

ARRANMORE HOMEOWNERS' ASSOCIATION

**YEARS ENDED FEBRUARY 28, 2009
AND FEBRUARY 29, 2008**

ARRANMORE HOMEOWNERS' ASSOCIATION

YEARS ENDED FEBRUARY 28, 2009 AND FEBRUARY 29, 2008

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We have compiled the accompanying balance sheets of ARRANMORE HOMEOWNERS' ASSOCIATION as of February 28, 2009 and February 29, 2008 and the related statements of revenues, expenses and changes in fund balance and statements of cash flows for the years 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.

May 22, 2009

ARRANMORE HOMEOWNERS' ASSOCIATION

BALANCE SHEETS – FEBRUARY 28, 2009 AND FEBRUARY 29, 2008

	<u>2009</u>			<u>2008</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	\$ 10,574	\$ -	\$ 10,574	\$ 1,710	\$ -	\$ 1,710
Cash, interest bearing	160,011	76,173	236,184	156,136	43,344	199,480
Accounts receivable	69,299	13,375	82,674	64,222	12,700	76,922
Allowance for doubtful accounts	(6,650)	(1,350)	(8,000)	-	-	-
Interfund	(21,375)	21,375	-	(20,802)	20,802	-
Prepaid insurance	-	-	-	305	-	305
Total current assets	<u>211,859</u>	<u>109,573</u>	<u>321,432</u>	<u>201,571</u>	<u>76,846</u>	<u>278,417</u>
<u>FACILITIES AND EQUIPMENT</u>						
Recreational facilities	-	184,457	184,457	-	184,457	184,457
Recreational equipment	-	2,142	2,142	-	2,142	2,142
Water well	-	<u>73,228</u>	<u>73,228</u>	-	<u>67,146</u>	<u>67,146</u>
	-	259,827	259,827	-	253,745	253,745
Less accumulated depreciation	-	<u>246,684</u>	<u>246,684</u>	-	<u>253,745</u>	<u>253,745</u>
	-	<u>13,143</u>	<u>13,143</u>	-	-	-
	<u>\$211,859</u>	<u>\$122,716</u>	<u>\$334,575</u>	<u>\$201,571</u>	<u>\$ 76,846</u>	<u>\$278,417</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>CURRENT LIABILITIES</u>						
Accounts payable	\$ 10,341	\$ -	\$ 10,341	\$ 1,500	\$ -	\$ 1,500
Payroll liabilities	-	-	-	-	-	-
Unearned assessments	<u>166,309</u>	<u>32,175</u>	<u>198,484</u>	<u>166,309</u>	<u>32,175</u>	<u>198,484</u>
Total current liabilities	<u>176,650</u>	<u>32,175</u>	<u>208,825</u>	<u>167,809</u>	<u>32,175</u>	<u>199,984</u>
FUND BALANCE	<u>35,209</u>	<u>90,541</u>	<u>125,750</u>	<u>33,762</u>	<u>44,671</u>	<u>78,433</u>
	<u>\$211,859</u>	<u>\$122,716</u>	<u>\$334,575</u>	<u>\$201,571</u>	<u>\$ 76,846</u>	<u>\$278,417</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, 2009 AND FEBRUARY 29, 2008**

	2009			2008		
	Operating Fund	Capital Fund	Total	Operating Fund	Capital Fund	Total
REVENUES						
Membership assessment, annual fee	\$166,309	\$ 32,175	\$198,484	\$166,309	\$ 32,175	\$198,484
Investment income	2,266	688	2,954	2,663	784	3,447
Miscellaneous income	958	641	1,599	1,004	-	1,004
Total revenues	<u>169,533</u>	<u>33,504</u>	<u>203,037</u>	<u>169,976</u>	<u>32,959</u>	<u>202,935</u>
OPERATING EXPENSES						
Administrative:						
Insurance	2,736	-	2,736	2,437	-	2,437
Bad debt expense	6,650	1,350	8,000	-	-	-
Legal and accounting	7,134	-	7,134	8,147	-	8,147
Newsletter	218	-	218	425	-	425
Office operations	1,206	-	1,206	2,037	-	2,037
Other	622	-	622	145	-	145
Total administrative	<u>18,566</u>	<u>1,350</u>	<u>19,916</u>	<u>13,191</u>	<u>-</u>	<u>13,191</u>
Landscape:						
Maintenance contract	89,880	-	89,880	82,550	-	82,550
Depreciation	-	939	939	-	-	-
Repairs and maintenance	11,641	3,695	15,336	11,305	39,648	50,953
Water systems	8,928	-	8,928	16,541	-	16,541
Total landscape	<u>110,449</u>	<u>4,634</u>	<u>115,083</u>	<u>110,396</u>	<u>39,648</u>	<u>150,044</u>
Recreational center:						
Other	142	-	142	132	-	132
Pool operations	9,732	1,650	11,382	9,494	-	9,494
Repairs and maintenance	35	-	35	318	-	318
Utilities	9,162	-	9,162	8,096	-	8,096
Total recreational center	<u>19,071</u>	<u>1,650</u>	<u>20,721</u>	<u>18,040</u>	<u>-</u>	<u>18,040</u>
Total operating expenses	<u>148,086</u>	<u>7,634</u>	<u>155,720</u>	<u>141,627</u>	<u>39,648</u>	<u>181,275</u>
EXCESS OF REVENUES OVER EXPENSES	21,447	25,870	47,317	28,349	(6,689)	21,660
FUND BALANCE, beginning of year	33,762	44,671	78,433	5,413	51,360	56,773
FUND TRANSFERS	(20,000)	20,000	-	-	-	-
FUND BALANCE, end of year	<u>\$ 35,209</u>	<u>\$ 90,541</u>	<u>\$125,750</u>	<u>\$ 33,762</u>	<u>\$ 44,671</u>	<u>\$ 78,433</u>

