

**FOUR SEASONS HOMEOWNERS ASSOCIATION**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**With Accountants' Review Report**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

**FOUR SEASONS HOMEOWNERS ASSOCIATION  
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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Members of Four Seasons Homeowners Association

We have reviewed the accompanying Statement of Assets and Fund Balance-modified cash basis of Four Seasons Homeowners Association as of December 31, 2010 and the related Statement of Receipts, Disbursements, and Changes in Fund Balance-modified cash basis for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with the modified cash basis of accounting as explained in Note 2. The supplementary information about future major repairs and replacements on page 8 is presented only for purposes of additional analysis. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or provide any assurance on such information.

A handwritten signature in cursive script that reads "IHDE CPA".

Beaverton, Oregon  
June 1, 2011

**FOUR SEASONS HOMEOWNERS' ASSOCIATION**  
**STATEMENT OF ASSETS & FUND BALANCE-MODIFIED CASH BASIS**  
**12/31/2010**

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 24,711	\$ 33,456	\$ 58,167
Total Assets	\$ 24,711	\$ 33,456	\$ 58,167
 <b>LIABILITIES AND EQUITY</b>			
Payroll Liabilities	\$ 90	\$ -	\$ 90
Total Liabilities	90	-	90
 Fund Balance	24,621	33,456	58,077
Total Liabilities and Equity	\$ 24,711	\$ 33,456	\$ 58,167

See accompanying notes and Accountants' Review Report

**FOUR SEASONS HOMEOWNERS' ASSOCIATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCE-MODIFIED CASH BASIS  
Year Ended December 31, 2010**

	OPERATING		REPLACEMENT	TOTAL
	FUND		FUND	
<b>CASH RECEIPTS</b>				
Assessments	\$ 83,762	\$ 30,936	\$ 114,698	
Interest	198	176	374	
Pool Fees	12,109	-	12,109	
Clubhouse Rental	245	-	245	
Lien/Interest Reimbursement	564	-	564	
<b>TOTAL CASH RECEIPTS</b>	<b>\$ 96,878</b>	<b>\$ 31,112</b>	<b>\$ 127,990</b>	
 <b>CASH DISBURSEMENTS</b>				
Architecture	\$ 16	\$ -	\$ 16	
Clubhouse	3,397	-	3,397	
Communications	2,051	-	2,051	
Legal	189	-	189	
Insurance	9,917	-	9,917	
Administration	2,051	-	2,051	
Landscaping Contract	26,400	-	26,400	
Landscaping-Other	7,728	-	7,728	
Maintenance	7,133	-	7,133	
Major Repairs and Replacements	-	42,445	42,445	
Pool	35,874	-	35,874	
Social Activities	2,122	-	2,122	
<b>TOTAL CASH DISBURSEMENTS</b>	<b>\$ 96,878</b>	<b>\$ 42,445</b>	<b>\$ 139,323</b>	
			-	
<b>DECREASE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ (11,333)</b>	<b>\$ (11,333)</b>	
 <b>BEGINNING FUND BALANCE</b>	<b>\$ 24,621</b>	<b>\$ 44,789</b>	<b>\$ 69,410</b>	
 <b>ENDING FUND BALANCE</b>	<b>\$ 24,621</b>	<b>\$ 33,456</b>	<b>\$ 58,077</b>	

See accompanying notes and Accountants' Review Report

**FOUR SEASONS HOMEOWNERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2010**

**Note 1 – Nature of Organization**

The Four Seasons Homeowners Association (the Association) was incorporated in 1969 under the provisions of Oregon Non-Profit Corporation Law. The purpose of the Association is to promote the recreation, health, safety, and welfare of the owners and occupants of Four Seasons Homeowners Association and for the improvement, operation and maintenance of the common areas. The development consists of 383 single family homes located in Beaverton, Oregon.

**Note 2 – Summary of Significant Accounting Policies**

**Accounting Method**

The Association prepares its year-end financial statements on a modified basis of cash receipts and cash disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of presentation differs from generally accepted accounting principles (GAAP) in that revenues are recognized when received rather than earned and expenses are recognized when paid rather than when the obligation is incurred. Specifically, the variances from GAAP included omission of assessments receivables, accrued interest, and accounts payable. However, similar to financial statements prepared in accordance with GAAP, these financial statements report assessments received in advance and a liability for payroll expenses.

