

NEW COLUMBIA OWNERS ASSOCIATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2011

New Columbia Owners Association

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INDEPENDENT ACCOUNTANTS' 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, 2011, 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.

The supplementary information about future repairs and replacements of common property on pages 8 and 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have compiled the supplementary information from information that is the representation of management of New Columbia Owners Association, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Portland, Oregon
March 27, 2012



New Columbia Owners Association
Balance Sheet
December 31, 2011

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash, including interest bearing deposits	\$ 30,117	\$ 157,369	\$ 187,486
Assessments receivable, net of allowance for doubtful accounts receivable of \$10,890	19,749	-	19,749
Other accounts receivable	871	-	871
Prepaid expenses	4,610	-	4,610
Land	309,845	-	309,845
Interfund balance	(1,556)	1,556	-
Total assets	<u>\$ 363,636</u>	<u>\$ 158,925</u>	<u>\$ 522,561</u>
 LIABILITIES AND FUND BALANCE			
Accounts payable	\$ 19,791	\$ -	\$ 19,791
Other accounts payable	604	-	604
Assessments received in advance	5,455	-	5,455
Income taxes payable	150	-	150
Total liabilities	<u>26,000</u>	<u>-</u>	<u>26,000</u>
Fund balance	<u>337,636</u>	<u>158,925</u>	<u>496,561</u>
Total liabilities and fund balance	<u>\$ 363,636</u>	<u>\$ 158,925</u>	<u>\$ 522,561</u>

See accompanying notes and independent accountants' report.

**New Columbia Owners Association
Statement of Revenues and Expenses
For the Year Ended December 31, 2011**

	Operating Fund	Replacement Fund	Total
REVENUES			
Regular assessments	\$ 385,019	\$ 71,318	\$ 456,337
Interest	20	454	474
Late fees	9,318	-	9,318
Other income	2,924	-	2,924
Total revenues	<u>397,281</u>	<u>71,772</u>	<u>469,053</u>
EXPENSES			
Property maintenance	575	-	575
Utilities	36,382	-	36,382
Landscaping	198,146	-	198,146
Insurance	4,242	-	4,242
Payroll	56,584	-	56,584
Management fees	27,840	-	27,840
Security	30,012	-	30,012
Professional fees	3,672	-	3,672
Office expense	3,337	-	3,337
Property taxes	457	-	457
Income taxes	150	-	150
Uncollectible fees	1,526	-	1,526
Total expenses	<u>362,923</u>	<u>-</u>	<u>362,923</u>
Excess of revenues over expenses	<u>\$ 34,358</u>	<u>\$ 71,772</u>	<u>\$ 106,130</u>

See accompanying notes and independent accountants' report.

**New Columbia Owners Association
Statement of Changes in Fund Balance
For the Year Ended December 31, 2011**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Fund balance, as of December 31, 2010, as previously stated	\$ 290,421	\$ 100,010	\$ 390,431
Prior period adjustment	<u>12,857</u>	<u>(12,857)</u>	<u>-</u>
Fund balance, as of December 31, 2010, as restated	303,278	87,153	390,431
Excess of revenues over expenses	<u>34,358</u>	<u>71,772</u>	<u>106,130</u>
Fund balance, as of December 31, 2011	\$ <u><u>337,636</u></u>	\$ <u><u>158,925</u></u>	\$ <u><u>496,561</u></u>

See accompanying notes and independent accountants' report.

New Columbia Owners Association
Statement of Cash Flows
For the Year Ended December 31, 2011

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 34,358	\$ 71,772	\$ 106,130
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) Decrease in assets:			
Assessments receivable, net of allowance for doubtful accounts	(1,797)	-	(1,797)
Other accounts receivable	(871)	-	(871)
Prepaid expenses	(2,264)	-	(2,264)
Prepaid income taxes	407	-	407
Increase (Decrease) in liabilities:			
Accounts payable	(27,660)	-	(27,660)
Other accounts payable	604	-	604
Assessments received in advance	1,234	-	1,234
Net cash provided by operating activities	4,011	71,772	75,783
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund balance	14,413	(14,413)	-
NET INCREASE IN CASH	18,424	57,359	75,783
CASH AND CASH EQUIVALENTS, BEGINNING	11,693	100,010	111,703
CASH AND CASH EQUIVALENTS, ENDING	\$ <u>30,117</u>	\$ <u>157,369</u>	\$ <u>187,486</u>

Income taxes paid amounted to \$150.

See accompanying notes and independent accountants' report.

**New Columbia Owners Association
Notes to Financial Statements
December 31, 2011**

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. 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 60 days or more delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

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.

Allowance for Doubtful Accounts

The Association has provided for an allowance for doubtful accounts as of December 31, 2011, 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.

Note 3 - Income Taxes

Homeowner associations may be taxed either as homeowner associations or as nonexempt membership organizations. For the year ended December 31, 2011, 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.

