>246,758</u>	<u>157,846</u>	<u>43,344</u>	<u>201,190</u>
CASH, end of period	<u>\$ 90,902</u>	<u>\$ 75,306</u>	<u>\$166,208</u>	<u>\$170,585</u>	<u>\$ 76,173</u>	<u>\$246,758</u>

See accountants' compilation report
See notes to financial statements

ARRANMORE HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS TEN MONTHS ENDED DECEMBER 31, 2009 AND YEAR ENDED FEBRUARY 28, 2009

1. Summary of Significant Accounting Policies

Organization

The Arranmore Homeowners' Association was incorporated in January 1978, under the Oregon Non-Profit Corporation Law for the purpose of maintenance, preservation and architectural control of the residents' lots and common areas within the Arranmore Project. The Association was formalized with the first general meeting held August 2, 1979. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 143 residential units located in Portland, Oregon.

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.

Capital Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

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 homeowners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are 90 days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Assessments Receivable

Assessments receivable are reported at the amount the association expects to collect from outstanding balances. Differences between the amount due and the amount the association expects to collect are reported in the results of operations as bad debt expense in the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after the association has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

As of December 31, 2009, assessments receivable over 90 days past due are \$8,351.

ARRANMORE HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) TEN MONTHS ENDED DECEMBER 31, 2009 AND YEAR ENDED FEBRUARY 28, 2009

1. Summary of Significant Accounting Policies (continued)

Management 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.

Facilities, Equipment and Depreciation

Recreational facilities, common landscaping, and the irrigation well and equipment are stated at cost and have been depreciated using the straight-line method over the estimated useful life of the related assets, ranging from 5 to 50 years.

Capitalization of Expenditures

A capital expenditure is defined as one that has a \$2,000 minimum value and an expected useful life of at least 3 years. Expenditures that can be reasonably made from the operating budget will be excluded as a capital expenditure. This includes ordinary repairs made to maintain assets in proper operating condition. Preventative maintenance, normal periodic repairs, replacement of parts, and other activities such as tree trimming, cleaning, or interior repainting that are needed to maintain the asset so that it continues to provide normal service or appearance is charged as an operating expense. Major repairs are relatively large expenditures (\$2,000 or more) that materially extend the useful life of an asset, or improve its efficiency or appearance. These expenditures are considered as an addition, improvement, or replacement and charged as a capital expenditure.

Cash Equivalents

For purposes of the statements of cash flows, the Association considers all investments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Assessments receivable consist of membership assessments and fees due from homeowner members. All property assessed by the Association is located exclusively in the Southwest Portland, OR area.

The Association manages its risk exposure by maintaining cash balances at FDIC insured institutions in amounts below the \$250,000 insured limits.

Donated Time and Services

No amounts have been recognized in the accompanying financial statements for time and services donated to the Association, since amounts are not susceptible to objective measurement or valuation.

ARRANMORE HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) TEN MONTHS ENDED DECEMBER 31, 2009 AND YEAR ENDED FEBRUARY 28, 2009

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Association's operating cycle is a twelve month period from March 1 to February 28. Revenue from homeowners' assessments is recognized in the period earned. It is the practice of the Association to submit invoices to the homeowners 30 to 45 days in advance of the March 1 due date.

Income Taxes

The Association is subject to income taxes, generally on unrelated investment income, under Section 528 of the Internal Revenue Code. At December 31, 2009, the Organization estimates no income tax liability will be incurred for the current year.

2. Capital Fund

In 2004 the Board of Directors acknowledged the need to provide for future repairs and replacements of the Association's facilities. To accommodate this objective, the board authorized a continuing regular annual assessment of \$225 to each homeowner. These funds are to be held in a segregated account specifically for future major repairs and replacements of the Association's facilities.

The Board of Directors has engaged an outside consulting firm to provide an estimate of the remaining useful lives and the replacement costs of the common property components. The analysis of future major repairs and replacements serves as a guideline in establishing the balance to be maintained in the capital fund. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the capital fund may not be adequate to meet future needs.

3. Changes In Reporting Period

The Association previously reported operations on a twelve month operating cycle ending February 28. At a meeting of the Board of Directors on January 11, 2010 a motion was presented and passed to change the Association's year end to December 31. As a result, the current reporting cycle consists of a ten month period ending December 31, 2009.

4. Subsequent Events

In January 2010 the Board of Directors authorized a transfer of \$25,000 from the operating fund to the capital fund in order to increase the reserve for future repairs and replacements.

The Association management has evaluated all events and transactions for potential disclosure from December 31, 2009 through February 13, 2010 the date the financial statements are available to be issued, and have determined that there are no subsequent events that require disclosure.

Supplementary Information

ARRANMORE HOMEOWNERS' ASSOCIATION
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2009**

The Association's board of directors conducted a study in April 2009 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated current costs to repair or replace the common property components at the date of the study. The Bylaws of the Association do not require funding of the estimated future replacement costs. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the board's estimates and presents significant information about the components of common property:

<u>Components</u>	<u>Average Estimated Useful Lives (Years)</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Suggested Funding at December 31, 2009</u>
Irrigation system	50	33	\$120,000	\$ 40,800
Irrigation well casing and pumps	15	13	16,000	2,133
Landscaping	5	2	40,000	24,000
Pool deck, spa and pumps	10	3	30,000	21,000
Recreation center building	50	34	210,000	67,200
Pathways	30	8	<u>75,000</u>	<u>55,000</u>
			<u>\$491,000</u>	<u>\$210,133</u>