



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, 2020, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Eagle Crest Master Association's December 31, 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated March 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 14 and 15 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.

Handspelt & Company, PC

Portland, Oregon
February 9, 2022

EAGLE CREST MASTER ASSOCIATION

BALANCE SHEETS

December 31, 2020 (With Comparative Totals for 2019)

	Operating Fund	Replacement Fund	Totals 2020	Totals 2019
ASSETS				
Cash and cash equivalents	\$ 445,330	\$ 486,692	\$ 932,022	\$ 1,023,690
Certificates of deposit	-	245,000	245,000	-
Receivables - assessments, net of allowance for doubtful accounts of none	99	-	99	17,960
Related parties receivables	4,643	-	4,643	18,224
Prepaid expenses	58,619	-	58,619	55,847
Prepaid income taxes	-	-	-	5,077
Interfund transfers	(15,000)	15,000	-	-
Inventory	11,915	-	11,915	15,688
Current portion of Marketable Securities	-	156,941	156,941	141,336
	505,606	903,633	1,409,239	1,277,822
Total Current Assets				
CERTIFICATES OF DEPOSIT	-	685,446	685,446	202,917
INVESTMENT IN MARKETABLE SECURITIES, less current portion	-	215,742	215,742	582,443
Total Assets	\$ 505,606	\$ 1,804,821	\$ 2,310,427	\$ 2,063,182
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 27,610	\$ -	\$ 27,610	\$ 27,195
Accrued liabilities	610	-	610	15,400
Prepaid dues	78,019	-	78,019	64,720
Income taxes payable	-	5,652	5,652	-
Payables to related parties	3	-	3	22,161
	106,242	5,652	111,894	129,476
Total Current Liabilities				
RESERVE-CONTRACTS LIABILITY	-	1,799,169	1,799,169	-
Fund Balances	399,364	-	399,364	1,933,706
Total Liabilities and Fund Balances	\$ 505,606	\$ 1,804,821	\$ 2,310,427	\$ 2,063,182

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, 2020 (with Comparative Totals for 2019)

	Operating Fund	Replacement Fund	Totals	
			2020	2019
REVENUE				
Member assessments	\$ 193,744	\$ 268,640	\$ 462,384	\$ 450,218
Reserve transfer to contracts liability	-	(126,683)	(126,683)	-
Water and sewer	469,202	-	469,202	402,173
Golf course rental	35,223	-	35,223	34,297
Sports Center user fees	771,369	-	771,369	730,317
Sports Center, other operating	146,411	-	146,411	189,134
Interest income	-	26,190	26,190	30,055
Miscellaneous	32,251	-	32,251	10,437
	1,648,200	168,147	1,816,347	1,846,631
EXPENSES				
Facilities:				
Repairs and maintenance	9,250	-	9,250	21,265
Pool and spa expenses	22,219	-	22,219	42,356
Utilities	4,357	-	4,357	6,266
Snow removal	2,184	-	2,184	9,936
Property taxes	3,537	-	3,537	3,680
Insurance	15,818	-	15,818	15,710
Consultants and travel	19,555	-	19,555	15,254
Postage, printing and licenses	3,302	-	3,302	4,243
Management fees	23,809	-	23,809	24,066
VROA sports center rent	600	-	600	600
Eagle Crest Acquisition Group, LLC charges for:				
Safety services	47,565	-	47,565	46,314
Resort management services	32,739	-	32,739	31,878
General administrative	30,604	134	30,738	30,276
Landscaping	151,231	-	151,231	147,840
Total facilities expenses	366,770	134	366,904	399,684
Water and Sewer System:				
Repairs and maintenance	26,382	157,284	183,666	194,424
Pumping costs	36,573	-	36,573	31,488
Property taxes	9,253	-	9,253	9,012
Insurance	3,476	-	3,476	3,099
Consultants	4,819	-	4,819	6,174
Management fees	25,727	-	25,727	18,001
Other operating	9,533	-	9,533	8,126
Utility system management fee	124,719	-	124,719	143,216
Eagle Crest Acquisition Group, LLC charges for:				
Safety services	23,084	-	23,084	22,477
General administrative	14,741	-	14,741	14,354
Total water and sewer expenses	278,307	157,284	435,591	450,371

