

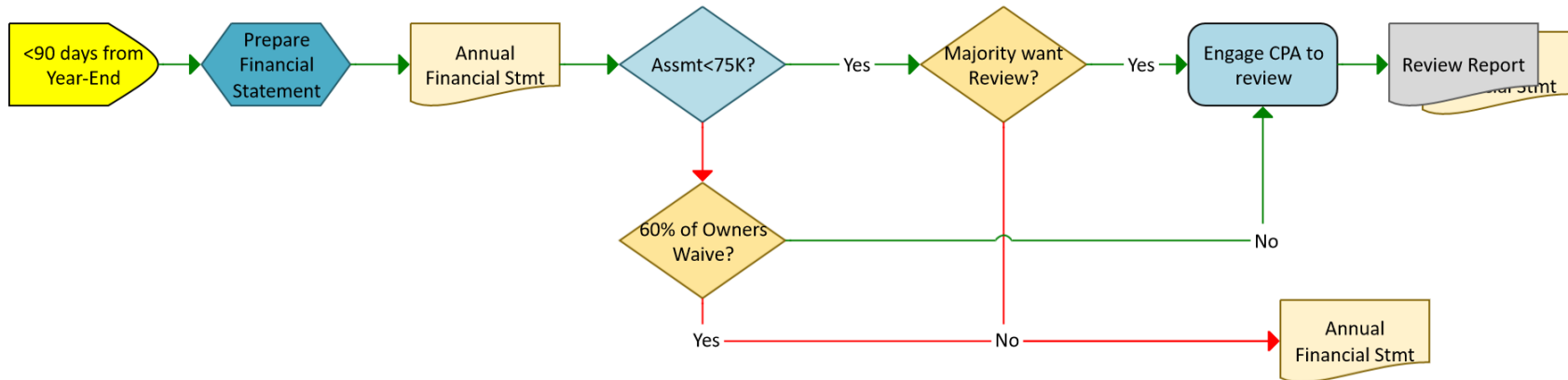
# The Association Colonoscopy

Your association and the requirement  
for audits and review

Presented by John Caughell, C.O.R.E. Services, LLC



# Oregon Review Flow Chart



# Oregon Requirements

- For Condominium Associations
  - ORS 100.480(4)
    - Within 90 days, The board of directors shall
      - Prepare or cause to be prepared a basic financial statement
        - » Balance sheet
        - » Statement of Income (technically revenue and expenses)
    - Distribute these to each owner
  - ORS 100.480(5)
    - Followed if Assessments > \$75,000
    - Financial statements prepared above
      - Reviewed under SSARS) by independent CPA firm
      - Licensed in State of Oregon
    - Completed within 300 days of year-end

