



To the Board of Directors and Members  
Eagle Crest Master Association

### **Independent Accountants' Audit Report**

We have audited the accompanying financial statements of Eagle Crest Master Association, which comprise of the balance sheets as of December 31, 2019 and 2018, and the related statements of revenues, expenses and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements.

#### **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.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eagle Crest Master Association as of December 31, 2019, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors Eagle Crest Master Association  
March 4, 2021  
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Supplementary Information Accompanying the Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

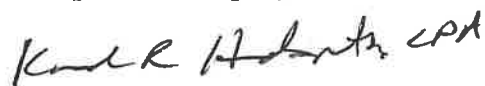
Required Supplementary Information

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

This information is intended solely for the use of the Board of Directors and management of Eagle Crest Master Association and is not intended to be and should not be used by anyone other than these specified parties.

Very truly,

Hudspeth & Company, PC



Kandi R. Hudspeth, CPA

KRH:cc

# EAGLE CREST MASTER ASSOCIATION

## BALANCE SHEETS

December 31, 2019 (With Comparative Totals for 2018)

	Operating Fund	Replacement Fund	Totals 2019	2018
<b>ASSETS</b>				
Cash and cash equivalents	\$ 280,356	\$ 743,334	\$ 1,023,690	\$ 1,141,233
Receivables - assessments, net of allowance for doubtful accounts of none	17,960	-	17,960	69,532
Related parties receivables	18,224	-	18,224	18,603
Prepaid expenses	55,847	-	55,847	53,802
Prepaid income taxes	-	5,077	5,077	-
Interfund transfers	2,418	(2,418)	-	-
Inventory	15,688	-	15,688	14,570
Current portion of Marketable Securities	-	141,336	141,336	87,540
	390,493	887,329	1,277,822	1,385,280
<b>CERTIFICATES OF DEPOSIT</b>	-	202,917	202,917	-
<b>INVESTMENT IN MARKETABLE SECURITIES, less current portion</b>	-	582,443	582,443	559,947
<b>Total Assets</b>	\$ 390,493	\$ 1,672,689	\$ 2,063,182	\$ 1,945,227
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	\$ 26,992	\$ 203	\$ 27,195	\$ 51,736
Accrued liabilities	15,400	-	15,400	-
Prepaid dues	64,720	-	64,720	-
Income taxes payable	-	-	-	4,028
Payables to related parties	22,161	-	22,161	-
	129,273	203	129,476	55,764
<b>Fund Balances</b>	261,220	1,672,486	1,933,706	1,889,463
<b>Total Liabilities and Fund Balances</b>	\$ 390,493	\$ 1,672,689	\$ 2,063,182	\$ 1,945,227

The accompanying notes are an integral part of these statements

# EAGLE CREST MASTER ASSOCIATION

## STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2019 (with Comparative Totals for 2018)

	Operating Fund	Replacement Fund	Totals	
			2019	2018
<b>REVENUE</b>				
Member assessments	\$ 200,009	\$ 250,209	\$ 450,218	\$ 444,134
Water and sewer	402,173	-	402,173	395,143
Golf course rental	34,297	-	34,297	33,105
Sports Center user fees	730,317	-	730,317	716,645
Sports Center, other operating	189,134	-	189,134	258,022
Interest income	-	30,055	30,055	18,390
Miscellaneous	10,437	-	10,437	17,940
	1,566,367	280,264	1,846,631	1,883,379
<b>EXPENSES</b>				
Facilities:				
Repairs and maintenance	21,265	-	21,265	26,132
Pool and spa expenses	42,356	-	42,356	22,928
Utilities	6,266	-	6,266	6,994
Snow removal	9,936	-	9,936	2,481
Property taxes	3,680	-	3,680	4,095
Insurance	15,710	-	15,710	14,361
Consultants and travel	15,254	-	15,254	25,120
Postage, printing and licenses	4,243	-	4,243	4,301
Management fees	24,066	-	24,066	21,806
VROA sports center rent	600	-	600	600
Eagle Crest Acquisition Group, LLC charges for:				
Safety services	46,314	-	46,314	44,705
Resort management services	31,878	-	31,878	30,771
General administrative	30,274	2	30,276	22,362
Landscaping	147,840	-	147,840	133,882
Total facilities expenses	399,682	2	399,684	360,538
Water and Sewer System:				
Repairs and maintenance	30,983	163,441	194,424	174,038
Pumping costs	31,488	-	31,488	32,303
Property taxes	9,012	-	9,012	9,422
Insurance	3,099	-	3,099	2,099
Consultants	6,174	-	6,174	11,057
Management fees	18,001	-	18,001	22,104
Other operating	8,126	-	8,126	3,525
Utility system management fee	143,216	-	143,216	105,082
Eagle Crest Acquisition Group, LLC charges for:				
Safety services	22,477	-	22,477	21,696
General administrative	14,354	-	14,354	13,855
Total water and sewer expenses	286,930	163,441	450,371	395,181