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, 2020 (with Comparative Totals for 2019)

(Continued)

Sports Center:				
Cost of sales	94,002	-	94,002	107,291
Management fees	56,079	-	56,079	52,315
Property taxes	21,164	-	21,164	21,553
Insurance	33,457	-	33,457	31,929
Linen cleaning	14,360	-	14,360	22,372
Supplies	16,073	-	16,073	24,319
VROA reserve contribution - rent	145,000	-	145,000	130,000
Other operating	10,268	-	10,268	8,849
Utilities	54,912	-	54,912	62,926
Repairs and maintenance	49,039	-	49,039	86,440
Eagle Crest Acquisition Group, LLC charges for:				
Sports center payroll	206,177	-	206,177	238,393
Pool and spa payroll	31,302	-	31,302	30,479
Safety services	36,988	-	36,988	36,016
Resort management services	8,718	-	8,718	8,489
General administrative	59,270	-	59,270	57,712
Landscaping	14,719	-	14,719	14,333
Night audit	13,451	-	13,451	13,097
Total sports center expenses	864,979	-	864,979	946,513
	1,510,056	157,418	1,667,474	1,796,568
EXCESS OF REVENUE				
OVER EXPENSES BEFORE TAXES	138,144	10,729	148,873	50,063
Income tax expense	-	10,729	10,729	5,820
EXCESS OF REVENUE				
OVER EXPENSES	138,144	-	138,144	44,243
BEGINNING FUND BALANCES	261,220	1,672,485	1,933,705	1,889,463
TRANSFER TO RESERVE - CONTRACTS				
LIABILITY	-	(1,672,485)	(1,672,485)	-
ENDING FUND BALANCES	\$ 399,364	\$ -	\$ 399,364	\$ 1,933,706

The accompanying notes are an integral part of these statements

EAGLE CREST MASTER ASSOCIATION

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2020 (with Comparative Totals for 2019)

	Operating Fund	Replacement Fund	Totals	
			2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of revenue over expenses	\$ 138,144	\$ -	\$ 138,144	\$ 44,243
Adjustments to reconcile excess of revenue over expenses to net cash provided (used) by operating activities:				
(Increase) decrease in:				
Related party receivables	13,581	-	13,581	379
Assessments receivable	17,861	-	17,861	51,572
Prepaid expenses	(2,772)	-	(2,772)	(2,045)
Prepaid income taxes payable	-	5,077	5,077	(5,077)
Inventory	3,773	-	3,773	(1,118)
Increase (decrease) in:				
Accounts payable	618	(203)	415	(24,541)
Accrued liabilities	(14,790)	-	(14,790)	15,400
Prepaid dues	13,299	-	13,299	64,720
Income taxes payable	-	5,652	5,652	(4,028)
Reserve-contracts liability	-	126,683	126,683	(4,028)
Payables to related parties	(22,158)	-	(22,158)	22,161
Net cash provided (used) by operating activities	<u>147,556</u>	<u>137,209</u>	<u>284,765</u>	<u>157,638</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Certificates of deposits redeemed (purchased)	-	(727,529)	(727,529)	(202,917)
Return of principal-marketable securities	-	351,096	351,096	(76,292)
Net cash provided (used) by investing activities	<u>-</u>	<u>(376,433)</u>	<u>(376,433)</u>	<u>(279,209)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund transfers	17,418	(17,418)	-	-
Net cash provided (used) by financing activities	<u>17,418</u>	<u>(17,418)</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>164,974</u>	<u>(256,642)</u>	<u>(91,668)</u>	<u>(121,571)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 445,330</u>	<u>\$ 486,692</u>	<u>\$ 932,022</u>	<u>\$ 1,019,662</u>
SUMMARY OF CASH ACCOUNTS				
Operating fund			\$ 445,330	\$ 280,356
Replacement fund			486,692	743,334
			<u>\$ 932,022</u>	<u>\$ 1,023,690</u>
Supplemental Disclosure:				
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ 14,925

The accompanying notes are an integral part of these statements

EAGLE CREST MASTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 February 9, 2022, 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, 2020 and 2019

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 2020 nor 2019.

