

## The Lincoln School COA 2015 Annual Financial Review

### **Background Information:**

- 1) Each month Bennett Management collects our income, pays our expenses, sends the excess income to reserves, and prepares a monthly financial report. The reports are reviewed by the board at each monthly meeting.
- 2) At the end of the year Bennett Management prepares an Annual Financial Report. This annual report is mailed to all members.
- 3) Oregon law requires HOA's to have an Annual Financial Review unless 60% of the members vote to opt-out. A vote is required each year for one year only.
- 4) An Annual Financial Review does not look for fraud. The review is not an audit.
- 5) In June, Lincoln School voted against opting-out of the 2015 review.
- 6) The cost for the 2015 review was \$1190. The cost for the 2014 review was \$1300.

### **Summary of Results:**

- 1) A Certified Public Account (CPA) reviewed our financial statements and spoke to Bennett Management.
- 2) The CPA concluded:
  - "Based on my review I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity to the cash basis form of accounting." (page 1)
  - Lincoln School's "...cash reserves currently appear adequate..." (page 4)

The full report for 2015 follows.

# **Earl L. Dorman** CPA, P.C.

## *INDEPENDENT ACCOUNTANTS REVIEW REPORT*

The Board of Directors  
Lincoln School Condominium Homeowners' Association  
Eugene, Oregon

I have reviewed the accompanying financial statements of Lincoln School Condominium Homeowners' Association which comprise the statement of assets, liabilities, and equity – cash basis as of December 31, 2015, and the related statements of revenue, expense and retained earnings for the year then ended, and the related notes to financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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, I 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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**

My responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

### **Accountant's Conclusion**

Based on my review I am 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 cash basis of accounting.



Earl L. Dorman, CPA, P.C.  
June 27, 2016

**Lincoln School Condominium**  
**Assets, Liabilities and Retained Earnings - Cash Basis**  
**December 31, 2015**

**ASSETS**

	<b>December 31, 2015</b>
Current Assets	
Cash in Trust Account	4,104
Banner Bank Reserve Account	151,204
Summit Bank Replacement Reserve	129,107
Total Cash	284,415
<b>TOTAL ASSETS</b>	<b>\$ 284,415</b>

**LIABILITIES AND MEMBERS' EQUITY**

Current Liabilities	
Deposits Collected	\$ 300
Total Current Liabilities	\$ 300
Total Liabilities	\$ 300
Retained Earnings	
Unrestricted Funds	\$ 4,104
Restricted Capital Improvement Funds	280,011
Total Retained Earnings	\$ 284,115
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 284,415</b>

*See Accompanying Notes and Accountant's Report*

**Lincoln School Condominium**  
**Statement of Revenues, Expenses, and Retained Earnings - Cash Basis**  
**For the Year Ended December 31, 2015**

	<b>For the Year Ended December 31, 2015</b>
<b>REVENUE</b>	
Assessment Income	\$ 152,694
Other Income	1,625
	154,319
Total Revenue	\$ 154,319
<b>EXPENSES</b>	
Property Taxes	748
Utilities	29,316
Property Insurance	16,403
Pest Control	1,175
Heating, Venting And A/C	838
Maintenance	19,303
Garbage	5,784
Telephone	2,367
Professional Fees	5,129
Promotion Travel and Education	744
Janitorial	3,000
Administrative Management	12,036
Office and General Supplies	1,773
Taxes and Licenses	313
Grounds Work	15,023
	113,952
Total Expenses	\$ 113,952
<b>REVENUE OVER (UNDER) EXPENSES</b>	<b>\$ 40,367</b>
<b>OTHER INCOME</b>	
Reserve Assessment	-
Interest Income	493
	493
Total Other Income	\$ 493
<b>CAPITAL ITEMS</b>	
Boiler Replacment	42,414
Other Asset Replacement Expenditures	14,428
	56,842
Total Capital Items	\$ 56,842
<b>NET INCOME</b>	<b>\$ (15,982)</b>
Retained Earning at Beginning of Year	\$ 300,097
	284,115
Balance at End of Year	\$ 284,115

*See Accompanying Notes and Accountant's Report*

**Lincoln School Condominium  
Notes to Financial Statements  
December 31, 2015**

**NOTE 1 ORGANIZATION**

The Lincoln School Condominium Homeowners' Association is a statutory condominium association organized as a not-for-profit corporation for the purposes of maintaining and preserving common property of the Lincoln School Condominium Association. The Lincoln School Condominium association consists of 59 residential units located at 650 West 12<sup>th</sup> Avenue in Eugene Oregon

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING** - The accompanying financial statements have been prepared using the cash method of accounting.

**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.

**NOTE 3 OWNERS ASSESSMENTS**

The annual budget and assessments of owners are determined by the board of directors and are approved by the owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

**NOTE 4 FEDERAL AND STATE INCOME TAXES**

The Association has elected to file as a homeowners association in accordance with Internal Revenue Code Section 528, using Form 1120-H. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenue from dues and assessments to owners.

**NOTE 5 FUNDING FOR REPAIRS AND REPLACEMENTS**

The Association did a replacement reserve study in 2015 and they are in the process of implementing that study. The cash reserves currently appear adequate to handle future replacements. Replacement costs for the year totaled \$56,842, consisting primarily of the boiler system project.