



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of Little Whale Cove Homeowners Association, Inc.

We have reviewed the accompanying financial statements of Little Whale Cove Homeowners Association, Inc., which comprise the balance sheet as of June 30, 2021, and the related statement of revenues, expenses, and changes in fund balance and cash flows 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 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 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 the 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 accounting principles generally accepted in the United States of America. 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 accounting principles generally accepted in the United States of America.

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 11, 12 and 13 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, 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. We have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA; however, 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.

Hudspeth & Company, PC

Portland, Oregon
February 8, 2022

LITTLE WHALE COVE HOMEOWNERS ASSOCIATION, INC.

Balance Sheet

June 30, 2021

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2021</u>
ASSETS			
Cash and cash equivalents	\$ 236,801	\$ 343,808	\$ 580,609
Interfund transfers	5,050	(5,050)	-
Accounts receivable	6,493	-	6,493
Prepaid insurance	<u>5,996</u>	<u>-</u>	<u>5,996</u>
Total Current Assets	<u>\$ 254,340</u>	<u>\$ 338,758</u>	<u>\$ 593,098</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 15,931	\$ -	\$ 15,931
Payroll liabilities	6,127	-	6,127
Assessments received in advance	123,428	-	123,428
Security deposits	<u>13,900</u>	<u>-</u>	<u>13,900</u>
Total Current Liabilities	159,386	-	159,386
Reserve-contracts liability	-	338,758	338,758
Fund balances	<u>94,954</u>	<u>-</u>	<u>94,954</u>
Total Liabilities and Fund Balances	<u>\$ 254,340</u>	<u>\$ 338,758</u>	<u>\$ 593,098</u>

See accompanying notes and independent accountants' review report

LITTLE WHALE COVE HOMEOWNERS ASSOCIATION, INC.

**Statement of Revenue, Expenses
and Changes in Fund Balances
For the Year ending June 30, 2021**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2021</u>
REVENUE			
Member assessments	\$ 455,336	\$ 148,400	\$ 603,736
Interest income	6	912	918
Gate cards and remotes	1,343	-	1,343
Fees from members	1,620	-	1,620
Late Fees	240	30	270
Reserve transfer to contracts liability	-	(91,955)	(91,955)
Recovery of bad debt	-	221	221
Other income	23,905	-	23,905
	<u>482,450</u>	<u>57,608</u>	<u>540,058</u>
EXPENSES			
Administration:			
Payroll and payroll taxes	209,008	-	209,008
Employee benefits	39,249	-	39,249
Professional services	31,963	-	31,963
Insurance	5,168	15,209	20,377
Office expense	10,613	-	10,613
Committee and conferences	1,591	-	1,591
License, fees, and permits	3,454	-	3,454
Bank charges	669	-	669
Bad debts	221	-	221
Other expenses	(362)	380	18
Total administration	<u>301,574</u>	<u>15,589</u>	<u>317,163</u>
Property maintenance:			
Common area	3,898	-	3,898
Major repairs and replacements	80,093	42,019	122,112
Entry gate	4,994	-	4,994
Gate house	14,544	-	14,544
Landscape	31,287	-	31,287
Recreation center	13,440	-	13,440
Roads and paths	375	-	375
Vehicle	2,155	-	2,155
Swimming pool	6,879	-	6,879
Tennis court	356	-	356
Total property maintenance	<u>158,021</u>	<u>42,019</u>	<u>200,040</u>
EXCESS OF REVENUE OVER EXPENSES	22,855	-	22,855
BEGINNING FUND BALANCES	72,099	246,803	318,902
TRANSFER TO RESERVE-CONTRACTS LIABILITY	-	(246,803)	(246,803)
ENDING FUND BALANCES	<u>\$ 94,954</u>	<u>\$ -</u>	<u>\$ 94,954</u>

See accompanying notes and independent accountants' review report

LITTLE WHALE COVE HOMEOWNERS ASSOCIATION, INC.

