

OLD SWEETBRIAR FARM HOMEOWNERS ASSOCIATION

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

Old Sweetbriar Farm Homeowners Association

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
Old Sweetbriar Farm Homeowners Association
Troutdale, Oregon

We have reviewed the accompanying financial statements of Old Sweetbriar Farm Homeowners Association, which are comprised of the balance sheet – cash basis as of December 31, 2020, and the related statements of revenues and expenses – cash basis and changes in fund balance – cash basis for the year then ended, 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 these financial statements in accordance with the cash basis of accounting; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement 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 cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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 accordance with the cash basis of accounting.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the 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

The supplementary information about future repairs and replacements of common property on pages 7 through 8 is not a required part of the basic financial statements but is supplementary information required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The required information has been compiled from information that is the responsibility of management. We have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

Milwaukie, Oregon
December 9, 2021



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Old Sweetbriar Farm Homeowners Association
Balance Sheet - Cash Basis
December 31, 2020

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash, including interest bearing deposits	\$ 55,223	\$ 56,818	\$ 112,041
Interfund balance	100	(100)	-
Total assets	\$ 55,323	\$ 56,718	\$ 112,041
FUND BALANCE	\$ 55,323	\$ 56,718	\$ 112,041

See accompanying notes and independent accountant's review report.

Old Sweetbriar Farm Homeowners Association
Statement of Revenues and Expenses - Cash Basis
For the Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
REVENUES			
Regular assessments	\$ 101,397	\$ 6,892	\$ 108,289
Interest	72	389	461
Late fees	964	-	964
Other income	2,381	-	2,381
Total revenues	104,814	7,281	112,095
EXPENSES			
Property maintenance	533	-	533
Major repairs and replacements	-	26,449	26,449
Utilities	5,169	-	5,169
Landscaping	39,110	5,995	45,105
Insurance	4,220	-	4,220
Management fees	22,417	-	22,417
Professional fees	4,232	-	4,232
Office expense	5,212	-	5,212
Licenses and permits	50	-	50
Rental expenses	2,527	-	2,527
Other	5,815	-	5,815
Total expenses	89,285	32,444	121,729
Excess of revenues over (under) expenses	\$ 15,529	\$ (25,163)	\$ (9,634)

See accompanying notes and independent accountant's review report.

Old Sweetbriar Farm Homeowners Association
Statement of Changes in Fund Balance - Cash Basis
For the Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Fund balance, as of December 31, 2019	\$ 39,794	\$ 81,881	\$ 121,675
Excess of revenues over (under) expenses	<u>15,529</u>	<u>(25,163)</u>	<u>(9,634)</u>
Fund balance, as of December 31, 2020	<u>\$ 55,323</u>	<u>\$ 56,718</u>	<u>\$ 112,041</u>

See accompanying notes and independent accountant's review report.

Old Sweetbriar Farm Homeowners Association
Notes to Financial Statements
December 31, 2020

Note 1 - Nature of Organization

Old Sweetbriar Farm Homeowners Association (“The Association”) was organized on July 27, 1972 under the provisions of the Oregon Non-Profit Corporation Law. The Association is responsible for the operation and maintenance of the common property within the development including, but not limited to exterior maintenance, party walks, landscaping, lightning, greenway and 3.5 miles of pathways. Common areas are restricted to use by the Association members, their tenants, and guests. The development consists of 358 single family homes located in Troutdale, Oregon.

Note 2 - Summary of Significant Accounting Policies

Accounting Method

The Association prepares its year-end financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). The basis of presentation differs from GAAP in that revenue is recognized when received and expenses are recognized when cash is disbursed rather than when the obligation is incurred.

Fund Accounting

In accordance with industry standards and practices, the Association has segregated its activities into 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.

Replacement 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. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are 120 days or more delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

Note 3 - Income Taxes

Homeowner associations may be taxed either as homeowner associations or as nonexempt membership organizations. For the year ended December 31, 2020, the Association elected to be taxed as a homeowner association. 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. Tax filings are generally subject to federal and state examination for three years after they are filed.

Old Sweetbriar Farm Homeowners Association
Notes to Financial Statements - Continued
December 31, 2020

Note 4 - Future Major Repairs and Replacements

The Association's governing documents do not require the accumulation of funds for major repairs and replacements. However, the Association elected to establish a fund for this purpose in April 2019. Accumulated funds, which aggregated \$56,718 at December 31, 2020, are generally not available for operating purposes.

The Association engaged a consultant who conducted a study dated in July 2020 to estimate the remaining useful lives and the replacement costs of the common property components. The excerpt included in the compiled Supplementary Information on Future Major Repairs and Replacements is based on the 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.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures and investment income, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If funds are needed, however, the Association has the right, subject to Board approval, to increase regular assessments up to 3% each year. Further, if additional funds are needed, the Association has the right to increase maximum annual assessment above 3% or to levy special assessments by a vote of two-third (2/3) of the total membership or it may delay major repairs and replacements until funds are available.

