

IRVING STREET TOWERS CONDOMINIUMS OWNERS ASSOCIATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

Irving Street Towers Condominiums Owners Association

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
Irving Street Towers Condominiums Owners Association
Portland, Oregon

We have reviewed the accompanying financial statements of Irving Street Towers Condominiums Owners Association, which comprise the balance sheet as of December 31, 2023, and the related statements of revenues and expenses, 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 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 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.

We are required to be independent of Irving Street Towers Condominiums Owners Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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 information about future major repairs and replacements of common property on pages 9 through 11 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the responsibility of management. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information, and we do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

Clackamas, Oregon
October 30, 2024



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Irving Street Towers Condominiums Owners Association

Balance Sheet

December 31, 2023

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash, including interest bearing deposits	\$ 7,175	\$ 1,503	\$ 8,678
Accounts receivable, net of allowance for credit losses of \$46,260	7,189	-	7,189
Laundry machine income receivable	336	-	336
Prepaid insurance	41,337	-	41,337
Interfund balance	(98,320)	98,320	-
Total assets	\$ <u>(42,283)</u>	\$ <u>99,823</u>	\$ <u>57,540</u>
LIABILITIES AND FUND BALANCE			
Accounts payable	\$ 19,899	\$ -	\$ 19,899
Assessments received in advance	8,340	-	8,340
Contract liabilities	<u>-</u>	<u>715,944</u>	<u>715,944</u>
Total liabilities	28,239	715,944	744,183
Fund balance	<u>(70,522)</u>	<u>(616,121)</u>	<u>(686,643)</u>
Total liabilities and fund balance	\$ <u>(42,283)</u>	\$ <u>99,823</u>	\$ <u>57,540</u>

See accompanying notes and independent accountant's review report.

Irving Street Towers Condominiums Owners Association
Statement of Revenues and Expenses
For the Year Ended December 31, 2023

	Operating Fund	Replacement Fund	Total
REVENUES			
Regular assessments	\$ 186,723	\$ 193,669	\$ 380,392
Interest	161	-	161
Late fees	985	-	985
Laundry income	4,360	-	4,360
Other income	1,160	-	1,160
Total revenues	<u>193,389</u>	<u>193,669</u>	<u>387,058</u>
EXPENSES			
Property maintenance	90,929	-	90,929
Major repairs and replacements	-	179,064	179,064
Utilities	72,097	-	72,097
Insurance	56,440	-	56,440
Management fees	29,921	-	29,921
Security	1,958	-	1,958
Professional fees	3,925	6,464	10,389
Office expense	2,782	-	2,782
Licenses, permits and fees	1,855	-	1,855
Total expenses	<u>259,907</u>	<u>185,528</u>	<u>445,435</u>
Excess of revenues over (under) expenses	\$ <u>(66,518)</u>	\$ <u>8,141</u>	\$ <u>(58,377)</u>

See accompanying notes and independent accountant's review report.

Irving Street Towers Condominiums Owners Association
Statement of Changes in Fund Balance
For the Year Ended December 31, 2023

	Operating Fund	Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Fund balance, as of December 31, 2022, as previously stated	\$ (4,004)	\$ -	\$ (4,004)
Prior period adjustment	<u>-</u>	<u>(624,262)</u>	<u>(624,262)</u>
Fund balance, as of December 31, 2022, as restated	(4,004)	(624,262)	(628,266)
Excess of revenues over (under) expenses	<u>(66,518)</u>	<u>8,141</u>	<u>(58,377)</u>
Fund balance, as of December 31, 2023	\$ <u><u>(70,522)</u></u>	\$ <u><u>(616,121)</u></u>	\$ <u><u>(686,643)</u></u>

See accompanying notes and independent accountant's review report.

Irving Street Towers Condominiums Owners Association
Statement of Cash Flows
For the Year Ended December 31, 2023

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over (under) expenses	\$ (66,518)	\$ 8,141	\$ (58,377)
Adjustments to reconcile excess of revenues over (under) expenses to net cash used by operating activities:			
Decrease (Increase) in assets:			
Accounts receivable, net of allowance for credit losses	(187)	-	(187)
Laundry machine income receivable	(336)	-	(336)
Prepaid insurance	(30,290)	-	(30,290)
Other prepaid expenses	91	-	91
Increase (Decrease) in liabilities:			
Accounts payable	10,184	-	10,184
Assessments received in advance	3,350	-	3,350
Contract liabilities	-	(84,643)	(84,643)
Net cash used by operating activities	(83,706)	(76,502)	(160,208)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund balance	82,435	(82,435)	-
NET DECREASE IN CASH	(1,271)	(158,937)	(160,208)
CASH AND CASH EQUIVALENTS, BEGINNING	8,446	160,440	168,886
CASH AND CASH EQUIVALENTS, ENDING	\$ 7,175	\$ 1,503	\$ 8,678

See accompanying notes and independent accountant's review report.

