

**NEW COLUMBIA OWNERS ASSOCIATION**

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**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2014**

**New Columbia Owners Association**

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors and Members  
New Columbia Owners Association  
Portland, Oregon

We have reviewed the accompanying balance sheet of New Columbia Owners Association as of December 31, 2014, and the related statements of revenues and expenses, changes in fund balance, and cash flows 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 control 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.

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 accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America requires that the information about future major repairs and replacements of common property on pages 8 to 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. The required supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion or provide any assurance on it.

Portland, Oregon  
February 9, 2015



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**New Columbia Owners Association  
Balance Sheet  
December 31, 2014**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash, including interest bearing deposits	\$ 15,584	\$ 7,797	\$ 23,381
Assessments receivable, net of allowance for doubtful accounts of \$8,679	10,521	-	10,521
Prepaid insurance	3,698	-	3,698
Land	309,845	-	309,845
Interfund balance	62,422	(62,422)	-
Total assets	<u>\$ 402,070</u>	<u>\$ (54,625)</u>	<u>\$ 347,445</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts payable	\$ 66,495	\$ -	\$ 66,495
Accrued wages	1,829	-	1,829
Assessments received in advance	7,039	-	7,039
Total liabilities	<u>75,363</u>	<u>-</u>	<u>75,363</u>
Fund balance	<u>326,707</u>	<u>(54,625)</u>	<u>272,082</u>
Total liabilities and fund balance	<u>\$ 402,070</u>	<u>\$ (54,625)</u>	<u>\$ 347,445</u>

See accompanying notes and independent accountant's review report.

**New Columbia Owners Association  
Statement of Revenues and Expenses  
For the Year Ended December 31, 2014**

	Operating Fund	Replacement Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Regular assessments	\$ 433,786	\$ 87,983	\$ 521,769
Interest	2	34	36
Late fees	8,722	-	8,722
Other income	1,791	25,655	27,446
Total revenues	<u>444,301</u>	<u>113,672</u>	<u>557,973</u>
<b>EXPENSES</b>			
Major repairs and replacements			
Exterior building improvements	-	237,039	237,039
System building improvements	-	57,221	57,221
Pavement and walkways	-	64,349	64,349
Utilities	82,382	-	82,382
Landscaping	207,152	-	207,152
Insurance	6,525	-	6,525
Payroll	48,047	-	48,047
Management fees	22,272	-	22,272
Security	55,504	-	55,504
Professional fees	5,416	-	5,416
Office expense	4,201	-	4,201
Uncollectible fees	5,327	-	5,327
Other	408	-	408
Total expenses	<u>437,234</u>	<u>358,609</u>	<u>795,843</u>
Excess of revenues over (under) expenses	<u>\$ 7,067</u>	<u>\$ (244,937)</u>	<u>\$ (237,870)</u>

See accompanying notes and independent accountant's review report.

**New Columbia Owners Association  
Statement of Changes in Fund Balance  
For the Year Ended December 31, 2014**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Fund balance, as of December 31, 2013	\$ 319,640	\$ 190,312	\$ 509,952
Excess of revenues over (under) expenses	<u>7,067</u>	<u>(244,937)</u>	<u>(237,870)</u>
Fund balance, as of December 31, 2014	\$ <u>326,707</u>	\$ <u>(54,625)</u>	\$ <u>272,082</u>

See accompanying notes and independent accountant's review report.

**New Columbia Owners Association  
Statement of Cash Flows  
For the Year Ended December 31, 2014**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess of revenues over (under) expenses	\$ 7,067	\$ (244,937)	\$ (237,870)
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided (used) by operating activities:			
Decrease (Increase) in assets:			
Assessments receivable, net of allowance for doubtful accounts	(2,740)	-	(2,740)
Prepaid insurance	335	-	335
Increase (Decrease) in liabilities:			
Accounts payable	10,400	-	10,400
Accrued wages	(602)	-	(602)
Assessments received in advance	2,249	-	2,249
Net cash provided (used) by operating activities	16,709	(244,937)	(228,228)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interfund balance	(4,103)	4,103	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>12,606</b>	<b>(240,834)</b>	<b>(228,228)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>2,978</b>	<b>248,631</b>	<b>251,609</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 15,584</b>	<b>\$ 7,797</b>	<b>\$ 23,381</b>

See accompanying notes and independent accountant's review report.