Note 5 - Interfund Balance

At December 31, 2020, \$100 of operating fund cash was held in the replacement fund.

Note 6 - Other Income and Expenses

During the year ended December 31, 2020, other income included reimbursements from owners for attorney fees, compliance fees, non-sufficient funds fees, 10-day demand letter fees, and other fees.

Other expenses consisted of the costs to the Association associated with the billings to owners for late fees and new owner fees, and for the payment of another association's landscaping bill that was reimbursed to the Association in February 2021.

Note 7 - Global Pandemic

The COVID-19 global pandemic has caused business disruption through mandated and voluntary closings for services and production across a range of industries. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent of the impact of COVID-19 will depend on certain developments and may negatively impact certain financial conditions, however, it cannot be reasonably estimated at this time.

Note 8 - Date of Board of Directors' Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 9, 2021, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**Old Sweetbriar Farm Homeowners Association
Supplementary Information on Future Major Repairs
And Replacements (Compiled)
December 31, 2020**

The Association engaged a consultant who conducted a reserve study update without a site visit dated in July 2020 to estimate the remaining useful lives and the replacement costs of the components of common property. The study used estimates obtained from the Association, vendors and various construction pricing and scheduling manuals to determine useful lives and replacement costs. Replacement costs were based on the estimated costs to repair or replace the common property components on the date of the study assuming an annual inflation rate of 2.5% and a rate of return on investments of 0.1% without a provision for income taxes. The study used the threshold-funding method with a threshold of \$6,324.

The attached excerpt on page 8 includes significant information about the components of common property. The reserve study should be read in its entirety.

Replacement Funding Summary for the Year Ended December 31, 2020:

Current year's assessments	
Reserve assessments	\$ 6,892
Amount recommended by reserve study	<u>7,200</u>
Difference	\$ <u>(308)</u>
Replacement fund balance at end of year	\$ <u>56,718</u>

**Old Sweetbriar Farm Homeowners Association
Component Summary By Category**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Streets/Asphalt								
Asphalt: Troudale Rd - Crack Seal	2016	2021	5	0	0	1 Total	1,000.00	1,000
Asphalt: Troudale Rd - Overlay/Repair	1972	2021	30	19	0	1,864 SF	7.33	13,663
Asphalt: Troudale Rd - Seal Coat	2016	2021	5	0	0	9,765 SF	0.30	2,929
Asphalt: Path C - Crack Seal	2017	2022	5	0	1	1 Total	1,000.00	1,000
Asphalt: Path C - Overlay/Repair	1972	2022	30	20	1	785 SF	7.45	5,848
Asphalt: Path C - Seal Coat	2017	2022	5	0	1	5,665 SF	0.30	1,699
Asphalt: Path E - Crack Seal	2018	2023	5	0	2	1 Total	1,000.00	1,000
Asphalt: Path E - Overlay/Repair	1972	2023	30	21	2	976 SF	8.15	7,954
Asphalt: Path E - Seal Coat	2018	2023	5	0	2	7,845 SF	0.30	2,353
Asphalt: Path A - Crack Seal	2020	2025	5	0	4	1 Total	1,000.00	1,000
Asphalt: Path A - Seal Coat	2020	2025	5	0	4	6,880 SF	0.30	2,064
Asphalt: Path F - Crack Seal	2020	2025	5	0	4	1 Total	1,000.00	1,000
Asphalt: Path F - Seal Coat	2020	2025	5	0	4	8,790 SF	0.30	2,637
Asphalt: Path A - Overlay/Repair	2020	2050	30	0	29	1,373 SF	8.05	11,053
Asphalt: Path F - Overlay/Repair	2020	2050	30	0	29	308 SF	8.05	2,479
Streets/Asphalt - Total								<u>\$57,681</u>
Fencing/Security								
Fence Repairs	2014	2021	5	0	0	1 Total	5,253.12	5,253
Fencing/Security - Total								<u>\$5,253</u>
Lighting								
Lighting, Exterior Upgrades (Tract F)	2020	2040	20	0	19	8 Each	800.00	6,400
Lighting - Total								<u>\$6,400</u>
Grounds Components								
Root Removal	1914	2021	5	0	0	1 Total	2,731.62	2,732
Tree Plantings	2017	2021	2	0	0	1 Total	2,731.62	2,732
Tree Work	2018	2021	1	0	0	1 Total	5,253.12	5,253
Irrigation System - Upgrade	2019	2034	15	0	13	1 Total	21,012.50	21,012
Greenway Upgrades		<i>Unfunded</i>						
Grounds Components - Total								<u>\$31,729</u>
Total Asset Summary								<u>\$101,063</u>