The accompanying notes are an integral part of these statements

# EAGLE CREST MASTER ASSOCIATION

## STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2019 (with Comparative Totals for 2018)

(Continued)

Sports Center:				
Cost of sales	107,291	-	107,291	152,059
Management fees	52,315	-	52,315	52,569
Property taxes	21,553	-	21,553	19,213
Insurance	31,929	-	31,929	30,732
Linen cleaning	22,372	-	22,372	21,885
Supplies	24,319	-	24,319	24,939
VROA reserve contribution - rent	130,000	-	130,000	130,004
Other operating	8,849	-	8,849	4,108
Utilities	62,926	-	62,926	69,417
Repairs and maintenance	86,440	-	86,440	65,331
Eagle Crest Acquisition Group, LLC charges for:				
Sports center payroll	238,393	-	238,393	218,093
Pool and spa payroll	30,479	-	30,479	27,455
Safety services	36,016	-	36,016	34,764
Resort management services	8,489	-	8,489	8,194
General administrative	57,712	-	57,712	55,707
Landscaping	14,333	-	14,333	13,842
Night audit	13,097	-	13,097	12,641
Total sports center expenses	<u>946,513</u>	<u>-</u>	<u>946,513</u>	<u>940,953</u>
	<u>1,633,125</u>	<u>163,443</u>	<u>1,796,568</u>	<u>1,696,672</u>
<b>(DEFICIT) EXCESS OF REVENUE</b>				
<b>OVER EXPENSES BEFORE TAXES</b>	(66,758)	116,821	50,063	186,707
Income tax expense	-	5,820	5,820	3,913
<b>(DEFICIT) EXCESS OF REVENUE</b>				
<b>OVER EXPENSES</b>	(66,758)	111,001	44,243	182,794
<b>BEGINNING FUND BALANCES</b>	<u>327,978</u>	<u>1,561,485</u>	<u>1,889,463</u>	<u>1,706,669</u>
 <b>ENDING FUND BALANCES</b>	 <u>\$ 261,220</u>	 <u>\$ 1,672,486</u>	 <u>\$ 1,933,706</u>	 <u>\$ 1,889,463</u>

The accompanying notes are an integral part of these statements

# EAGLE CREST MASTER ASSOCIATION

## STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2019 (with Comparative Totals for 2018)

	Operating Fund	Replacement Fund	Totals	
			2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess of revenue over expenses	\$ (66,758)	\$ 111,001	\$ 44,243	\$ 177,180
Adjustments to reconcile excess of revenue over expenses to net cash provided (used) by operating activities:				
(Increase) decrease in:				
Related party receivables	379	-	379	1,195
Other receivables	-	-	-	(2,281)
Assessments receivable	51,572	-	51,572	7,508
Prepaid expenses	(2,045)	-	(2,045)	(1,227)
Prepaid income taxes payable	-	(5,077)	(5,077)	(1,227)
Inventory	(1,118)	-	(1,118)	(302)
Increase (decrease) in:				
Accounts payable	(24,744)	203	(24,541)	82,360
Accrued liabilities	15,400	-	15,400	-
Prepaid dues	64,720	-	64,720	-
Income taxes payable	-	(4,028)	(4,028)	1,865
Payables to related parties	22,161	-	22,161	(12,453)
Net cash provided (used) by operating activities	59,567	102,099	161,666	252,618
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Certificates of deposits redeemed (purchased)	-	(202,917)	(202,917)	(707,353)
Purchase of principal marketable securities	-	-	-	(254,065)
Return of principal-marketable securities	-	(76,292)	(76,292)	132,922
Net cash provided (used) by investing activities	-	(279,209)	(279,209)	(828,496)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Line of credit payable	-	-	-	45,243
Interfund transfers	(76,564)	76,564	-	-
Net cash provided (used) by financing activities	(76,564)	76,564	-	45,243
<b>NET INCREASE (DECREASE) IN CASH CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	(16,997)	(100,546)	(117,543)	(530,635)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 280,356	\$ 743,334	\$ 1,023,690	\$ 318,678
<b>SUMMARY OF CASH ACCOUNTS</b>				
Operating fund			\$ 280,356	\$ 316,475
Replacement fund			743,334	3,430
			\$ 1,023,690	\$ 319,905
<b>Supplemental Disclosure:</b>				
Cash paid for income taxes	\$ -	\$ 14,925	\$ 14,925	\$ 150