Statement of Cash Flows
For the Year ending June 30, 2021

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficit) of revenue over expenses	\$ 22,855	\$ -	\$ 22,855
Adjustments to reconcile excess (deficit) of revenue over expenses to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Assessments receivable	(6,493)	-	(6,493)
Prepaid insurance	(1,318)	-	(1,318)
Reserve-contracts liability	-	91,955	91,955
Interfund transfer	2,529	(2,529)	-
Increase (decrease) in:			
Accounts payable	(4,384)	-	(4,384)
Payroll liabilities	973	-	973
Security deposits	(215)	-	(215)
Assessments received in advance	(5,949)	-	(5,949)
Net Cash Provided (Used) by Operating Activities	<u>7,998</u>	<u>89,426</u>	<u>97,424</u>
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>218,688</u>	<u>218,688</u>
Net Increase (Decrease) in Cash	7,998	308,114	316,112
CASH, beginning of year	<u>228,803</u>	<u>35,694</u>	<u>264,497</u>
CASH, end of year	<u>\$ 236,801</u>	<u>\$ 343,808</u>	<u>\$ 580,609</u>
SUMMARY OF CASH ACCOUNTS			
Undesignated			\$ 236,801
Designated for future repairs and replacements			343,808
			<u>\$ 580,609</u>
Supplemental Disclosure:			
Cash paid for income taxes	<u>\$ 1,150</u>	<u>\$ -</u>	<u>\$ 1,150</u>

See accompanying notes and independent accountants' review report

LITTLE WHALE COVE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

DESCRIPTION OF ORGANIZATION-

Little Whale Cove (Association) is a homeowners association organized under Oregon Planned Community Act for the purpose of maintaining and preserving common property of Little Whale Cove. Little Whale Cove consists of 268 residential units. The Association occupies a site of approximately 140 acres in Depoe Bay, Oregon. The Association was incorporated in the state of Oregon in April, 1977.

DATE OF MANAGEMENT'S REVIEW-

In preparation of the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure February 8, 2022, the date that the financial statements were available to be issued. No items were noted.

SUMMARY OF SIGNIFICANT POLICIES-

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.

Reserve fund

This fund is used to accumulate financial resources designated for future major repairs and replacements. Disbursements from this fund may be made only for designated purposes.

Cash and cash equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Member assessments

Association members are subject to monthly assessments starting when a unit is sold to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. Assessments receivable at the balance sheet date represents fees due from unit owners. The Association has lien rights under state law. The Association's policy is assess interest of 9% of any unpaid assessments. If any assessment remains unpaid for more than 30 days, the Board sends a notice demanding immediate payment and if the assessment remains more than 60 day past due, the Board shall turn over collection to the Association's attorney for collection procedures. All collection costs shall be assessed against the delinquent owner.

LITTLE WHALE COVE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

SUMMARY OF SIGNIFICANT POLICIES-(Continued)

Revenue recognition

Assessments and membership dues are billed in advance and are recognized as income when earned. Revenue billed or received, but not earned, is shown as unearned revenue and Reserve-contract liability in the liabilities section of the accompanying balance sheets. All other fees and charges are recognized when the Association's services have been provided. Revenue is not recognized until assessments are collected and adjustments are recorded as contra revenue-bad debt expense.

Adoption of New Accounting Standards

Effective July 1, 2020, the Association adopted FASB Accounting Standards Codification ASC 606 regarding revenue recognition which creates a single framework for recognizing revenue from contracts with members (customers). Based on the Association's CCRs and the approved operating budget the Operating fund's obligation is to collect and expend funds for managing common areas for the well-being of the owners which has been fulfilled. No adjustments have been made to the Operating fund based on this adoption. Revenue is not recognized until assessments are collected.

Reserve fund's performance obligation as to reserve assessments are to collect and expend funds for future major repairs and replacements. Such repairs and replacement do not occur on a continuous basis but are performed when needed. Revenue should only be recognized when the performance obligation is expended. Reserve assessment collections in excess of current year costs increase deferred income and expenditures in excess of assessment collections reduce the deferred income. The total reserve-contracts liability (deferred income) is recorded on the balance sheet. During 2020, this change from existing practice resulted in \$246,803 being a reclassification of pre-adoption fund balance as a reserve-contract liability.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various 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 these estimates.

Interest income

The Association's bylaws indicate that the Association is to distribute investment income from the reserves to the owners. The Association votes annually to apply this income to the respective funds. In the year ended June 30, 2021, the interest was allocated to the fund in which it was earned.