# Oregon Requirements

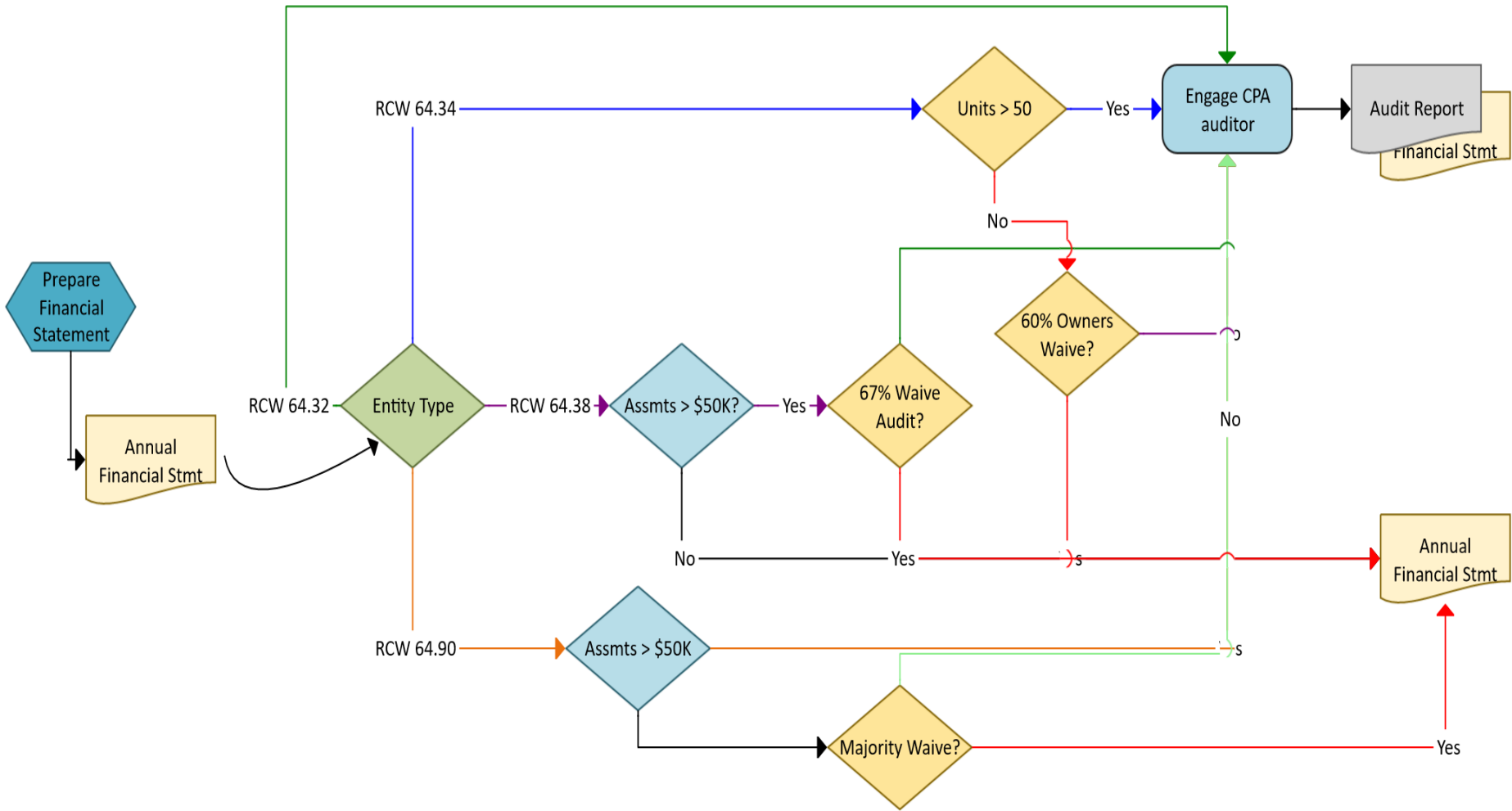
- For Condominium Associations
  - ORS 100.480(6)
    - Followed if Assessments < \$75,000
    - Financial statements
      - reviewed by independent CPA firm
      - Licensed in Oregon
    - Completed within 300 days of year-end
    - Provided MAJORITY of owners petition for review
  - ORS 100.480(7)
    - Reviews under (5) can be waived
      - Vote of 60% of the owners

# Oregon Requirements

- For Homeowner Associations
  - ORS 94.670(4)
    - Within 90 days of year-end the Board shall
      - prepare or caused to be prepared financial statements comprising
        - » Balance sheet
        - » Statement of Income( technically revenue and expenses)
    - Distribute to all owners
  - ORS 94.670(5)
    - Followed if Assessments > \$75,000
    - Financial statements reviewed by independent CPA firm
    - Completed within 300 days of year-end

# Oregon Requirements

- For Homeowners Associations
  - ORS 94.670(6)
    - Followed if Assessments < \$75,000
    - Financial statements reviewed by independent CPA firm
    - Completed within 300 days of year-end
    - Provided MAJORITY of owners petition for review
  - ORS 94.670(7)
    - Reviews under (5) can be waived
      - Vote of 60% of the owners