The accompanying notes are an integral part of these statements

# EAGLE CREST MASTER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### DESCRIPTION OF ORGANIZATION-

Eagle Crest Master Association was incorporated on June 24, 1985 in the state of Oregon as a non-profit homeowners' association. The Association is responsible for the operation and maintenance of property and facilities common to all owners at Eagle Crest. The Eagle Crest Resort is located by the Deschutes River near Redmond, Oregon with over 500 acres developed.

The development consists of over 500 living units which are composed of whole and fractional ownership units, residential homesites and some commercial properties. All owners belong to the Master Association and with the exception of only certain commercial properties and WorldMark units, all owners also belong to either the Eagle Crest Vacation Resort Owners Association, Fairway Vista Estates, Inc., River View Vista Estates, Inc., Eagle Crest Hotel Condominiums or the Eagle Crest Estates Homesite Association.

### DATE OF MANAGEMENT'S REVIEW-

In preparation of the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 4, 2021, the date that the financial statements were available to be issued. No items were noted.

### SUMMARY OF SIGNIFICANT POLICIES-

#### 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

The replacement fund is composed of the portion of the annual assessments designated in the budget to fund major repairs and replacements. Disbursements from this fund generally may be made only for designated purposes.

#### Cash and cash equivalents

The Association considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

# EAGLE CREST MASTER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### SUMMARY OF SIGNIFICANT POLICIES-(Continued)

#### Investments

Marketable securities, which consist of mortgage-backed securities, certificates of deposit and treasury money market funds are carried at amortized cost which approximates market at the balance sheet date. The cost is determined with premiums and discounts amortized over collections. No unrealized gains or losses were recorded during 2019 nor 2018.

#### Member assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, capital acquisitions, and major repairs and replacements. The Association may share in the loss of fees not collected by their member Associations. Any excess assessments at year end are to be retained by the Association to be applied against the subsequent year assessments.

#### Revenue recognition

Assessments and membership dues are billed in advance and are recognized as income when earned. Revenue billed or received, but not earned, is shown as unearned revenue in the liabilities section of the accompanying balance sheets. All other fees and charges are recognized when the Association's services have been provided.

#### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates in determining financial position and results of operations during the reporting period. Actual results could differ from these estimates.

#### Interest earned

Interest earned in the funds is allocated by a decision of the Board of Directors. During 2019 and 2018, interest was allocated to the fund in which it was earned.

#### Income taxes

The Association is subject to federal and state taxation. As a regular corporation, membership income may be exempt from taxation if certain elections are made, and the Association is then taxed only on its net nonmembership income. Eagle Crest Master Association is not able to file as a Homeowner's Association due to having income from nonowners in excess of allowable limits.

#### Property, improvements and equipment

Common property consists of common area land and improvements that were contributed by the developer or acquired by the Association with member assessments.



# EAGLE CREST MASTER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### SUMMARY OF SIGNIFICANT POLICIES-(Continued)

#### Property, improvements and equipment (Continued)

In accordance with generally accepted accounting principles for common interest realty associations, such common property is not recognized as an asset since it is not anticipated that the common areas will generate significant revenues from members or nonmembers on the basis of usage. In addition the property cannot be sold, leased or transferred without the approval of a majority of the owners. At December 31, 2019 and 2018, property not capitalized consists of roads, wells, sewer system, parks, lakes, bike paths, pools, sidewalks, access roads, golf course and greenbelts. Property and equipment acquired by the Association, if required to capitalize, are recorded at cost.

