

**ARRANMORE HOMEOWNERS' ASSOCIATION**

**YEARS ENDED FEBRUARY 28, 2007 AND 2006**

**ARRANMORE HOMEOWNERS' ASSOCIATION**  
**YEARS ENDED FEBRUARY 28, 2007 AND 2006**

**C O N T E N T S**

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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 February 28, 2007 and 2006 and the related statements of revenues, expenses and changes in fund balance and statements of cash flows for the years then ended, 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 information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The Arranmore Homeowners' Association has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented Supplementary Information on Future Major Repairs and Replacements that accounting principles generally accepted in the United States of America has determined is required to supplement, although not required to be a part of, the basic financial statements.

*Jack W. Olds & Company LLP*

September 17, 2007

**ARRANMORE HOMEOWNERS' ASSOCIATION**

**BALANCE SHEETS – FEBRUARY 28, 2007 AND 2006**

	2007			2006		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash, checking	\$ 4,503	\$ -	\$ 4,503	\$ 49,905	\$ -	\$ 49,905
Cash, interest bearing	111,131	49,460	160,591	25,757	32,052	57,809
Accounts receivable	87,912	675	88,587	1,113	450	1,563
Interfund	(225)	225	-	-	-	-
Prepaid insurance	300	-	300	270	-	270
Total current assets	<u>203,621</u>	<u>50,360</u>	<u>253,981</u>	<u>77,045</u>	<u>32,502</u>	<u>109,547</u>
<b>FACILITIES AND EQUIPMENT</b>						
Recreational facilities	184,457	-	184,457	184,457	-	184,457
Recreational equipment	2,142	-	2,142	2,142	-	2,142
Water well	67,146	-	67,146	67,146	-	67,146
	<u>253,745</u>	<u>-</u>	<u>253,745</u>	<u>253,745</u>	<u>-</u>	<u>253,745</u>
Less accumulated depreciation	<u>253,745</u>	<u>-</u>	<u>253,745</u>	<u>253,745</u>	<u>-</u>	<u>253,745</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$203,621</u>	<u>\$ 50,360</u>	<u>\$253,981</u>	<u>\$ 77,045</u>	<u>\$ 32,502</u>	<u>\$109,547</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 1,500	\$ -	\$ 1,500	\$ 3,995	\$ -	\$ 3,995
Unearned assessments	195,708	-	195,708	60,060	-	60,060
Total current liabilities	<u>197,208</u>	<u>-</u>	<u>197,208</u>	<u>64,055</u>	<u>-</u>	<u>64,055</u>
<b>FUND BALANCE</b>	<u>6,413</u>	<u>50,360</u>	<u>56,773</u>	<u>12,990</u>	<u>32,502</u>	<u>45,492</u>
	<u>\$203,621</u>	<u>\$ 50,360</u>	<u>\$253,981</u>	<u>\$ 77,045</u>	<u>\$ 32,502</u>	<u>\$109,547</u>

See accountants' compilation report  
See notes to financial statements

**ARRANMORE HOMEOWNERS' ASSOCIATION**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE  
YEARS ENDED FEBRUARY 28, 2007 AND 2006**

	<u>2007</u>			<u>2006</u>		
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total</u>
<b>REVENUES</b>						
Membership assessment	\$163,020	\$ 32,175	\$195,195	\$159,159	\$ 32,175	\$191,334
Investment income	1,745	643	2,388	1,435	250	1,685
Miscellaneous income	75	-	75	50	-	50
Total revenues	<u>164,840</u>	<u>32,818</u>	<u>197,658</u>	<u>160,644</u>	<u>32,425</u>	<u>193,069</u>
<b>OPERATING EXPENSES</b>						
Administrative:						
Insurance	2,366	-	2,366	2,065	-	2,065
Legal and accounting	11,002	-	11,002	7,296	-	7,296
Newsletter	119	-	119	349	-	349
Office operations	1,068	-	1,068	1,076	-	1,076
Other	1,398	-	1,398	4,412	-	4,412
Total administrative	<u>15,953</u>	<u>-</u>	<u>15,953</u>	<u>15,198</u>	<u>-</u>	<u>15,198</u>
Landscape:						
Maintenance contract	97,920	-	97,920	93,840	-	93,840
Repairs and maintenance	35,349	14,960	50,309	17,235	17,959	35,194
Water systems	3,666	-	3,666	8,455	-	8,455
Total landscape	<u>136,935</u>	<u>14,960</u>	<u>151,895</u>	<u>119,530</u>	<u>17,959</u>	<u>137,489</u>
Recreational center:						
Other	142	-	142	302	-	302
Pool operations	9,465	-	9,465	8,348	-	8,348
Repairs and maintenance	839	-	839	1,594	-	1,594
Utilities	8,083	-	8,083	7,129	-	7,129
Total recreational center	<u>18,529</u>	<u>-</u>	<u>18,529</u>	<u>17,373</u>	<u>-</u>	<u>17,373</u>
Total operating expenses	<u>171,417</u>	<u>14,960</u>	<u>186,377</u>	<u>152,101</u>	<u>17,959</u>	<u>170,060</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	(6,577)	17,858	11,281	8,543	14,466	23,009
FUND BALANCE, BEGINNING OF PERIOD	<u>12,990</u>	<u>32,502</u>	<u>45,492</u>	<u>4,447</u>	<u>18,036</u>	<u>22,483</u>
FUND BALANCE, END OF PERIOD	<u>\$ 6,413</u>	<u>\$ 50,360</u>	<u>\$ 56,773</u>	<u>\$ 12,990</u>	<u>\$ 32,502</u>	<u>\$ 45,492</u>