See accountants' compilation report
See notes to financial statements

ARRANMORE HOMEOWNERS' ASSOCIATION

**STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 28, 2009 AND FEBRUARY 29, 2008**

	<u>2009</u>			<u>2008</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	\$161,679	\$ 31,500	\$193,179	\$180,172	\$ 32,748	\$212,920
Interest received	2,266	688	2,954	2,663	784	3,447
Other income received	511	641	1,152	1,004	-	1,004
Cash paid for operating expenses	(131,717)	(5,918)	(137,635)	(141,627)	(39,648)	(181,275)
Total cash provided by (used for) operating activities	<u>32,739</u>	<u>26,911</u>	<u>59,650</u>	<u>42,212</u>	<u>(6,116)</u>	<u>36,096</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of well pump	-	(14,082)	(14,082)	-	-	-
Funding future replacements	(20,000)	20,000	-	-	-	-
Total cash provided by (used for) investing activities	<u>(20,000)</u>	<u>5,918</u>	<u>(14,082)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CASH INCREASE (DECREASE)	12,739	32,829	45,568	42,212	(6,116)	36,096
CASH, beginning of year	<u>157,846</u>	<u>43,344</u>	<u>201,190</u>	<u>115,634</u>	<u>49,460</u>	<u>165,094</u>
CASH, end of year	<u>\$170,585</u>	<u>\$ 76,173</u>	<u>\$246,758</u>	<u>\$157,846</u>	<u>\$ 43,344</u>	<u>\$201,190</u>
Reconciliation of Excess Revenues Over Expenses to Net Cash Provided by (Used for) Operating Activities:						
Excess of revenues over expenses (expenses over revenues)	\$ 21,447	\$ 25,870	\$ 47,317	\$ 28,349	\$ (6,689)	\$ 21,660
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	-	939	939	-	-	-
Decrease (increase) in prepaid insurance	305	-	305	(5)	-	(5)
Decrease (increase) in accounts receivable	(5,077)	(675)	(5,752)	10,990	675	11,665
Interfund	573	(573)	-	102	(102)	-
Increase in accounts payable	8,841	-	8,841	-	-	-
Increase in unearned assessments	-	-	-	2,776	-	2,776
Net cash provided by (used for) operating activities	<u>\$ 32,739</u>	<u>\$ 26,911</u>	<u>\$ 59,650</u>	<u>\$ 42,212</u>	<u>\$ (6,116)</u>	<u>\$ 36,096</u>

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ARRANMORE HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED FEBRUARY 28, 2009 AND FEBRUARY 29, 2008

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.

Accounts Receivable (Assessments Receivable)

Accounts 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 February 28, 2009, accounts receivable over 90 days past due are \$8,069.

ARRANMORE HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED FEBRUARY 28, 2009 AND FEBRUARY 29, 2008

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 equipment, pool facilities and the water well 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

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

ARRANMORE HOMEOWNERS' ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED FEBRUARY 28, 2009 AND FEBRUARY 29, 2008

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 on March 1. 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. Amounts for the new operating cycle billed before March 1 are recorded as unearned assessments on the balance sheet.

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, 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 Prior Year's Numbers

The presentation of assets or liabilities relating to the operating fund or capital fund or capital fund has been changed to reflect the detail associated with each fund. Amounts within each fund have changed but there is no change to the Association's total assets, liabilities and fund balance.

Supplementary Information

ARRANMORE HOMEOWNERS' ASSOCIATION
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
FEBRUARY 28, 2009**

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 28, 2009</u>
Irrigation system	50	34	\$120,000	\$ 38,400
Water well casing and pumps	15	14	16,000	1,067
Landscaping	5	3	40,000	16,000
Pool deck, spa and pumps	10	4	30,000	18,000
Recreation center building	50	35	210,000	63,000
Pathways	30	9	<u>75,000</u>	<u>52,500</u>
			<u>\$491,000</u>	<u>\$188,967</u>