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 and Reserve-contract liability in the liabilities section of the accompanying balance sheets. All other fees and charges are recognized when the Association's services have been provided. Revenue is not recognized until assessments are collected and adjustments are recorded as contra revenue-bad debt expense.

Adoption of New Accounting Standards

Effective January 1, 2020, the Association adopted FASB Accounting Standards Codification ASC 606 regarding revenue recognition which creates a single framework for recognizing revenue from contracts with members (customers). Based on the Association's CCRs and the approved operating budget the Operating fund's obligation is to collect and expend funds for managing common areas for the well-being of the owners which has been fulfilled. No adjustments have been made to the Operating fund based on this adoption. Revenue is not recognized until assessments are collected.

Reserve fund's performance obligation as to reserve assessments are to collect and expend funds for future major repairs and replacements. Such repairs and replacement do not occur on a continuous basis but are performed when needed. Revenue should only be recognized when the performance obligation is expended. Reserve assessment collections in excess of current year costs increase deferred income and expenditures in excess of assessment collections reduce the deferred income. The total reserve-contracts liability (deferred income) is recorded on the balance sheet. During 2020, this change from existing practice resulted in \$1,672,486 being a reclassification of pre-adoption fund balance as a reserve-contract liability.

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.

EAGLE CREST MASTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

SUMMARY OF SIGNIFICANT POLICIES-(Continued)

Interest earned

Interest earned in the funds is allocated by a decision of the Board of Directors. During 2020 and 2019, 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.

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, 2020 and 2019, 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, 2020, the Association had assessments receivable of \$99 (\$17,960 in 2019). The Board of Directors has not established a reserve for 2020 or 2019 to cover all fees not received at a member Association level. The Association had no bad debt recovery for the years ended December 31, 2020 and 2019.

INVENTORIES-

Inventories are valued at the lower of cost or market. The inventory on hand at December 31, 2020 and 2019 consists of gift shop and convenience store inventory.

EAGLE CREST MASTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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	2020	2019
<u>Certificates of Deposit</u>	<u>Date</u>	<u>Rate</u>	<u>Balance</u>	<u>(Gain)</u>	<u>Interest</u>	<u>Adjusted</u>	<u>Adjusted</u>
				<u>Loss</u>		<u>Cost Balance</u>	<u>Cost Balance</u>
Goldman Sachs	January 2023	3.15%	\$ 212,446	\$ 9,529	\$ 2,917	\$ 202,917	\$ 202,917
Bank of India	April 2021	1.15%	245,728	728	-	245,000	-
Discover Bank	April 2023	1.45%	252,326	6,440	886	245,886	-
Nicolet National Bank	September 2022	0.90%	243,382	6,739	29	236,643	-
<u>Mortgage Backed Securities</u>							
Ginnie Mae and							
Freddie Mac	2023 to 2047	3 to 7%	372,683	(1,145)	1,145	372,683	520,862
Less current portion			(396,964)	-	(4,977)	(401,941)	(141,336)
Total Investments			<u>\$ 929,601</u>	<u>\$ 22,291</u>	<u>\$ 0</u>	<u>\$ 901,188</u>	<u>\$ 582,443</u>

ASC topic 820 establishes a three-level hierarchy to be used when measuring and disclosing fair value of financial instruments. As of December 31, 2020, 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, 2020 of \$22,291 (\$24,453 at 2019).

The Certificate of Deposits are FDIC 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 \$371,088 in this fund as of December 31, 2020 which are included as cash equivalents (\$100,744 in 2019).

EAGLE CREST MASTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 2020 and 2021, 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 3.2% 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.

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 \$407,861 was estimated and included in the 2021 budget including \$147,175 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.

RESERVE-CONTRACTS LIABILITY

The Association has collected dues for future reserve assessments in excess of current year costs which are considered deferred income and are recorded as reserve-contracts liability on the balance sheet. At December 31, 2020, \$1,799,169 was included on the balance sheet.

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.

The Corporation is to provide all services and personnel necessary to administer the Association. Under the terms of the agreement the Corporation charged the operating fund \$105,615 for management fees in 2020 (\$94,382 in 2019).

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 \$632,898 (\$654,825 in 2019) were in line with the approved budget.