LITTLE WHALE COVE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Income taxes

Homeowners associations may be taxed either as homeowners' associations or as regular corporations.

Under the election to be taxed as a homeowners' association, the Association is taxed on its net nonexempt function income, such as interest earnings, at a flat 30% for federal, plus state. Exempt function income, which consists primarily of member assessments, is not taxable. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its net non-membership income, such as interest earnings, at regular federal and state corporate rates.

Property, improvements and equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association's duty is to maintain these assets after transfer.

The Association capitalizes all purchased equipment to which it has title or other evidence of ownership. At June 30, 2021, property not capitalized consists of a recreational building, a swimming pool and pool equipment building, parking spaces, fences, grounds, walkways, landscaping and any real property directly associated with the units. Equipment, if acquired by the Association, is recorded at cost.

Depreciation

Equipment, if acquired, is depreciated over its estimated useful life using the straight-line method of depreciation.

Other comprehensive income

The Association has no components of other comprehensive income. Other comprehensive income consists of net unrealized gains or losses from certain securities.

ASSESSMENTS RECEIVABLE-

At June 30, 2021, the Association had assessments receivable of \$6,493. The Association has determined that no allowance for doubtful accounts is deemed necessary as of June 30, 2021 as all dues are deemed collectible.

LITTLE WHALE COVE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

FUTURE MAJOR REPAIRS AND REPLACEMENTS-

The Association's governing documents require funds to be accumulated for exterior maintenance of the residential units and common area maintenance. A special reserve fund is required for the limited common element of the unattached garages. Accumulated funds are held in separate accounts and are generally not available for expenditures for normal operations.

During June 2020, the Board received an updated reserve study from an independent consultant without a site visit to estimate the remaining useful lives and replacement costs of the components of common property. Funding requirements assume an annual 2.5 percent inflation rate and 1.0 percent rate of investment earnings based on full funding. The table included in the compiled Supplementary Information on Future Major Repairs and Replacements is based on the study using estimated expenditures.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the reserve fund. The funding requirement of \$186,649 was estimated and included in the June 30, 2022 general budget.

Actual expenditures 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 to increase regular assessments, levy special assessments, subject to member approval, or it may delay major repairs and replacements until funds are available.

RESERVE-CONTRACTS LIABILITY

The Association has collected dues for future reserve assessments in excess of current year costs which are considered deferred income and are recorded as reserve-contracts liability on the balance sheet. At June 30, 2021, \$338,758 was included on the balance sheet.

INCOME TAXES-

For the year ended June 30, 2021, the Association was taxed as a homeowners' association and no tax is due for June 30, 2021. Income taxes are due on net investment income. Income taxes are not considered due on membership dues. There was no excess net investment income for the year ended June 30, 2021. The Association has no deferred tax assets or liabilities. The Association is no longer subject to US federal and state tax examinations for years prior June 30, 2018.

The State of Oregon has determined that a Homeowners Association is not subject to corporate minimum tax if they do not have net taxable income and therefore, since the Association has no net taxable income, no return is required for the year ended June 30, 2021.

LITTLE WHALE COVE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

CONCENTRATION OF CREDIT RISK-

The Association had no accounts on hand at any financial institutions which exceed depositor's insurance provided by the applicable guarantee agency at June 30, 2021. The Federal Deposit Insurance Corporation has determined that noninterest-bearing accounts are aggregated with interest-bearing deposits for a combined insured total of \$250,000 per depositor per bank.

RELATED PARTY-

The Association provides management services, oversight and bookkeeping to Innisfree Patio Homeowners Condominium Association, which is located within the Association and whose members are also member of the Association.

RESTATEMENT-

The current financial statements have been restated in accordance with Generally Accepted Accounting Principles that allow assets to be capitalized only if they are income producing. The Association historically had fixed assets on its books. Assets of \$76,574 and accumulated depreciation of \$74,183 were removed from the books for the year ended June 30, 2020 with a corresponding adjustment of the operating fund balance.

RECLASSIFICATIONS-

Certain prior year amounts have been reclassified for consistency with the current year presentation. These classifications have no effect on the previously reported results of operations or fund balances.