**New Columbia Owners Association**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 1 - Nature of Organization**

The New Columbia Owners Association was organized on March 31, 2004 under the provisions of the Oregon Planned Community Act and 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 items detailed in the supplementary information. The development consists of 824 residential units located in Portland, Oregon.

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

**Accounting Method**

The Association prepares its year-end financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when assessments are earned, and expenses are recognized when goods or services are received, whether paid or not.

**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.

**Replacement Fund** - This fund is used to accumulate financial resources designated for future major repairs and replacements.

**Member Assessments**

Association members are subject to monthly 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 30 days or more delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

**Allowance for Doubtful Accounts**

The Association has provided for an allowance for doubtful accounts as of December 31, 2014 based upon discussion with the Association's management regarding the collectability of assessments receivable. The Association considers assessments receivable collectible until the unit has been foreclosed or the unit owner has filed for bankruptcy.

**Cash Equivalents**

For purposes of the statements of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

**Use of 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.



**New Columbia Owners Association**  
**Notes to Financial Statements – Continued**  
**December 31, 2014**

**Note 3 - Income Taxes**

Homeowner associations may be taxed either as homeowner associations or as nonexempt membership organizations. For the year ended December 31, 2014, 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. 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, 2011 and prior are no longer subject to examination by tax authorities.

**Note 4 - Common Property**

With the exception of land donated by the Developer after the Association was declared, real property and common areas acquired by the original homeowners from the developer are not capitalized on the Association's financial statements. This land is not part of the common property defined in the Association's Declaration. Although these properties are owned by the Association, the assets are not recognized under 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 use by the Association's members, their tenants, and guests. As of December 31, 2014, the Association did not hold title to any personal property or equipment.

**Note 5 - Future Major Repairs and Replacements**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which had an aggregated deficit of \$(54,625) at December 31, 2014, are generally not available for operating purposes. The Oregon Planned Community Act restricts the permanent transfer of funds from the Replacement Fund.

The Association engaged a consultant who conducted a study in September 2014 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 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, considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures, investment income and provision for income taxes, 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 additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

**Note 7 - Interfund Balance**

At December 31, 2014, \$62,422 of operating fund cash was held in replacement fund bank accounts.

**Note 8 - Other Income**

Other income in the replacement fund for the year ended December 31, 2014 consisted of reimbursement amounts received from the Energy Trust of Oregon in conjunction with the lighting replacement project. Other income in the operating fund included a refund from a worker's compensation audit conducted during 2014.

**Note 9 - Date of Board of Directors' Review**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 9, 2015, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**New Columbia Owners Association  
Supplementary Information on Future Major Repairs  
And Replacements (Compiled)  
December 31, 2014**

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The Association engaged a consultant who conducted a reserve study update without a site visit in September 2014 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from information provided by the Association, vendors, and various construction pricing and scheduling manuals. 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 2.50% and a rate of return on investments of 0.10% without a provision for income taxes. The study used the threshold-funding with a threshold of \$41,296.

The attached excerpt on pages 9 to 10 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, 2014:**

Current year's assessments	
Reserve assessments	\$ 87,983
Amount recommended by reserve study	<u>88,000</u>
Difference	\$ <u>(17)</u>
Replacement fund balance at end of year	\$ <u>(54,625)</u>