# Washington Audit Flow Chart

# Washington Requirements

- For Older Condos (Horizontal Properties Regime)
  - RCW 64.32.170
    - Manager or board or directors, as the case may be...
      - Keep complete and accurate books and vouchers
      - Available for examination by owners and their agents
    - Books and records kept in accordance with good accounting procedures
    - Books and records audited by outside auditor



# Washington Requirements

- For Condominium Associations
  - RCW 64.34.372(1)
    - Association shall
      - At least annually
        - » Prepare or cause to be prepared financial statements in accordance with GAAP
  - Financial statements audited by independent CPA firm
    - Association > 50 units, financial statement audit required
    - Association < 50 units required but vote of 60% of owners may waive

# Washington Requirements

- For Homeowner Associations
  - RCW 64.38.045(3)
    - At least Annually the Association shall
      - Prepare or cause to be prepared financial statements
    - Financial statements audited by independent CPA firm
      - Required if assessments > \$50,000
      - Unless waived by vote of 67% of owners
    - Association < \$50,000 assessments, No audit required

# Washington Requirements

- Under the New Uniform Common Interest Law
  - RCW 64.90.530(3)
    - At least annually prepare or cause to be prepared
      - a financial statement of the Association in accordance with accrual based accounting practices
    - Financial statements audited by independent CPA firm
      - Assessments < \$50,000
        - » Audit can be waived by vote of majority of owners

# The Kicker

- Your Bylaws may call for an audit of financial statements prepared in accordance with GAAP
- Your insurance may require GAAP financial statements and an audit
- Your bank may require GAAP financial statements and an audit

# Summary

- Association is required to prepare financial statements for the fiscal year ended
- Oregon associations may need a review performed by an independent CPA
- Washington associations likely need an audit performed by an independent CPA
- Your contracts may require higher levels of assurance

# What is a Financial Statement

- Report which is derived from the underlying accounting data
- Only one state code section (WA) calls for financial statements to be prepared in accordance with US GAAP
- Other “Comprehensive Basis of Accounting”
  - Cash Basis
  - Modified Cash Basis
  - Hybrid Accrual – Revenues accrual expenses cash
- Boards should (read must) set the accounting policy
- Recommendation
  - Follow US GAAP

# Assurance - Attest Services

- Reviews of Financial Statements
  - Analysis of the numbers
  - Questions of outlier data
  - Primary Concern – Makes Sense
  - Comparing to some known standard
- Audits of Financial Statements
  - Analysis of the numbers
  - Third party verification of transactions
  - Questions of outlier data
  - Primary Concern – Documented Evidence
  - Comparing to some known standard

# The Reason Accounting Policy Matters

- Excerpt from Review Report
  - 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.
  - Accountants’ Conclusion
    - Based on our reviews, 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.



# The Reason Accounting Policy Matters

- Excerpt from Audit Report

- **Management’s Responsibility for the Financial Statements**

- Management is responsible for the preparation and fair representation 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 the 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.

- **Opinion**

- In our opinion the financial statements present fairly, in all material respects, the financial position of **Universal Homeowners Association** as of December 31, 2017 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

# What Attest Engagements are NOT

- Fraud Examination
  - Reviews and Audits are not looking for fraud
  - Concerned? Fraud Examination
- Evaluations of Internal Controls
  - Examine Association financial statements
  - Internal Controls are at Manager Level
  - Concerned? SOC audits of Manager
- Accounting clean-up services
  - Fair Statement of Financial Statements
  - Assumes accounting done accurately
  - Concerned? Engage competent management

# Questions and Contact

- Other Questions?
- Contact us at [info@core-acct.com](mailto:info@core-acct.com)
- Our Blog [www.core-acct.com/core-beliefs](http://www.core-acct.com/core-beliefs)
- Find us on Facebook and LinkedIn
- Twitter @johncaughell