#### Other comprehensive income

The Association has no components of other comprehensive income. Comprehensive income consists of net unrealized gains or losses from certain securities.

### ASSESSMENTS AND WATER AND SEWER FEES RECEIVABLE-

The Association has regular billings for its water and sewer system, sports center fees and member dues. The Association's policy is to pursue collection on all billings. At December 31, 2019, the Association had assessments receivable of \$17,960 (\$69,531 in 2018). The Board of Directors has not established a reserve for 2019 or 2018 to cover all fees not received at a member Association level. The Association had no bad debt recovery for the years ended December 31, 2019 and 2018.

### INVENTORIES-

Inventories are valued at the lower of cost or market. The inventory on hand at December 31, 2019 and 2018 consists of gift shop and convenience store inventory.

### INVESTMENTS-

The Association purchases mortgage-backed financial liabilities and certificates of deposit to invest surplus cash in the Replacement Fund. Investments with over a three-month maturity were:

	Maturity	Interest	Market	Unrealized	Accrued	2019	2018
	Date	Rate	Balance	(Gain)	Interest	Adjusted	Adjusted
<u>Certificates of Deposit</u>				Loss		Cost Balance	Cost Balance
Goldman Sach	January 2023	3.15%	\$ 207,804	\$ (7,804)	\$ 2,917	\$ 202,917	\$ -
<u>Mortgage Backed Securities</u>							
Ginnie Mae and							
Freddie Mac	2023 to 2045	3 to 7%	535,893	(16,649)	1,618	520,862	647,487
Less current portion			(141,336)	-	-	(141,336)	(87,540)
Total Investments			<u>\$ 602,361</u>	<u>\$ (24,453)</u>	<u>\$ 4,535</u>	<u>\$ 582,443</u>	<u>\$ 559,947</u>

# EAGLE CREST MASTER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### INVESTMENTS- (Continued)

ASC topic 820 establishes a three-level hierarchy to be used when measuring and disclosing fair value of financial instruments. As of December 31, 2019, the Association classifies all investments valued at fair value as Level 1 instruments, meaning that market prices are quoted based on an active market for identical assets as of the measurement date. The Association has made no adjustments to these quoted prices when valuing these investments.

The investments have unamortized premiums at December 31, 2019 of \$24,453 (\$42,371 at 2018).

The Certificate of Deposit is FIDC insured. The mortgage-backed financial liabilities are issued by the Government National Mortgage Association (Ginnie Mae), a U.S. government agency, or the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), U.S. government-sponsored enterprises. Ginnie Mae, backed by the full faith and credit of the U.S. government, guarantees that investors receive timely payments. Fannie Mae and Freddie Mac also provide certain guarantees and, while not backed by the full faith and credit of the U.S. government, have special authority to borrow from the U.S. Treasury. Some of the investments are held in an account not insured by the FDIC, however, the investments are insured by the SIPC, and were purchased before the requirement to invest in FDIC insured assets. Other of these securities are held in an FDIC insured institution. The Board of Directors has determined that, based on the rate of return and guarantees, that the investments have minimal risk.

The Association also invested in a Federated Government Obligations Fund which is not FDIC insured and invests in a portfolio of U S Treasury and government securities in 397 days or less and repurchase agreements collateralized by U S Treasury and government securities. The Association had \$100,744 in this fund as of December 31, 2019 which are included as cash equivalents.

### FUTURE MAJOR REPAIRS AND REPLACEMENTS-

The Association's governing documents require funds to be accumulated for major repairs and replacements. Accumulated funds are held in separate accounts and are not available for operating purposes.

During 2019, the Board updated, through an independent consultant, reserve studies to estimate the remaining useful lives and replacement costs of the components of common property. The Board conducted reserve studies covering the Association facilities, Utility system, Golf Course facilities and the Water System Infrastructure Repair Estimation Plan.

Funding requirements assume an annual inflation rate of 2.8% and rate of investment earnings of 1.5%. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on this study.

