

FOUR SEASONS HOMEOWNERS ASSOCIATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

With Independent Accountant's Review Report

FOR THE YEAR ENDED DECEMBER 31, 2015

**FOUR SEASONS HOMEOWNERS ASSOCIATION
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Four Seasons Homeowners Association, which comprise of the Statement of Assets, Liabilities and Fund Balance-modified cash basis as of December 31, 2015 and the related statements of Receipts, Disbursements, and Changes in Fund Balance-modified cash basis and the related notes to the financial statements. 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's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting; this includes the design, implementation, and maintaining of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our report.

Accountant's Conclusion on the Financial Statements

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 3 of the financial statement which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on pages 9 and 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have not audited or reviewed the required supplementary information and, accordingly, we do not express an opinion or provide any assurance on such required supplementary information.

IHDE CPA, PC

Beaverton, Oregon
November 15, 2016

**FOUR SEASONS HOMEOWNERS ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES &
FUND BALANCE-MODIFIED CASH BASIS
December 31, 2015**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash and Cash Equivalents	\$ 13,600	\$ 21,495	\$ 35,095
Prepaid Expenses	<u>157</u>	<u>-</u>	<u>157</u>
Total Assets	<u>\$ 13,757</u>	<u>\$ 21,495</u>	<u>\$ 35,252</u>
LIABILITIES AND FUND BALANCE			
Prepaid Assessments	\$ 898	\$ -	\$ 898
Payroll Liabilities	<u>95</u>	<u>-</u>	<u>95</u>
Total Liabilities	993	-	993
Fund Balance	<u>12,764</u>	<u>21,495</u>	<u>34,259</u>
Total Liabilities and Fund Balance	<u>\$ 13,757</u>	<u>\$ 21,495</u>	<u>\$ 35,252</u>

See accompanying notes and Independent Accountant's Review Report

**FOUR SEASONS HOMEOWNERS ASSOCIATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE-MODIFIED CASH BASIS
Year Ended December 31, 2015**

CASH RECEIPTS	OPERATING FUND	REPLACEMENT FUND	TOTAL
Assessments	\$ 106,977	\$ 25,500	\$ 132,477
Interest	23	29	52
Pool Fees	17,541	-	17,541
Clubhouse Rental	930	-	930
Lien/Interest Reimbursement	2,403	-	2,403
Other	2,000	-	2,000
TOTAL CASH RECEIPTS	\$ 129,874	\$ 25,529	\$ 155,403
 CASH DISBURSEMENTS			
Communications	\$ 3,350	\$ -	\$ 3,350
Legal/Accounting	15,013	-	15,013
Insurance	6,882	-	6,882
Administration	2,494	-	2,494
Landscaping Contract	35,833	-	35,833
Landscaping-Other	24,142	-	24,142
Maintenance	1,965	-	1,965
Major Repairs and Replacements	-	83,154	83,154
Pool & Clubhouse	47,473	-	47,473
Social Activities	750	-	750
TOTAL CASH DISBURSEMENTS	\$ 137,902	\$ 83,154	\$ 221,056
 DECREASE IN FUND BALANCE	 \$ (8,028)	 \$ (57,625)	 \$ (65,653)
 BEGINNING FUND BALANCE	 \$ 20,792	 \$ 79,120	 \$ 99,912
 ENDING FUND BALANCE	 \$ 12,764	 \$ 21,495	 \$ 34,259

See accompanying notes and Independent Accountant's Review Report

FOUR SEASONS HOMEOWNERS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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 – Date of Management’s Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 15, 2016, the date that the financial statements were available to be issued.

Note 3 – 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 and accounts payable. However, similar to financial statements prepared in accordance with GAAP, these financial statements report prepaid expenses and prepaid assessments.

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.

See Independent Accountant’s Review Report

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 December 31, 2015, the Association had \$5,337 of delinquent assessments. The Association considers all these delinquent assessments to be fully collectible. 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.

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 4 – Income Taxes

Homeowners associations may be taxed either as homeowners associations or as a regular corporation. For the year ended December 31, 2015, 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. The Association files returns in the U.S. federal jurisdiction as well as the state of Oregon jurisdiction. Generally, tax filings are subject to federal and state examination for three years after they are filed. The returns filed for periods ended December 31, 2012 and prior are no longer subject to examination by tax authorities.

Note 5 – 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 because those properties are owned by the individual unit owners in common and not by the Association. Common areas, including a pool, a pavilion, parks and multiple landscape beds are restricted to the use by Association members, their tenants, and guests. Replacements, major repairs, and purchases of additional commonly owned real estate are accounted for as expenses in the year of expenditure.

See Independent Accountant's Review Report

Note 6 – Future Major Repairs and Replacements

Under Oregon law, the Association must accumulate funds for future major repairs and replacements. Accumulated funds, which aggregate \$21,495 at December 31, 2015, are held in separate accounts and are generally not available for operating purposes.

During the current year, the Association added \$25,500 of reserve from collected assessments. Interest earned on the replacement fund for the year was \$29. The Association spent \$83,154 of the reserves on major repairs and replacements.

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 pages 9 and 10 is based on this study.

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, 2015**

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% and an annual assessment increase of 2.0%. 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.

COMPONENTS	ESTIMATED REMAINING USEFUL LIVES (YEARS)	ESTIMATED CURRENT REPLACEMENT COST
Clubhouse Replace Front Entrance	11	\$ 13,208
Clubhouse Renovate Kitchen	19	4,000
Clubhouse Paint (Exterior)	3	2,273
Clubhouse Refinish Floors	6	2,273
Clubhouse Replace Appliances	7	3,198
Clubhouse Renovate Bathrooms	11	16,050
Clubhouse Replace Furnace	19	3,098
Clubhouse Replace AC unit	17	4,516
Clubhouse siding	14	9,205
Clubhouse roof	15	6,942
Clubhouse flagpole	21	2,934
Clubhouse Back Deck (East)	21	14,081
Irrigation Maintenance	3	2,133
Pool Heater (Deep)	8	5,163
Pool-deep pool safety cover	29	5,300
Pool-shallow pool safety cover	30	8,552
Pool-Replace Trex decking (shallow)	19	5,163
Pool Decks -Repair concrete	4	3,098
Pool-retaining wall at shallow pool	29	2,065
Pool -Replaster & Replace Drains (Deep)	2	21,321
Pool-monitor station	0	2,065
Pool Heater (Spa)	2	3,302
Pool Heater (Shallow)	3	4,403

Continued

COMPONENTS	ESTIMATED REMAINING USEFUL LIVES (YEARS)	ESTIMATED CURRENT REPLACEMENT COST
Pool Skimmers- Repair	4	7,040
Pool Replace Spa	8	9,387
Pool Replaster & Replace Drains (Shallow)	4	26,651
Pool Coping (Deep)	14	12,793
Pool Coping (Shallow)	9	18,123
Pool Shed	4	4,264
Pool Fence (entire area)	15	29,805
Pool: Spa Replace Cover	1	533
Arch. Common Area Sidewalks - Repairs	0	3,409
Arch. Neighborhood Signs - Replace	1	5,504
Tract P Drainage Project	6	13,637
Bridge to Crystalbrook	8	8,801
Cranberry Bridge - Replace	19	9,387
Cranberry bridge foundation - repair	21	2,273
Main Johnson Creek Bridge - replace	28	36,346
		\$ 332,296

See accompanying notes and Independent Accountant's Review Report