

ARRANMORE HOMEOWNERS' ASSOCIATION

**YEARS ENDED FEBRUARY 29, 2008
AND FEBRUARY 28, 2007**

ARRANMORE HOMEOWNERS' ASSOCIATION

YEARS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007

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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 29, 2008 and February 28, 2007 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 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

June 25, 2008

ARRANMORE HOMEOWNERS' ASSOCIATION

BALANCE SHEETS – FEBRUARY 29, 2008 AND FEBRUARY 28, 2007

| | <u>2008</u> | | | <u>2007</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> | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash, checking | \$ 1,710 | \$ - | \$ 1,710 | \$ 4,503 | \$ - | \$ 4,503 |
| Cash, interest bearing | 156,136 | 43,344 | 199,480 | 111,131 | 49,460 | 160,591 |
| Accounts receivable | 76,922 | - | 76,922 | 87,912 | 675 | 88,587 |
| Interfund | (327) | 327 | - | (225) | 225 | - |
| Prepaid insurance | 305 | - | 305 | 300 | - | 300 |
| Total current assets | <u>234,746</u> | <u>43,671</u> | <u>278,417</u> | <u>203,621</u> | <u>50,360</u> | <u>253,981</u> |
| FACILITIES AND EQUIPMENT | | | | | | |
| Recreational facilities | 184,457 | - | 184,457 | 184,457 | - | 184,457 |
| Recreational equipment | 2,142 | - | 2,142 | 2,142 | - | 2,142 |
| Water well | <u>67,146</u> | - | <u>67,146</u> | <u>67,146</u> | - | <u>67,146</u> |
| | 253,745 | - | 253,745 | 253,745 | - | 253,745 |
| Less accumulated depreciation | <u>253,745</u> | - | <u>253,745</u> | <u>253,745</u> | - | <u>253,745</u> |
| | - | - | - | - | - | - |
| | <u>\$234,746</u> | <u>\$ 43,671</u> | <u>\$278,417</u> | <u>\$203,621</u> | <u>\$ 50,360</u> | <u>\$253,981</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts payable | \$ 1,500 | \$ - | \$ 1,500 | \$ 1,500 | \$ - | \$ 1,500 |
| Unearned assessments | <u>198,484</u> | - | <u>198,484</u> | <u>195,708</u> | - | <u>195,708</u> |
| Total current liabilities | <u>199,984</u> | - | <u>199,984</u> | <u>197,208</u> | - | <u>197,208</u> |
| FUND BALANCE | <u>34,762</u> | <u>43,671</u> | <u>78,433</u> | <u>6,413</u> | <u>50,360</u> | <u>56,773</u> |
| | <u>\$234,746</u> | <u>\$ 43,671</u> | <u>\$278,417</u> | <u>\$203,621</u> | <u>\$ 50,360</u> | <u>\$253,981</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 29, 2008 AND FEBRUARY 28, 2007**

| | <u>2008</u> | | | <u>2007</u> | | |
|--|-----------------------|---------------------|------------------|-----------------------|---------------------|------------------|
| | <u>Operating Fund</u> | <u>Capital Fund</u> | <u>Total</u> | <u>Operating Fund</u> | <u>Capital Fund</u> | <u>Total</u> |
| REVENUES | | | | | | |
| Membership assessment, annual fee | \$166,309 | \$ 32,175 | \$198,484 | \$163,020 | \$ 32,175 | \$195,195 |
| Investment income | 2,663 | 784 | 3,447 | 1,745 | 643 | 2,388 |
| Other assessments and miscellaneous income | <u>1,004</u> | <u>-</u> | <u>1,004</u> | <u>75</u> | <u>-</u> | <u>75</u> |
| Total revenues | <u>169,976</u> | <u>32,959</u> | <u>202,935</u> | <u>164,840</u> | <u>32,818</u> | <u>197,658</u> |
| OPERATING EXPENSES | | | | | | |
| Administrative: | | | | | | |
| Insurance | 2,437 | - | 2,437 | 2,366 | - | 2,366 |
| Legal and accounting | 8,147 | - | 8,147 | 11,002 | - | 11,002 |
| Newsletter | 425 | - | 425 | 119 | - | 119 |
| Office operations | 2,037 | - | 2,037 | 1,068 | - | 1,068 |
| Other | <u>145</u> | <u>-</u> | <u>145</u> | <u>1,398</u> | <u>-</u> | <u>1,398</u> |
| Total administrative | <u>13,191</u> | <u>-</u> | <u>13,191</u> | <u>15,953</u> | <u>-</u> | <u>15,953</u> |
| Landscape: | | | | | | |
| Maintenance contract | 82,550 | - | 82,550 | 97,920 | - | 97,920 |
| Repairs and maintenance | 11,305 | 39,648 | 50,953 | 35,349 | 14,960 | 50,309 |
| Water systems | <u>16,541</u> | <u>-</u> | <u>16,541</u> | <u>3,666</u> | <u>-</u> | <u>3,666</u> |
| Total landscape | <u>110,396</u> | <u>39,648</u> | <u>150,044</u> | <u>136,935</u> | <u>14,960</u> | <u>151,895</u> |
| Recreational center: | | | | | | |
| Other | 132 | - | 132 | 142 | - | 142 |
| Pool operations | 9,494 | - | 9,494 | 9,465 | - | 9,465 |
| Repairs and maintenance | 318 | - | 318 | 839 | - | 839 |
| Utilities | <u>8,096</u> | <u>-</u> | <u>8,096</u> | <u>8,083</u> | <u>-</u> | <u>8,083</u> |
| Total recreational center | <u>18,040</u> | <u>-</u> | <u>18,040</u> | <u>18,529</u> | <u>-</u> | <u>18,529</u> |
| Total operating expenses | <u>141,627</u> | <u>39,648</u> | <u>181,275</u> | <u>171,417</u> | <u>14,960</u> | <u>186,377</u> |
| EXCESS OF REVENUES OVER EXPENSES | 28,349 | (6,689) | 21,660 | (6,577) | 17,858 | 11,281 |
| FUND BALANCE, BEGINNING 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> |
| FUND BALANCE, END OF PERIOD | <u>\$ 34,762</u> | <u>\$ 43,671</u> | <u>\$ 78,433</u> | <u>\$ 6,413</u> | <u>\$ 50,360</u> | <u>\$ 56,773</u> |