# EAGLE CREST MASTER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### FUTURE MAJOR REPAIRS AND REPLACEMENTS- (Continued)

Funds are being accumulated in the replacement fund over the estimated useful lives of the components based on the study's estimates of current replacement expenditures and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of \$398,660 was estimated and included in the 2020 budget including \$145,000 in rent for the leased sports center reserve. Actual expenditures may vary from the estimated amounts and the 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, levy special assessments, subject to member approval, or delay major repairs and replacements until funds are available.

### RELATED PARTY TRANSACTIONS-

The Association has a management agreement with Eagle Crest Management, LLC a subsidiary of Eagle Crest Acquisition Group, LLC (the "Corporation") the developer who succeeded the former manager, Eagle Crest Management and affiliates in February 2018.

The Corporation is to provide all services and personnel necessary to administer the Association. Under the terms of the agreement, the Association is assessed a management fee equal to 6% of the Association's defined expenses excluding property taxes and manager's compensation. The Corporation charged the operating fund \$94,382 for management fees in 2019 (\$96,479 in 2018).

Certain expenses other than depreciation are incurred by Eagle Crest Acquisition Group, LLC and are charged to the Association based on estimated service provided to the Association. These expenses total \$654,825 (\$637,967 in 2018) were in line with the approved budget.

Revenues for the water and sewer system are mainly derived from members of the Eagle Crest Vacation Resort Owners Association, Eagle Crest Estate Homesite Association, Fairway Vista Estates, Inc., River View Vista Estates, Inc., World Mark Units and Eagle Crest Hotel Condominiums.

The Association leases its golf course to Eagle Crest Acquisition Group, LLC, under a lease commencing June 11, 2014. The lease requires the tenant pay rent and all operating expenses. Under the terms of the lease which is for thirty years with two ten year extensions, the Association received \$34,297 in 2019 and in future years with an annual change based on the Consumer Price Index for the Western Region.

Effective September 18, 2015, Eagle Crest Vacation Resort Owners Association extended its sports center lease to the Master Association until December 31, 2020 with two additional five year renewal options. Rental expense is \$50 per month plus contributions to the replacement fund of \$130,000 in 2019 and 2018 as determined by the reserve study. The Association is required to pay all operating expenses during the lease term. The minimum lease payments for the next five years is \$600 plus the annual reserve contribution based on the study for each year.

# EAGLE CREST MASTER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### RELATED PARTY TRANSACTIONS-(Continued)

In December 2018, the Association signed an Amended and Restated Joint Use Easement Agreement originally recorded in May 1999, which grants the Ridge Association and the Ridge owners a nonexclusive easement to use the Eagle Crest Sports Center (which is leased by the Association) while the agreement is in force. Eagle Crest Acquisition Group, LLC, has also granted Eagle Crest Master Association for the benefit of its members a nonexclusive easement to use the Ridge Sports Center and Lakeside Sports Center during the term of this agreement which extends through December 31, 2021. Eagle Crest Acquisition Group, LLC charged the Association, during 2019, \$101.03 for each lot or unit and 5.33 for each ownership interest for use of the Ridge and Lakeside Sports Center. The Ridge at Eagle Crest Owners Association paid the Association during 2019, \$97.52 for each lot or unit and \$5.14 for each ownership interest.

At December 31, 2019 the Association had \$36,184 of related party receivables and \$22,161 of related party payables (\$88,135 and none, respectively in 2018).

### INCOME TAXES-

The Association has taxable income of \$20,677 in 2019. As of December 31, 2018, the Association has no remaining federal or Oregon operating loss carryovers. The Association also used a business tax credits of \$5,000, which was earned in 2000 for ADA credits in 2018.

Income taxes for the years ended December 31, consisted of the following:

	<u>2019</u>	<u>2018</u>
Current: Federal	\$4,455	\$2,930
State	<u>1,365</u>	<u>983</u>
	<u>\$5,820</u>	<u>\$3,913</u>

The tax expense has been allocated to the fund's share of net nonmembership income. In 2019 and 2018, the Association has elected to be taxed as a regular corporation. The Association has no deferred tax assets or liabilities. The returns have not been examined by taxing authorities and all returns from December 31, 2017 to present are subject to examination.

### NOTE PAYABLE-

The Association has obtained a line of credit which is secured by investments. There were no borrowings against this line at December 31, 2019 (none in 2018). Approximately \$20,500 was available to borrow at December 31, 2019 (\$34,310 in 2018).