**Fund Accounting**

The Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established 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 the 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 are recognized as revenue when received. The revenue is secured by the Association's right to retain legal counsel and place a lien on the unit if the assessments are 60 days or more delinquent. As of 12/31/10 the Association had \$3,787 of delinquent assessments. The annual budget and assessments of owners are determined and approved by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future years.

**Cash and Cash Equivalents**

Cash and Cash Equivalents include all short-term, highly liquid investments with maturities of three months or less.

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### Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

### Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

### Note 3 – Income Taxes

Homeowners associations may be taxed either as a homeowner association or as a regular corporation. For the year ended December 31, 2010, the Association elected to be taxed as a homeowners association and filed Form 1120-H. Under that election, the Association generally is taxed only on non-exempt income, such as interest earnings, at applicable Federal and State tax rates.

### Note 4 – Common Property

Real property and common areas acquired by the original owners from the developer and related improvements are not capitalized on the Association's financial statements. Although these properties are owned by the Association, these assets are not recognized under the generally accepted accounting principles, due to the fact that the Association will not, in the ordinary course of business, dispose of the property. Common areas are restricted to the use by Association members, their tenants, and guests. As of December 31, 2010, the Association did not hold title to any property or equipment. Replacements, major repairs, and purchases of additional commonly owned real estate are accounted for as expenses in the year of expenditure.

### Note 5 – Future Major Repairs and Replacements

Under Oregon law, the Association must accumulate funds for future major repairs and replacements. Accumulated funds, which aggregate \$33,456 at December 31, 2010, are held in separate accounts and are generally not available for operating purposes.

During the current year the Association added \$30,936 of reserve from collected assessments. Interest earned on the replacement fund for the year was \$176. The Association spent \$42,445 of the reserves on capital expenditures.

During the year the Association updated an internally prepared reserve study. The purpose of the reserve study is to estimate the remaining useful lives and the replacement costs of the common property components. The table included in the compiled supplementary information on Future Major Repairs and Replacements on page 8 is based on this study.

Continued

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the reserve fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

**FOUR SEASONS HOMEOWNERS ASSOCIATION  
REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS (COMPILED)  
Year Ended December 31, 2010**

A reserve study, prepared internally, was updated during the year to estimate the remaining useful lives and replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study assuming an annual inflation rate of 3.3%. No rate of return on investments and no provision for income taxes were factored into the study.

The following table is based on the study and presents significant information about the components of common property.

<u>COMPONENTS</u>	<u>ESTIMATED REMAINING USEFUL LIVES (YEARS)</u>	<u>ESTIMATED CURRENT REPLACEMENT COST</u>
Level & Reinforce Clubhouse Foundation	1	\$ 9,000
Replace Pool Fence (Adult)	1	7,250
Paint Clubhouse (Exterior)	1	2,000
Renovate Clubhouse Bathrooms	1	16,000
Clubhouse Kitchen Renovation	2	11,874
Repair Cranberry bridge	2	4,130
Renovate Pool Showers	2	5,163
Replace Pool & Spa Covers (Mesh)	3	6,396
Refinish Clubhouse Floors	3	3,731
Replace Pool Wood Deck (Adult)	3	3,731
Replace Neighborhood Entrance Signs	3	3,198
Replace Clubhouse Central HVAC Unit	4	11,007
Repair Common Area Sidewalks	4	11,007
Replace Pool Heaters (Adult + Family)	4	6,604
Replaster Pool & Replace Drains (Adult)	5	17,047
Replace Pool Deck (Wood - Family)	6	11,734
Renovate Clubhouse	6	5,867
Replace Spa / Hot Tub	9	10,333
Replace Bridge South	14	10,609
Replaster Pool & Replace Drains (Family)	15	31,296
Replace Concrete Pool Deck (Family)	15	23,472
Replace Pool Concrete Deck (Adult)	18	25,836
Replace Pool Skimmers	19	10,670
Replace Pool Coping (Adult)	20	27,542
Replace Pool Coping (Family)	20	28,438
Replace Pool Fence (Family)	23	18,016
Replace Clubhouse Deck (East)	32	31,326
Install Solar PV Panels on Clubhouse	7	15,144
Install Additional Common Area Lighting	3	5,330
		<u>\$ 373,752</u>

See accompanying notes and Accountants' Review Report