

Re: Investigation of Misappropriation of HOA Funds presented at Board Member Meeting on May 18, 2024

INVESTIGATION DEMANDED REGARDING MISAPPROPRIATION OF HOA FUNDS

Secrets have been kept for many years that Trustees of the Board were not paying assessments. (Definition of Secrets “ *not known or seen or something that is kept or meant to be unknown or unseen by others.*” Free assessments were never voted on for approval by the membership or made known in the financial statements. However, in 2024, the membership was able to obtain records long denied and hidden. Members are now in a better position to review cost figures, minutes of Board Meetings, etc, but compensations on lot assessments are still not known.

In 2024, Bookkeeping was separated from the Treasurer to (BOM), Baker, Overby & Moore a Certified Public Accountants company. BOM did our very first independent audit in 2024 (for the year 2021) They could not verify accounts receivable and were unable to obtain appropriate audit evidence about those accounts. Most of us are not bookkeepers, but we can understand the significance of financial statements that cannot be verified, cost overruns and the alarming rise in our assessments.

So, the question remains, what are the number of lots assessed? Obviously, a budget based on assessments is impossible without having the exact number of **paying** homeowners, not just the number of lots. Originally, there were 159 lots, but when that was challenged in 2024 an internal audit was done which revealed there were actually 152 lots! These still unverified changing numbers leads one to ask many questions, however, a budget based on paying lots, has only one question. Are all lot owners paying assessments as a **requirement set in our Bylaws?** The answer is NO.

Below is a portion of the minutes for the Board Meeting held on 11/19/22. Theresa Lehman, President, took the minutes and transcribed them. Her own words prove Board Members have been getting free assessments not only for 2022 but the years before 2022 and the years after.

11/19/2022 FOUR SEASONS PARK
HOA MONTHLY BOARD MEETING
HOA BOARD MEMBERS PRESENT

Theresa R. Lehman (President)
Judy White (Vice President)

Nick Spurrer (Treasurer)
Tom Cline (Road Chairman)
John Mehlhaf (Project Coordinator)
Cameo Little (Member at Large)

(Highlighted areas are Theresa Lehman's words)

I (Theresa President) discussed to pay assessments from 2022 to Tom Cline, Cameo Little and John "Duke" Mehlhaff. (this was questioned by a member)... Member thought only Rick's (Rick White, previous President) had been paid in the past. It was explained some members were paid. If these jobs were contracted out it would cost the park several thousands of dollars. The park is thanking them for their work, hours and services. Motion made. Approved Judy White (Vice President) and Tom Cline (Road Manager)

The motion and approval by the Board to forgive assessments is against the rules of our Bylaws.

Definition: By-laws “rules made to control the actions of its members”

Free assessments benefiting Trustees and authorized by Trustees, is self dealing, a conflict of interest, against Washington HOA State Laws and our Bylaws. Our Bylaws state specifically what the Objects and Purposes are and that all Assessments are “..levied in **equal proportions** against **each** and **every** residential lot” There are no exceptions allowed. Having Board Members voting for a large increase in assessments knowing that they will not have to pay is wrong on both a legal and ethical level.

The Bylaws can be amended to include compensations but it has to FIRST be made known to the membership and then to go through a membership voting process, NEVER by a (“***motion***”) which was (“***approved by the board***”) Theresa used the justification, (“***if these jobs were contracted out it would cost the park several thousands of dollars***”) a justification is not a legal defense. Trustees were misled to believe compensations are a normal Board driven business practice. It is not. When questioned by a member at the meeting (“***Member thought only Rick’s had been paid in the past***”) Theresa assured the member with (“***It was explained some members were paid***”) Trustees were misinformed by the President who’s power unfortunately entangled them into making a costly decision.

There has NEVER been provisions in the Bylaws for compensations, therefore no defense can be claimed by the President. She has been a long standing Trustee who should be well versed in the Bylaws, especially the dangers associated with misappropriation of funds.

Misappropriation of HOA funds refers to the unauthorized use or misuse of HOA funds by its board of trustees, officers, or employees

Investigation: Upon documentation of misappropriations, the HOA Board has the legal **duty** and **obligation** as Trustees, to take such action, proper and necessary, to start an official internal audit of the Board’s violations and submit to the membership the findings and decisions.

What is the Washington statute of limitations on collecting HOA debt? The statute of limitations in Washington State, under consumer debts such as **HOA & Condo fees** have a statute of limitations of **6 years**. Therefore, an official internal audit of Board Members whose terms started in 2018 and up to 2024 must be done for **recovery** of HOA dues/monies owed to the Four Season Park Membership.

Compensated Board Members are obliged to recuse themselves from the investigative process

Under circumstances where Board Members have the responsibility to enforce the governing documents, and at times take legal action to enforce the **rights of the Association and its Members**, they will often find themselves in a difficult position. Association Members who volunteer to serve on the Board through election or appointment are usually unprepared for various emotionally-charged controversies that can easily arise in the performance of their duties. A desire to avoid such controversies discourages many Association Boards from taking difficult, but necessary, actions that are important to the long-term well being of the Association and its community. Nevertheless, Board Members have a legal and civic responsibility, having agreed to serve on the governing body of the Association, to take such actions and make such decisions as will best serve the interests of the community. They must do so in good faith and without regard to the criticism they may face.