

**Sunland Division 17 Owners Association
(A Washington Homeowners' Association)**

**REVIEWED FINANCIAL STATEMENTS
December 31, 2021**

**Olympic Tax & Business Consulting, LLC
Certified Public Accountants**

**Sunland Division 17 Owners Association
(A Washington Homeowners Association)**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Members
Sunland Division 17 Owners Association
Sequim, Washington

We have reviewed the accompanying financial statements of Sunland Division 17 Owners Association (A Washington homeowner's association), which comprise the Balance Sheet as of December 31, 2021, and the related Statement of Revenues, Expenses and Changes in Fund Balances 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 organization 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 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.

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Accountant's Conclusion

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 10 through 12 be presented to supplement the basic financial statements. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and do not express an opinion, nor provide any assurance on it.

Sequim, Washington
September 28, 2022

Olympic Tax & Business Consulting, LLC
Certified Public Accountants

SUNLAND DIVISION 17 OWNERS ASSOCIATION
A Washington Homeowners Association
Balance Sheet
December 31, 2021

ASSETS	Operating Fund	Reserve Fund	Total
CURRENT ASSETS			
Cash & Equivalents	12,246	616,670	628,916
Accounts Receivable	7,348		7,348
TOTAL CURRENT ASSETS	19,594	616,670	636,264
TOTAL ASSETS	\$ 19,594	\$ 616,670	\$ 636,264
LIABILITIES & FUND BALANCES			
CURRENT LIABILITIES			
Accounts Payable & Accrued Liabilities	-		-
Unearned Revenue	14,867		14,867
TOTAL CURRENT LIABILITIES	14,867	-	14,867
TOTAL LIABILITIES	14,867	-	14,867
FUND BALANCES			
Restricted Fund Balance		616,670	616,670
Unrestricted Fund Deficit	4,727		
TOTAL FUND BALANCES	4,727	616,670	621,397
TOTAL LIABILITIES & FUND BALANCES	\$ 19,594	\$ 616,670	\$ 636,264

See Independent Accountants' Report and Notes to Financial Statements

SUNLAND DIVISION 17 OWNERS ASSOCIATION
A Washington Homeowners Association
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2021

REVENUES	Operating Fund	Reserve Fund	Total
			-
Dues	412,552		412,552
Late Fees	90		90
Gain on Sale	2,123		2,123
Document Fees	1,900		1,900
Interest	104	1,731	1,835
TOTAL REVENUES	416,769	1,731	418,500
EXPENSES			
Administrative Costs	10,023		10,023
Taxes	1,411		1,411
Insurance	83,180		83,180
Developed Area Landscape Maintenance	168,829		168,829
Greenbelt Maintenance	6,516		6,516
Repairs and Maintenance	38,739	24,895	63,634
TOTAL EXPENSES	308,698	24,895	333,593
Excess of Revenue over Expenses	108,071	(23,164)	84,907
Interfund Transfers	(84,561)	84,561	-
Fund Balance - Beginning of Year	(18,783)	555,273	536,490
	\$ 4,727	\$ 616,670	\$ 621,397

See Independent Accountants' Report & Notes to Financial Statements

SUNLAND DIVISION 17 OWNERS ASSOCIATION
A Washington Homeowners Association
Statement of Cash Flows
For the Year Ended December 31, 2021

	Operating Fund	Reserve Fund	Total
Cash Provided by Operations:			
Excess of Revenues over Expenses	108,071	(23,164)	84,907
Adjustments			
Increase in Accounts Receivable	(6,639)	-	(6,639)
Increase in Unearned Revenue	11,336	-	11,336
Increase in Accounts Payable	(33,549)	-	(33,549)
Total Adjustments	(28,852)	-	(28,852)
Net Cash Flow provided by Operations	79,219	(23,164)	56,055
Cash Provided from Investment Activities			
Interfund Transfers	(84,561)	84,561	-
Net Cash Flows	(5,342)	61,397	56,055
Cash Balance - Beginning of Year	17,588	555,273	572,861
Cash Balance - End of Year	<u>\$ 12,246</u>	<u>\$ 616,670</u>	<u>\$ 628,916</u>

See Independent Accountants' Report & Notes to Financial Statements

Sunland Division 17 Owners Association
A Washington Homeowners Association
Notes to Financial Statements
December 31, 2021

Note 1 – Organization

Sunland Division 17 Owners Association is a non-profit homeowners association organized under Washington State law. The Association provides common area maintenance for the membership it serves. There are currently 139 townhomes that are part of the Association. Members of the Association are also members of Sunland Owners Association, a separate entity.