**LITTLE WHALE COVE HOMEOWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS (COMPILED)**

June 30, 2021

The Association's Board of Directors hired an independent consultant to update a study for the year ended June 2021 to estimate the remaining useful lives and replacement costs of the components of common property. The study uses a calendar year end instead of a June 30 fiscal year end. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs are updated on individual components of the reserves at various times. The study includes items with remaining lives of between 3 and 30 years.

The following table is based on the study and presents significant information about the components of common property:

	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Cost	Estimated 2021 Expenses
<u>Roadways</u>			
<u>Components</u>			
Asphalt	0 to 7	183,441	38,300
		<u>\$ 183,441</u>	<u>\$ 38,300</u>
<u>Clubhouse</u>			
<u>Components</u>			
Enclosure	0 to 8	68,820	-
Roofs & Decks	9	63,874	-
Walls	9 to 29	196,000	-
Windows	1 to 13	26,000	-
Electrical	0 to 14	26,000	-
Plumbing & Drainage	3 to 25	61,000	-
Heating & Cooling	0 to 28	67,500	1,100
Fire Safety	0 to 17	14,000	530
Floors	13	18,500	-
Window Coverings	0	2,500	-
Interior Painting	3 to 10	37,500	-
Furnishings	14	5,000	-
Amenities	0 to 13	136,150	63,600
Equipment	6	5,000	-
Amenities - Furnishings	0 to 18	37,000	6,100
		<u>\$ 764,844</u>	<u>\$ 71,330</u>

See independent accountants' review report.

LITTLE WHALE COVE HOMEOWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS (COMPILED) (Continued)

June 30, 2021

	Estimated Remaining Useful Lives <u>(Years)</u>	Estimated Current Replacement <u>Cost</u>	Estimated 2021 <u>Expenses</u>
Gatehouse			
<u>Components</u>			
Enclosure	0 to 7	9,263	5,900
Roofs & Decks	7	8,590	-
Walls	2 to 17	45,600	-
Windows	15	26,000	-
Electrical	3 to 22	16,000	-
Plumbing & Drainage	4 to 15	11,500	-
Heating & Cooling	4	3,000	-
Floors	11	15,000	-
Interior Painting	2	4,650	-
Amenities - Furnishings	2 to 4	5,000	-
		<u>\$ 144,603</u>	<u>\$ 5,900</u>
Innisfree			
<u>Components</u>			
Furnishings	1 to 19	9,000	-
Hard Landscaping	0 to 9	38,774	1,100
		<u>\$ 47,774</u>	<u>\$ 1,100</u>
Maintenance Building			
<u>Components</u>			
Walls	3 to 28	31,600	-
Furnishings	0	2,500	2,600
Hard Landscaping	2 to 18	17,500	-
		<u>\$ 51,600</u>	<u>\$ 2,600</u>
Pool			
<u>Components</u>			
Roofs & Decks	4	5,868	-
Windows	8	10,000	-
Electrical	5 to 18	18,600	-
Heating & Cooling	0 to 4	9,000	3,200
Walls	7 to 18	16,000	-
Furnishings	0	300	-
Pool	1 to 13	62,950	-
		<u>\$ 122,718</u>	<u>\$ 3,200</u>

See independent accountants' review report.

**LITTLE WHALE COVE HOMEOWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS (COMPILED) (Continued)**

June 30, 2021

	Estimated Remaining Useful Lives <u>(Years)</u>	Estimated Current Replacement <u>Cost</u>	Estimated 2021 <u>Expenses</u>
Safety Operation Center			
<u>Components</u>			
Walls	1 to 20	18,750	-
Hard Landscaping	1 to 11	9,000	-
		<u>\$ 27,750</u>	<u>\$ -</u>
Site and Infrastructure			
<u>Components</u>			
General & Inspections	0 to 1	33,500	15,000
Security	2 to 11	33,600	-
Amenities	1 to 5	23,000	-
Furnishings	2 to 13	28,000	-
Sitework	1 to 7	6,500	
Hard Landscaping	0 to 17	227,707	8,500
Site Services	2 to 28	35,000	-
		<u>\$ 387,307</u>	<u>\$ 23,500</u>
Total		<u>\$ 1,730,037</u>	<u>\$ 145,930</u>

The Association has elected to not allocate monies in the reserve fund to individual components. The balance in the Reserve-contracts liability at June 30, 2021 was \$338,758.

See independent accountants' review report.