See accountants' compilation report
See notes to financial statements

ARRANMORE HOMEOWNERS' ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007**

| | <u>2008</u> | | | <u>2007</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 | | | | | | |
| Membership assessments collected | \$180,172 | \$ 32,748 | \$212,920 | \$212,364 | \$ 31,725 | \$244,089 |
| Interest received | 2,663 | 784 | 3,447 | 1,745 | 643 | 2,388 |
| Other income received | 1,004 | - | 1,004 | 75 | - | 75 |
| Cash paid for operating expenses | <u>(141,627)</u> | <u>(39,648)</u> | <u>(181,275)</u> | <u>(174,212)</u> | <u>(14,960)</u> | <u>(189,172)</u> |
| NET CASH INCREASE (DECREASE) | 42,212 | (6,116) | 36,096 | 39,972 | 17,408 | 57,380 |
| CASH, BEGINNING OF PERIOD | <u>115,634</u> | <u>49,460</u> | <u>165,094</u> | <u>75,662</u> | <u>32,052</u> | <u>107,714</u> |
| CASH, END OF PERIOD | <u>\$157,846</u> | <u>\$ 43,344</u> | <u>\$201,190</u> | <u>\$115,634</u> | <u>\$ 49,460</u> | <u>\$165,094</u> |
| Reconciliation of Excess Revenues Over Expenses to Net Cash Provided by Operating Activities: | | | | | | |
| Excess of revenues over expenses (expenses over revenues) | \$ 28,349 | \$ (6,689) | \$ 21,660 | \$ (6,577) | \$ 17,858 | \$ 11,281 |
| Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: | | | | | | |
| Increase in prepaid insurance | (5) | | (5) | (30) | | (30) |
| Decrease in accounts receivable | 10,990 | 675 | 11,665 | (86,799) | (225) | (87,024) |
| Interfund | 102 | (102) | | 225 | (225) | |
| Increase (decrease) in accounts payable | | | | (2,495) | | (2,495) |
| Increase (decrease) in unearned assessments | <u>2,776</u> | | <u>2,776</u> | <u>135,648</u> | | <u>135,648</u> |
| Net cash provided by operating activities | <u>\$ 42,212</u> | <u>\$ (6,116)</u> | <u>\$ 36,096</u> | <u>\$ 39,972</u> | <u>\$ 17,408</u> | <u>\$ 57,380</u> |

See accountants' compilation report
See notes to financial statements

ARRANMORE HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED FEBRUARY 29, 2008 AND FEBRUARY 28, 2007

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 29, 2008 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 29, 2008 AND FEBRUARY 28, 2007**

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 29, 2008, 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 2007 and 2008 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.

Supplementary Information

ARRANMORE HOMEOWNERS' ASSOCIATION
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
FEBRUARY 29, 2008**

The Association's board of directors has estimated 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. The Bylaws of the Association do not require funding of the estimated future replacement costs.

The following information is based on the board's estimates and presents significant 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 February 29, 2008</u> |
|-----------------------------|--|--|---|--|
| Irrigation system | 50 | 35 | \$120,000 | \$ 36,000 |
| Water well casing and pumps | 15 | 15 | 16,000 | - |
| Landscaping | 5 | 4 | 40,000 | 8,000 |
| Pool deck, spa and pumps | 10 | 5 | 15,000 | 7,500 |
| Recreation center building | 50 | 36 | 150,000 | 42,000 |
| Fencing | 20 | 19 | 12,000 | 600 |
| Pathways | 30 | 10 | <u>75,000</u> | <u>50,000</u> |
| | | | <u>\$428,000</u> | <u>\$144,100</u> |