The Association maintains the common areas of the Sunland North subdivision and exterior of members' townhomes, as well as managing and enforcing the subdivision's covenants, conditions and restrictions (CC&Rs) and by-laws. There is currently property available for development. At full occupancy, the Association will have 139 members.

Over 90% of the Association income is derived directly from members for dues and services associated with the Association's primary activity.

Note 2 – Summary of Significant Accounting Policies

A. Fund Accounting

The Association uses fund accounting, which requires that funds be classified separately for accounting and reporting purposes. As of December 31, 2021, the Association had the following funds:

Operating – Disbursements from this fund are generally at the discretion of the Board of Directors and include the day-to-day operations of the Association.

Reserve – This fund accumulates monies for major repairs, replacements and additions to Association structures they are responsible for. Disbursement from this fund generally may be made only for designated purposes as approved by the Board.

B. Basis of Accounting

These financial statements have been prepared using accounting principles generally accepted in the United States of America (US GAAP), in accordance with the accrual basis of accounting.

See independent accountants' report.

C. Cash and Cash Equivalents

Cash includes cash on hand, checking accounts, money market accounts and certificates of deposit. The Association holds no short-term investments.

The Association maintains checking accounts with local banks which are insured by the Federal Deposit Insurance Corporation (FDIC). The Association had \$22 of uninsured excess deposits as of December 31, 2021.

D. Allowance for Uncollectible Accounts

The Association has the right to place liens on the property of members for unpaid dues and charges. As of December 31, 2021, there were no outstanding liens. As a result of this lien right, no provision has been made for uncollectible assessment.

E. 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. New Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate—Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of January 1, 2018, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2018. Adoption of the new guidance resulted in changes to the accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described. The adoption of the new revenue recognition guidance did not result in any changes to fund balance as of January 1, 2021

See independent accountants' report.

Note 3 – Unearned Revenues

Some of the owners pay their dues in advance. As of December 31, 2021 the amount of \$14,867 was included in liabilities as unearned revenue.

Note 4 – Income Taxes

Federal regulations allow a homeowner's association an alternate method of paying income taxes. Under the regulations, the Association pays 30% tax on all non-exempt income including interest and income from non-exempt activities. The alternative method normally employed by the district eliminates the need for any deferred income tax credits. There are no carry-over provisions or timing differences under the alternative method. For 2021, the Association elected to file as a homeowners' association. Income taxes paid in 2021 totaled \$1,411. The Association considers the payment and expense in the year paid. Income taxes are considered an expense in the year paid. Returns are subject to review by the Internal Revenue Service. Generally, the current and two prior years are subject to audit. There are currently no notices or adjustments associated with the open returns.

Note 5 – Replacement Reserves

The Association has set aside funds in a reserve account to meet repair and replacement needs of assets. The funds have been placed in an insured money market account and certificates of deposit. As of December 31, 2021, the balance of the reserve account was \$616,670.

As of December 31, 2020, the account totaled \$555,273. Deposits to the reserve fund during the year were \$61,397.

During 2014 the Association contracted with Association Reserves WA, LLC to complete the annual reserve study, which is updated each year. That original study indicated that the Reserve Fund was funded at 11%. As a result of that study, the annual reserve funding has been increased. As of December 31, 2021, the Association has determined that the Reserve Fund is funded at 24.4% (See supplemental information section for additional information regarding this study).

Note 6 – Long-term Debt

The Association has no long-term debt or obligations under long-term leases as of December 31, 2021.

Note 7 – Fixed Assets

The Association has no fixed assets or related depreciation.

Note 8 – Date of Management's Review

In preparing these financial statements, the Association has evaluated events and transactions potential of recognition by disclosure through September 6, 2022, the date the financial statements were available to be issued. There were no subsequent events requiring disclosure.

See independent accountants' report.

Note 9 – Member Assessments

Association members are subjected to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. As of December 31, 2021, the Association had no delinquent assessments. It is the opinion of the board of director that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experiences and susceptibility to factors outside the Association's control. The Association had no assessments receivable as of the beginning of the year or end of the year.

Note 10 – Related Party Disclosure

The Association did not have any transactions with any related parties during the year ended December 31, 2021.

See independent accountants' report.