**New Columbia Owners Association  
Component Summary By Category**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
<b>Lighting</b>								
Lighting - Upgrade Chnage Order	2014	2015	1	0	0	1 Total	5,244.00	<u>5,244</u>
Lighting - Total								<u>\$5,244</u>
<b>Grounds Components</b>								
Alleys - Storm Drain Pavers	2005	2055	50	0	40	3,350 SF	29.96	100,366
Alleys Concrete Sidewalk - Partial Replace..	2005	2028	25	-2	13	6,660 SF	11.09	73,859
Catch Basins, Soakage Drywell & Sedimen..	2014	2017	3	0	2	1 Total	10,000.00	10,000
Concrete Pavement - Maintenance	2012	2016	4	0	1	94,000 SF	0.20	18,800
Concrete Sidewalk Partial Replacement - B..	2005	2028	25	-2	13	780 SF	11.09	8,650
Concrete Sidewalk Partial Replacement - B..	2005	2028	25	-2	13	1,080 SF	11.09	11,977
Concrete Sidewalk Partial Replacement - ..	2005	2028	25	-2	13	7,090 SF	11.09	78,628
Concrete Sidewalk Partial Replacement - P..	2005	2028	25	-2	13	3,208 SF	11.09	35,577
Irrigation System Upgrades I	2014	2024	10	0	9	1 Total	58,425.00	58,425
Irrigation System Upgrades II	2005	2017	10	2	2	1 Total	39,975.00	39,975
Irrigation System Upgrades III	2005	2018	10	3	3	1 Total	39,975.00	39,975
Landscaping I	2005	2016	10	1	1	1 Total	23,575.00	23,575
Landscaping II	2005	2017	10	2	2	1 Total	23,575.00	23,575
Landscaping III	2005	2018	10	3	3	1 Total	23,575.00	23,575
Sandfilters - Maintenance	2011	2016	5	0	1	1 Total	34,100.00	34,100
Storm Drain Pavers - Maintenance	2013	2018	5	0	3	1 Total	10,000.00	<u>10,000</u>
Grounds Components - Total								<u>\$591,058</u>
<b>Common Area Lighting</b>								
Exterior Lights - Pole only	2012	2032	20	0	17	20 Each	978.52	20,353
Exterior Lights Electrical - Ballasts	2012	2027	15	0	12	288 Each	150.53	<u>43,353</u>
Common Area Lighting - Total								<u>\$63,706</u>
<b>Asphalt Pavement</b>								
Alleys - Asphalt - Overlay	2005	2031	25	1	16	258,000 SF	1.45	374,100
Alleys - Asphalt - Seal Coat	2014	2021	7	0	6	258,000 SF	0.19	49,020
Alleys - Asphalt - Seal Coat (II)	2031	2038	7	7	23	258,000 SF	0.19	<u>49,020</u>
Asphalt Pavement - Total								<u>\$472,140</u>
<b>Park &amp; Playground Equipment</b>								
Pocket Park - Benches	2012	2019	7	0	4	20 EA	787.97	15,759
Pocket Park - Picnic Tables	2012	2019	7	0	4	10 EA	1,575.94	15,759
Pocket Park - Rubber Tiles	2005	2022	15	2	7	10,800 SF	15.67	169,236
Pocket Park 1 - Bellatrix	2005	2022	15	2	7	1 EA	37,760.48	37,760
Pocket Park 1 - Spica	2005	2022	15	2	7	2 EA	3,443.61	6,887
Pocket Park 2 - Argo	2005	2022	15	2	7	1 EA	4,892.54	4,893
Pocket Park 2 - Decorative Metal Fence	2005	2022	15	2	7	60 LF	65.24	3,914
Pocket Park 2 - Play Structure II	2005	2022	15	2	7	1 Total	42,653.04	42,653

**New Columbia Owners Association  
Component Summary By Category**

Description	Date in Service	Replacement Year	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
<i>Park &amp; Playground Equipment continued...</i>								
Pocket Park 2 - Supernova	2005	2022	15	2	7	1 EA	7,708.91	7,709
Pocket Park 3 - Double Shifter	2005	2022	15	2	7	1 EA	9,659.65	9,660
Pocket Park 3 - Homestead	2005	2022	15	2	7	1 EA	27,159.96	27,160
Pocket Park 3 - Satellite Binocular	2005	2022	15	2	7	1 EA	2,439.99	2,440
Pocket Park 3 - Triple Shifter	2005	2022	15	2	7	1 EA	9,339.75	9,340
Pocket Park 3 - Ziggy	2005	2022	15	2	7	1 EA	2,289.46	2,289
Pocket Park 4 - Play Structure I	2005	2022	15	2	7	1 Total	42,653.04	42,653
Pocket Park 4 - Spica	2005	2022	15	2	7	2 EA	3,443.61	6,887
Park & Playground Equipment - Total								\$405,000
Total Asset Summary								\$1,537,148