Irving Street Towers Condominiums Owners Association
Notes to Financial Statements
December 31, 2023

Note 1 - Nature of Organization

Irving Street Towers Condominiums Owners Association ("The Association") was organized on July 24, 2006 under the provisions of the Oregon Condominium Act and Oregon Non-Profit Corporation Law. The Association is responsible for the operation and maintenance of the common property within the project including, but not limited to items detailed in the supplementary information. The project consists of 52 residential and 2 commercial 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 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 and Allowance for Credit Losses

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, 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 are 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 90 days or more delinquent. Any excess assessments at year-end are retained by the Association for use in future years. The balances of assessments receivable as of the beginning and end of the year are \$54,208 and \$53,449, respectively.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control. The Association generally considers assessments receivable collectible until the unit has been foreclosed or the unit owner has filed for bankruptcy. The Association has provided an allowance for credit losses as of December 31, 2023. The balances of allowances for credit losses as of the beginning and end of the year are \$47,206 and \$46,260, respectively.

Contract Liabilities

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments and working capital contributions. The balances of contract liabilities as of the beginning and end of the year are \$800,587, as adjusted (Note 10), and \$715,944, respectively.

See Independent Accountant's Review Report

Irving Street Towers Condominiums Owners Association
Notes to Financial Statements – Continued
December 31, 2023

Note 2 - Summary of Significant Accounting Policies (continued)

Cash Equivalents

For purposes of the statement 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.

Note 3 - Income Taxes

Homeowner associations may be taxed either as homeowner associations or as nonexempt membership organizations. For the year ended December 31, 2023, 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. Tax filings are generally subject to federal and state examination for three years after they are filed.

Note 4 - Common Property

Real property and common areas acquired by the original homeowners from the developer and related improvements to such property are not capitalized on the Association's financial statements, as they are owned by the individual owners and not the Association. Common areas are restricted to use by the Association members, their tenants, and guests. The Association's informal policy is to expense all personal property acquisitions of \$2,500 or less.

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 of \$715,944, which are reported as contract liabilities and an accumulated deficit of \$(616,121), which is reported as the replacement fund balance at December 31, 2023, are generally not available for operating purposes. The Oregon Condominium Act restricts the permanent transfer of funds from the replacement fund. The Association levied reserve assessments of \$104,500 for the year ended December 31, 2023.

The Association engaged a consultant who conducted a study dated in June 2022 to estimate the remaining useful lives and the replacement costs of the common property components. The excerpt 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 and investment income, 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.

Irving Street Towers Condominiums Owners Association
Notes to Financial Statements – Continued
December 31, 2023

Note 6 - Interfund Balance

As of December 31, 2023, the operating fund owed the replacement fund \$98,320.

Note 7 - Late Charges

Owner late fees are reported net of a 50% administrative charge and late fee write-offs.

Note 8 - Other Income and Expenses

Other income includes key income of \$210, move-in fees of \$450, fines for rule violations of \$500, and returned check fees reported net of administrative expense. The Association allows maintenance to be performed on components inside owners' units and then bills owners for the reimbursement of those expenses. These expenses are reported net of reimbursements in other income.

Note 9 - Legal Fees

Legal fees for the collection of past-due assessments, which are included in professional fees expense are reported net of owner reimbursement charges.

Note 10 - Prior Period Adjustment

The Association is accumulating reserve funds for shared major repairs and replacements separate from reserve funds for residential major repairs and replacements. As of December 31, 2022, contract liabilities for shared expenses were combined with the deficit for residential reserves, with the entire balance reported as contract liabilities. A prior period adjustment has been made to report the residential reserves deficit in the replacement fund as of December 31, 2022. The prior period adjustment is also reflected in the change in contract liabilities reported in the 2023 statement of cash flows.

Note 11 - Working Capital Contributions

In accordance with the Association's governing documents, the Association collects working capital contributions in an amount equal to two months estimated regular association assessments on the sale of each unit. Working capital may be used for regular operating expenses, extraordinary items of maintenance, repair or replacement or capital additions, or may be deposited into the reserve account. Working capital contributions of \$4,526 for 2023 were contributed to the replacement fund and are reported as an increase in contract liabilities.

Note 12 - Community Management

The Association employs a community manager to perform accounting and community management functions. The Association also employs the community manager to perform certain maintenance and repair work relating to the Association's common elements.