EAGLE CREST MASTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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 \$35,223 in 2020 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. The first extension of the lease was renewed with the lease period ending December 31, 2025. Rental expense is \$50 per month plus contributions to the replacement fund of \$145,000 in 2020 as determined by the reserve study (\$130,000 in 2019). 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.

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 2020, \$103.76 for each lot or unit and 5.47 for each ownership interest for use of the Ridge and Lakeside Sports Center. The Ridge at Eagle Crest Owners Association paid the Association during 2020, \$139.66 for each lot or unit and \$10.62 for each ownership interest.

At December 31, 2020 the Association had \$4,742 of related party receivables and \$3 of related party payables (\$36,184 and \$22,161, respectively in 2019).

INCOME TAXES-

The Association has taxable income of \$38,872 in 2020.

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

	<u>2020</u>	<u>2019</u>
Current: Federal	\$ 8,163	\$4,455
State	<u>2,566</u>	<u>1,365</u>
	<u>\$10,729</u>	<u>\$5,820</u>

EAGLE CREST MASTER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

INCOME TAXES-(Continued)

The tax expense has been allocated to the fund's share of net nonmembership income. In 2020 and 2019, 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, 2018 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, 2020 or 2019. Approximately \$26,080 was available to borrow at December 31, 2020 (\$20,500 in 2019).

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 2020 accounted for 16% of the Association revenue and paid fees of \$313,544 (\$289,455 in 2019).

The Association contracts for water and services from Oregon Water Utilities and accounted for 7% of expenses in 2020 (8% in 2019).

SUBSEQUENT EVENTS-

Due to Covid-19, revenue and expenses may not be in line with the 2021 budget due to state mandated actions.

RECLASSIFICATIONS-

Certain prior year amounts have been reclassified for consistency with the current year presentation.. These classifications have no effect on the previously reported results of operations or fund balances.

EAGLE CREST MASTER ASSOCIATION

Supplementary Information on Future Major Repairs and Replacements (Unaudited)

December 31, 2020

The Board of Directors, in 2020 and 2021 for the Golf Course, 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 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 2021
<u>Components</u>			
Facilities Excluding Utilities:			
Septic	0 to 7	36,369	1,572
Streets and paths	0 to 16	631,313	18,212
Plumbing	0 to 19	15,305	1,760
Fences/gates	0 to 18	140,568	14,976
Painting	0 to 1	8,877	4,012
Signs	0 to 13	67,474	20,500
Pool and spa	3 to 16	111,312	-
Siding	0 to 24	25,053	10,339
Roofing	0 to 20	8,623	4,185
Miscellaneous	0 to 14	82,697	31,491
		1,127,591	107,047
Water & Sewer Utilities:			
Water pumps and wells	0 to 28	421,871	9,973
Sewer systems	0 to 14	354,747	146,922
Permits	1	177,246	-
Painting and fences	2 to 21	21,943	-
General utilities	0 to 14	80,955	1,450
Roofing and siding	2 to 16	14,570	-
		1,071,332	158,345

See independent auditors' report.

EAGLE CREST MASTER ASSOCIATION

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

December 31, 2020

	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Estimated Expenditures 2021</u>
Golf Course:			
Irrigation	0 to 20	1,259,015	44,728
Paving	0 to 20	340,174	1,946
Siding	1 to 12	210,161	-
Septic	0 to 5	38,186	15,871
Other	0 to 26	325,386	50,952
		<u>2,172,922</u>	<u>113,497</u>
Water System Infrastructure:			
Water mains, valves, hydrants	0 to 16	198,918	24,012
		<u>\$ 4,570,763</u>	<u>\$ 402,901</u>

The Association has not allocated the reserve balance to specific components. At December 31, 2020, the Association had a total of \$1,799,169 available in the Reserve-contracts liability.

See independent auditors' report.



February 9, 2022

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, 2020, and have issued our report thereon dated February 9, 2022. 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. The Association adopted ASC 606 regarding revenue recognition on January 1, 2020 and adjusted reserve fund balance to reserve-contracts liability to account for the change. No other accounting policies were adopted and the application of existing policies were not changed during 2020. 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
February 9, 2022
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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 February 9, 2022.

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.

To the Board of Directors Eagle Crest Master Association
February 9, 2022
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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