# EAGLE CREST MASTER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

### CONCENTRATION OF CREDIT RISK-

Marketable securities consist entirely of mortgage-backed securities in pooled accounts which are government insured. The Association had two demand accounts on hand in financial institutions which exceed depositor's insurance provided by the applicable guarantee agency, which is \$250,000 for all accounts per institution. The Association believes its credit risk is minimal and the marketable securities not in an FDIC insured account were purchase prior to the current law requiring all investments to be in FDIC institutions.

World Mark, The Club, a membership organization, owns 83 units and in 2019 accounted for 15% of the Association revenue and paid fees of \$289,455 (\$286,318 in 2018).

The Association contracts for water and services from Oregon Water Utilities and accounted for 8% of expenses in 2019 (7% in 2018).

### SUBSEQUENT EVENTS-

Due to Covid-19, revenue and expenses may not be in line with the 2020 budget due to state mandated actions.

## EAGLE CREST MASTER ASSOCIATION

### Supplementary Information on Future Major Repairs and Replacements (Unaudited)

December 31, 2019

The Board of Directors, in 2019, through an independent consultant, updated studies to estimate the remaining useful lives and replacement costs of the components of common property. The Board also, through an independent consultant, conducted a study of the water system infrastructure. The estimates were obtained from licensed contractors and suppliers who were familiar with the property. Replacement costs were based on estimated costs to repair or replace the common components at the date of the study. The study includes items with remaining useful lives between one and thirty years.

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

	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	Estimated Expenditures 2020
<u>Components</u>			
Facilities Excluding Utilities:			
Septic	0 to 8	35,241	1,523
Streets and paths	0 to 17	639,496	14,790
Plumbing	0 to 20	14,830	2,219
Fences/gates	0 to 19	136,211	50,947
Painting	0	8,604	10,727
Signs	0 to 14	61,486	4,217
Pool and spa	0 to 17	96,202	44,314
Siding	0 to 25	24,278	10,020
Roofing	0 to 21	8,355	4,056
Miscellaneous	0 to 10	50,983	13,000
		1,075,686	155,813
Water & Sewer Utilities:			
Water pumps and wells	0 to 29	408,790	11,839
Sewer systems	0 to 16	354,368	182,207
Permits	1	171,750	-
Painting and fences	3 to 22	21,263	-
General utilities	0 to 13	66,817	1,405
Roofing and siding	4 to 18	14,119	-
		1,037,107	195,451

See independent auditors' report.

## EAGLE CREST MASTER ASSOCIATION

### Supplementary Information on Future Major Repairs and Replacements (Unaudited)(Continued)

December 31, 2019

	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	Estimated Expenditures 2020
Golf Course:			
Irrigation	0 to 22	1,199,456	30,618
Paving	0 to 21	319,464	25,805
Siding	2 to 13	203,645	-
Septic	0 to 6	37,002	15,378
Other	0 to 21	<u>314,838</u>	<u>37,499</u>
		<u>2,074,405</u>	<u>109,300</u>
Water System Infrastructure:			
Water mains, valves, hydrants	0 to 17	<u>192,750</u>	<u>23,268</u>
		<u>\$ 4,379,948</u>	<u>\$ 483,832</u>

The Association has not allocated the reserve balance to specific components. At December 31, 2019, the Association had a total of \$1,672,486 available.

See independent auditors' report.



March 4, 2021

To the Board of Directors  
Eagle Crest Master Association

We have audited the financial statements of Eagle Crest Master Association for the year ended December 31, 2019, and have issued our report thereon dated March 4, 2021. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Eagle Crest Master Association are described in the notes to the financial statements. No accounting policies were adopted and the application of existing policies were not changed during 2019. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly for those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of costs of the Golf Course that have not been reserved for.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Future Major Repairs and Replacements in the notes to the financial statements. This disclosure relates to estimated inflation and earnings and the useful lives of property, all of which could have significant changes.



To Board of Directors Eagle Crest Master Association  
March 4, 2021  
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### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 4, 2021.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accounts.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Report on Summarized Comparative Information

We have previously audited Eagle Crest Master Association's December 31, 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 10, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements on pages 15 and 16 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Hudspeth & Company, PC*

Portland, Oregon  
March 4, 2021