Note 13 - Date of Board of Directors' Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 30, 2024, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**Irving Street Towers Condominiums Owners Association
Supplementary Information on Future Major Repairs
And Replacements (Compiled)
December 31, 2023**

The Association engaged a consultant who conducted a reserve study update including an onsite visit dated in June 2022 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates to determine useful lives and replacement costs were obtained from RDH's Property Condition Assessment Report in 2008, vendors, and/or from 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 4.00% and a rate of return on investments of 0.10% without a provision for income taxes. The study used the threshold-funding method with thresholds of \$53,706 for the general common elements and \$14,066 for the limited common elements.

The attached excerpt on pages 10 and 11 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, 2023:

Current year's assessments	
Reserve assessments levied	\$ 104,500
Amount recommended by reserve study	<u>104,500</u>
Difference	\$ <u>-</u>
Replacement fund balance at end of year	\$ <u>(616,121)</u>
Contract liabilities balance at end of year	\$ <u>715,944</u>

Irving Street Towers Condominiums - General Common Elements

Portland, Oregon

Component Summary By Category

Description	Date in Service	Next Occurrence	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Roofing								
Portico Roof & Skylights - Replace	2016	2036	20	0	13	1 Total	6,888.76	6,889
Roof - TPO Replace	2016	2036	20	0	13	7,041 SF	22.73	<u>160,042</u>
Roofing - Total								\$166,931
Painting								
Exterior Painting: Trim and Brick Siding	2022	2029	7	0	6	6,200 SF	5.00	<u>31,000</u>
Painting - Total								\$31,000
Interior Furnishings								
Exterior Lighting - Repaired and Maintenance	2014	2039	25	0	16	1 Total	8,566.12	<u>8,566</u>
Interior Furnishings - Total								\$8,566
Equipment								
Water Heaters & Enclosures - Renewal (I)	2014	2029	15	0	6	1 Total	11,594.86	11,595
Water Heaters & Enclosures - Renewal (II)	2007	2023	15	0	0	1 Unit	11,594.86	<u>11,595</u>
Equipment - Total								\$23,190
Building Components								
Bike Storage Room - Maintenance	2019	2024	5	0	1	1 Total	611.86	612
Brick Siding: Repoint and Seal	2022	2047	25	0	24	1 Total	503,000.00	503,000
Elevator and Stair Access Walls Reclad - 20..	2009	2023	20	-7	0	1 Total	37,261.47	37,261
Exterior - Wood Trim Partial Replacement	2022	2052	30	0	29	2,000 SF	20.00@ 50%	20,000
Fire Alarm System - Upgrade I	2018	2043	25	0	20	1 Total	16,050.86	16,051
Fire Alarm System - Upgrade II	2017	2042	25	0	19	1 Total	59,694.20	59,694
Plumbing System - Inspection & Repairs	2019	2044	25	0	21	54 Unit	716.44	<u>38,688</u>
Building Components - Total								\$675,306
Grounds Components								
Brick Planter - Maintenance	<i>Unfunded</i>							
Brick Planter - Waterproofing Replacement	2021	2036	15	0	13	1 Total	12,856.82	12,857
Concrete Sidewalks - Partial Replacement	2013	2043	30	0	20	384 SF	34.45@ 40%	<u>5,292</u>
Grounds Components - Total								\$18,148
Contingency								
Contingency	2018	2023	1	0	0	1 Total	10,000.00	<u>10,000</u>
Contingency - Total								\$10,000
Gutters and Downspouts								
Downspouts - Replacement	2016	2036	20	0	13	1 Total	1,285.69	<u>1,286</u>
Gutters and Downspouts - Total								\$1,286

Irving Street Towers Condominiums - General Common Elements
Portland, Oregon
Component Summary By Category

Description	Date in Service	Next Occurrence	Useful	Adjustment	Remaining	Units	Unit Cost	Current Cost
Doors and Windows								
Exterior Doors - Repair and Maintenance	1985	2023	25	10	0	12 Each	921.63	11,060
Windows - Repairs and/or Replacement	1996	2024	25	3	1	118 Each	1,147.11	<u>135,359</u>
Doors and Windows - Total								<u>\$146,419</u>
Inspection								
Condition Assessments Review	2008	2023	5	0	0	1 Total	10,532.08	10,532
Electrical Study	2019	2044	25	0	21	1 Total	8,735.74	<u>8,736</u>
Inspection - Total								<u>\$19,268</u>
Fire								
Fire Sprinkler System: 5-Year Testing and R.. 2016		2023	5	0	0	1 Total	3,953.49	<u>3,953</u>
Fire - Total								<u>\$3,953</u>
Insurance Deductible								
Insurance Deductible	2000	2023	1	0	0	1 Total	10,000.00	<u>10,000</u>
Insurance Deductible - Total								<u>\$10,000</u>
Reserve Study Update								
Reserve Study Update	2019	2023	1	0	0	1 Total	800.00	<u>800</u>
Reserve Study Update - Total								<u>\$800</u>
Total Asset Summary								<u>\$1,114,867</u>