**New Columbia Owners Association
Notes to Financial Statements – Continued
December 31, 2011**

Note 4 - Common Property

Real property and common areas acquired by the original homeowners from the developer are generally not capitalized on the Association's financial statements. Although these properties are owned by the Association, the assets are normally 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. As of December 31, 2011, the Association holds title to land donated from the developer at fair market value at the date of acquisition. The Association's policy is to capitalize all significant personal property acquisitions. Common areas are restricted to use by Association members, their tenants, and guests.

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 aggregated \$158,925 at December 31, 2011, are held in separate accounts and are generally not available for operating purposes.

The Association engaged a consultant who conducted a study in November 2011 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 6 - Community Management

The Association employs a community manager to perform accounting and community management functions.

Note 7 - Prior Period Adjustment

During the year ended 2011, the Association recorded a prior period adjustment to reclassify 2010 legal and consultation expenses relating to the Housing Authority of Portland settlement from the operating fund to the replacement fund. The effect of this adjustment is an increase to the operating fund and decrease to the replacement fund of \$12,857.

Note 8 - Other Income

Other income consisted of a refund received for property taxes previously paid by the Association. The city changed the designation on its tax records and no future property tax expense will be incurred by the Association.

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 March 27, 2012, 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, 2011**

The Association engaged a consultant who conducted a reserve study update without a site visit or an on-site review in November 2011 to estimate the remaining useful lives and the replacement costs of the components of common property. 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 method with a threshold of \$43,167.

The attached excerpt on page 9 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, 2011:

Current year's assessments	
Reserve assessments	\$ 71,318
Amount recommended by reserve study	<u>74,000</u>
Difference*	\$ <u>(2,682)</u>
Replacement fund balance at end of year	\$ <u>158,925</u>

*The Association's 2012 budgeted reserve contribution is in conformity with the amount recommended by the reserve study.

New Columbia Owners Association

Portland, Oregon

Component Summary By Group

Description	Date in Service	Replacement Year	Useful Life	Adjustment	Remaining	Units	Unit Cost	Current Cost
Capital								
Alleys - Asphalt - Overlay	2005	2031	25	1	19	258,000 SF	1.34	345,720
Alleys - Storm Drain Pavers	2005	2055	50	0	43	3,350 SF	27.69	92,761
Alleys Concrete Sidewalk - Partial Replace..	2005	2028	25	-2	16	6,660 SF	10.25	68,265
Concrete Sidewalk Partial Replacement - B..	2005	2028	25	-2	16	780 SF	10.25	7,995
Concrete Sidewalk Partial Replacement - B..	2005	2028	25	-2	16	1,080 SF	10.25	11,070
Concrete Sidewalk Partial Replacement - ..	2005	2028	25	-2	16	7,090 SF	10.25	72,672
Concrete Sidewalk Partial Replacement - P..	2005	2028	25	-2	16	3,208 SF	10.25	32,882
Exterior Lights - Pole only	2005	2025	20	0	13	20 Each	904.24	18,808
Exterior Lights Electrical - Ballasts	2005	2020	15	0	8	288 Each	139.11	40,064
Irrigation System Upgrades I	2005	2013	10	-2	1	1 Total	76,384.80	38,192
Irrigation System Upgrades II	2005	2014	10	-1	2	1 Total	76,384.80	38,192
Pocket - Picnic Tables	2005	2012	7	0	0	10 EA	3,014.11	30,141
Pocket Park - Argo	2005	2030	25	0	18	1 EA	4,521.16	4,521
Pocket Park - Bellatrix	2005	2030	25	0	18	1 EA	34,894.15	34,894
Pocket Park - Benches	2005	2012	7	0	0	20 EA	1,507.05	30,141
Pocket Park - Decorative Metal Fence	2005	2025	20	0	13	60 LF	60.29	3,617
Pocket Park - Double Shifter	2005	2030	25	0	18	1 EA	8,926.41	8,926
Pocket Park - Homestead	2005	2030	25	0	18	1 EA	25,098.29	25,098
Pocket Park - Play Structure	2005	2030	25	0	18	2 EA	39,415.32	78,831
Pocket Park - Rubber Tiles	2005	2025	20	0	13	10,800 SF	14.49	156,492
Pocket Park - Satellite Binocular	2005	2030	25	0	18	1 EA	2,254.78	2,255
Pocket Park - Spica	2005	2030	25	0	18	4 EA	3,182.21	12,729
Pocket Park - Supernova	2005	2030	25	0	18	1 EA	7,123.74	7,124
Pocket Park - Triple Shifter	2005	2030	25	0	18	1 EA	8,630.79	8,631
Pocket Park - Ziggy	2005	2030	25	0	18	1 EA	2,115.67	2,116
Capital - Total								\$1,172,139
Non-Capital								
Alleys - Asphalt - Seal Coat (I)	2005	2013	7	1	1	258,000 SF	0.31	79,980
Alleys - Asphalt - Seal Coat (II)	2031	2038	7	7	26	258,000 SF	0.34	87,720
Alleys - Storm Drain Pavers - Maintenance	2005	2016	10	1	4	1 TOTAL	16,151.05	16,151
Concrete Pavement - Maintenance	2005	2012	4	3	0	94,000 SF	0.41	38,540
Non-Capital - Total								\$222,391
Total Asset Summary								\$1,394,530