

SUNSHINE ACRES PROPERTY OWNERS ASSOCIATION
Notes to Financial Statements

Note 1. Organization

Sunshine Acres Property Owners Association, a non-stock homeowners association was incorporated on March 31, 1981 under the general non-profit laws of the state of Washington and was organized for the purposes of maintaining common areas, holding title to property and maintaining architectural control. The Association consists of 467 lots in Diamond Point Washington There is a board of directors that is elected by the property owners.

Note 2. Summary of Significant Accounting Policies

Basis of Preparation of Financial Statements

The Association's financial statements are prepared on a cash basis of accounting; accordingly, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. Consequently, accounts receivable due from property owners, deferred revenues and accrued expenses are not included in the financial statements.

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 accumulate financial resources available for the general operations of the Association.

Muscle Beach Road (MBR) Fund - This fund is used to accumulate financial resources designated for the eventual major repair/replacement of the road that goes down the hill to Muscle Beach and is owned by the property owners.

Maintenance assessments

The Association members are subject to assessments to provide funds for the Association's operating expenses and future major repairs and replacements. The Association's policy is to assess late fees and, if necessary, retain legal counsel and place liens on the properties of the owners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding year. Assessments (dues) were \$50 annually and are delinquent on September 1 each year.

Income taxes

The Association files its income tax return as a homeowner's association in accordance with Internal Revenue Code Section 528 using Form 1120-H. Under that Section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The association is taxed at the rate of 30% on its nonexempt function income, which includes interest income. The Association's income tax returns are subject to audit by the IRS generally for 3 years after the return is filed.

NOTE 3. SUBSEQUENT EVENTS

The Association has evaluated subsequent events through September 15, 2021, the date which the financial statements were available to be issued.

NOTE 4. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association is setting aside funds in separate bank accounts and/or restricting operating fund balances for future major repairs and replacements based on funding requirements determined by the Board of Directors.

The Association performed a Reserve Study for Muscle Beach Road based on costs incurred when it was replaced in the early 2000's. Actual expenditures may vary from estimated funding amounts by the Board of Directors and variations may be material. Therefore, amounts accumulated may be insufficient to meet future needs. If additional funds are needed, the Association may raise annual assessments or levy special assessments or delay repairs until funds are available.