SUPPLEMENTARY INFORMATION

SUNLAND DIVISION 17 OWNERS' ASSOCIATION SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

December 31, 2021

The Association contracted with an outside firm to conduct a reserve study in July 2018 to estimate the remaining useful lives and replacement costs of the components of common property. 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 have not been revised since that and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

Component	Remaining Useful Life	Current Repl. Cost
Concrete – Repair/Replace	4	\$8,200
Privacy Fence/Screen – Replc 1 of 7	6	21,850
Privacy Fence/Screen – Replc 2 of 7	10	16,400
Privacy Fence/Screen – Replc 3 of 7	12	47,800
Privacy Fence/Screen – Replc 4 of 7	12	31,450
Privacy Fence/Screen – Replc 5 of 7	4	8,650
Privacy Fence/Screen – Replc 6 of 7	10	5,400
Privacy Fence/Screen – Replc 7 of 7	13	9,700
Pole Lights – Phases 1-5	3	67,450
Pole Lights – Phase 6	15	31,200
Landscape/Trees - Refurbish	2	8,200
Bark/Mulch - Replenish	0	25,150
Irrigation System – Repair/Replace	1	8,200
Entry Sign - Replace	12	3,300
Mailbox Clusters Phase 6 - Replace	17	4,400
Shingle Roof, Skyls – Replace 1 of 3	19	214,000
Shingle Roof, Skyls – Replace 2 of 3	25	184,000
Shingle Roof, Skyls – Replace 3 of 3	25	274,500
Tile Roofs, Skyls – Replace 1 of 5	30	290,000
Tile Roofs, Skyls – Replace 2 of 5	31	305,000

See independent accountants' report.

Tile Roofs, Skyls – Replace 3 of 5	32	305,000
Tile Roofs, Skyls – Replace 4 of 5	33	289,500
Tile Roofs, Skyls – Replace 5 of 5	34	305,000
Gutters/Downspouts – (2014 Paint)	41	12,000
Gutters/Downspouts – (2015 Paint)	42	12,000
Gutters/Downspouts – (2016 Paint)	43	12,000
Gutters/Downspouts – (2017 Paint)	44	12,750
Gutters/Downspouts – (2018 Paint)	45	10,500
Gutters/Downspouts – (2019 Paint)	46	9,750
Gutters/Downspouts – (2020 Paint)	47	3,750
Gutters/Downspouts – (2021 Paint)	48	1,500
Gutters/Downspouts – (2022 Paint)	49	6,000
Gutters/Downspouts – (2027 Paint)	54	6,000
Gutters/Downspouts – (2030 Paint)	57	18,000
Siding/Trim – Replace (2014 Paint)	41	176,000
Siding/Trim – Replace (2015 Paint)	42	176,000
Siding/Trim – Replace (2016 Paint)	43	176,000
Siding/Trim – Replace (2017 Paint)	44	187,000
Siding/Trim – Replace (2018 Paint)	45	154,000
Siding/Trim – Replace (2019 Paint)	46	143,000
Siding/Trim – Replace (2020 Paint)	47	55,000
Siding/Trim – Replace (2021 Paint)	48	22,000
Siding/Trim – Replace (2022 Paint)	49	88,000
Siding/Trim – Replace (2027 Paint)	54	88,000
Siding/Trim – Replace (2030 Paint)	57	264,000
Building Painting – 2014 Completion	5	60,000
Building Painting – 2015 Completion	6	60,000
Building Painting – 2016 Completion	7	60,000
Building Painting – 2017 Completion	8	63,750
Building Painting – 2018 Completion	9	52,500
Building Painting – 2019 Completion	10	48,750
Building Painting – 2020 Completion	11	18,750
Building Paint – 2021 Recommended	0	7,500
Building Paint – 2022 Recommended	1	30,000
Building Paint – 2027 Recommended	6	30,000
Building Paint – 2030 Recommended	9	90,000
Windows, Sliders – (2014 Paint)	17	120,000
Windows, Sliders – (2015 Paint)	18	120,000
Windows, Sliders – (2016 Paint)	19	120,000
Windows, Sliders – (2017 Paint)	20	136,500
Windows, Sliders – (2018 Paint)	21	112,000
Windows, Sliders – (2019 Paint)	22	104,250
Windows, Sliders – (2020 Paint)	23	40,000
Windows, Sliders – (2021 Paint)	24	16,000
Windows, Sliders – (2022 Paint)	25	64,000
Windows, Sliders – (2027 Paint)	30	64,000
Windows, Sliders – (2030 Paint)	33	180,000
Total Funded Components		\$5,695,600

See independent accountants' report.

Findings/Recommendations as-of 1/1/2021:

Projected Starting Reserve Balance:	\$420,000
Current Fully Funded Reserve Balance:	\$1,720,130
Percent Funded	24.4%
Average Reserve Deficit (Surplus) Per Unit:	\$(9,353)
Recommended 2021 Monthly “Full Funding” Contributions:	\$21,600
Recommended 2021 Monthly “Threshold Funding” Contr.:	\$17,700
Alternate minimum contr.* to keep Reserves above \$0:	\$9,650
Most Recent Budgeted Reserve Contribution Rate:	\$5,833

See independent accountants’ report.