See accountants' compilation report  
See notes to financial statements

**ARRANMORE HOMEOWNERS' ASSOCIATION**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED FEBRUARY 28, 2007 AND 2006**

	<u>2007</u>			<u>2006</u>		
	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Membership assessments collected	\$212,364	\$ 31,725	\$244,089	\$149,308	\$ 28,314	\$177,622
Interest received	1,745	643	2,388	1,685	250	1,935
Other income received	75	-	75	50	-	50
Cash paid for operating expenses	(174,212)	(14,960)	(189,172)	(149,783)	(17,959)	(167,742)
<b>NET CASH INCREASE</b>	<b>39,972</b>	<b>17,408</b>	<b>57,380</b>	<b>1,260</b>	<b>10,605</b>	<b>11,865</b>
CASH, BEGINNING OF PERIOD	<u>75,662</u>	<u>32,052</u>	<u>107,714</u>	<u>74,402</u>	<u>21,447</u>	<u>95,849</u>
<b>CASH, END OF PERIOD</b>	<b><u>\$115,634</u></b>	<b><u>\$ 49,460</u></b>	<b><u>\$165,094</u></b>	<b><u>\$ 75,662</u></b>	<b><u>\$ 32,052</u></b>	<b><u>\$107,714</u></b>
Reconciliation of Excess Revenues Over Expenses to Net Cash Provided by Operating Activities:						
Excess of revenues over expenses (expenses over revenues)	\$ (6,577)	\$ 17,858	\$ 11,281	\$ 8,543	\$ 14,466	\$ 23,009
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:						
Increase in prepaid insurance	(30)		(30)	(94)		(94)
Increase in accounts receivable	(86,799)	(225)	(87,024)	(1,343)		(1,343)
Interfund	225	(225)		3,861	(3,861)	
Increase (decrease) in accounts payable	(2,495)		(2,495)	2,485		2,485
Increase (decrease) in unearned assessments	<u>135,648</u>		<u>135,648</u>	<u>(12,192)</u>		<u>(12,192)</u>
Net cash provided by operating activities	<u>\$ 39,972</u>	<u>\$ 17,408</u>	<u>\$ 57,380</u>	<u>\$ 1,260</u>	<u>\$ 10,605</u>	<u>\$ 11,865</u>

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# **ARRANMORE HOMEOWNERS' ASSOCIATION**

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED FEBRUARY 28, 2007 AND 2006**

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### **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.

#### **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 delinquent. The Association considers all assessments receivable at February 28, 2007 to be fully collectible. Any excess assessments at year end are retained by the Association for use in the succeeding year.

#### **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 equipment, pool facilities and the water well are stated at cost and have been depreciated using accelerated and straight-line methods over the estimated useful life of the related assets.

**ARRANMORE HOMEOWNERS' ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED FEBRUARY 28, 2007 AND 2006**

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**1. Summary of Significant Accounting Policies (continued)**

**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**

Accounts receivable consist of membership fees due from homeowner members. Members are located exclusively in the Southwest Portland area.

**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.

**Income Taxes**

The Association is subject to income taxes, generally on unrelated investment income, under Section 528 of the Internal Revenue Code. At February 28, 2007, 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 special assessment in 2006 and 2007 of \$225 to each homeowner. These funds are to be held in a segregated account specifically for the repair and maintenance of the Association's facilities.

**3. Change in Prior Year Presentation**

Amounts for 2006 have been restated and presented according to fund activity in order to be comparative with the current year presentation. There are no changes to Association net income or fund balance.