

**Big Trout Condominium Association
Financial Statements
For the Year Ended December 31, 2022**



NEWMAN
Certified Public Accountant, PC

**Big Trout Condominium Association
Financial Statements
For the Year Ended December 31, 2022**

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Independent Auditor's Report

To the Board of Directors of Big Trout Condominium Association

Qualified Opinion

We have audited the accompanying financial statements of Big Trout Condominium Association (the "Association") which comprise the statement of assets, liabilities, and fund balances - modified cash basis as of December 31, 2022, and the related statement of revenues, expenses, and changes in fund balances - modified cash basis, for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section, the statement of assets, liabilities, and fund balances - modified cash basis of Big Trout Condominium Association as of December 31, 2022, and its revenues, expenses, and changes in fund balances - modified cash basis, present fairly for the year then ended in accordance with the modified cash basis of accounting described in Note 3.

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence regarding the existence or accuracy of property and equipment, accumulated depreciation with a net book balance of \$3,173 and land recorded at \$55,450.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Big Trout Condominium Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter - Future Major Repairs and Replacements

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 5 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 3 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter. This means that receipts have been recorded as revenues and disbursements have been recorded as expenses.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 3; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Trout Condominium Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 Big Trout Condominium Association's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Trout Condominium Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information on Future Major Repairs and Replacements be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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.

Newman Certified Public Accountant, PC.

Newman Certified Public Accountant, PC

Bellevue, Washington

August 24, 2023

Big Trout Condominium Association
Statement of Assets, Liabilities, and Fund Balances - Modified Cash Basis
December 31, 2022

	Operating Fund	Replacement Fund	Total
Assets			
Cash and cash equivalents	\$ 73,518	\$ 234,716	\$ 308,234
Property and equipment	256,918		256,918
Accumulated depreciation	(253,745)		(253,745)
Land	55,450		55,450
Total assets	\$ 132,141	\$ 234,716	\$ 366,857
Liabilities			
Total liabilities	-	-	-
Fund balances	132,141	234,716	366,857
Total liabilities and fund balances	\$ 132,141	\$ 234,716	\$ 366,857

The accompanying notes are an integral part of the financial statements
(See Independent Auditor's Report)

Big Trout Condominium Association
Statement of Revenues, Expenses, and Changes in Fund Balances - Modified Cash Basis
For the Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
Revenues			
Owners assessments	\$ 693,550	\$ -	\$ 693,550
Insurance claim proceeds		50,000	50,000
Late fees	1,214		1,214
Interest	27	8,192	8,219
Other member income	450		450
Total revenues	<u>695,241</u>	<u>58,192</u>	<u>753,433</u>
Expenses			
Utilities			
Electricity and gas	25,285		25,285
Water and sewer	117,455		117,455
Trash removal	725		725
Cable	121,527		121,527
Internet	21,402		21,402
	<u>286,394</u>	<u>-</u>	<u>286,394</u>
Maintenance			
Landscape and irrigation	62,799	4,511	67,310
Common area repairs and maintenance	13,808	330	14,138
Pool and spa	16,497	610	17,107
Pest control	469		469
Security	9,308		9,308
Street sweeping	38		38
Roof repair and maintenance		356,310	356,310
Painting		100,000	100,000
Fitness facilities	3,277		3,277
Gutters		63,437	63,437
Snow removal	15,200		15,200
	<u>121,396</u>	<u>525,198</u>	<u>646,594</u>
Administrative			
Insurance	57,705		57,705
Management	42,784		42,784
Administrative expense	2,611	4,099	6,710
Accounting services	3,750		3,750
Depreciation expense	8,975		8,975
Legal and professional	5,109		5,109
Community and social activities	2,113		2,113
Federal taxes	3,553		3,553
	<u>126,600</u>	<u>4,099</u>	<u>130,699</u>
Total expenses	<u>534,390</u>	<u>529,297</u>	<u>1,063,687</u>
Excess (deficit) of revenues over (under) expenses	160,851	(471,105)	(310,254)
Beginning fund balances	171,294	505,817	677,111
Interfund transfers	(200,004)	200,004	-
Ending fund balances	<u>\$ 132,141</u>	<u>\$ 234,716</u>	<u>\$ 366,857</u>

The accompanying notes are an integral part of the financial statements
(See Independent Auditor's Report)

Big Trout Condominium Association
Statement of Cash Flows - Modified Cash Basis
For the Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
Excess of revenues over expenses	\$ 160,851	\$ (471,105)	\$ (310,254)
Adjustments to reconcile excess (deficit) of revenues over (under) expenses to net cash provided (used) by operating activities			
Depreciation	8,976	-	8,976
Decrease (Increase) in operating assets:			
Increase (decrease) in operating liabilities:			
Total adjustments	8,976	-	8,976
Net cash provided (used) by operating activities	169,827	(471,105)	(301,278)
Cash provided (used) by investing activities			
Change in investments		542,012	542,012
Net cash provided (used) by investing activities	-	542,012	542,012
Cash provided (used) by financing activities			
Interfund transfers	(200,004)	200,004	-
Interfund borrowings	42,603	(42,603)	-
Net cash provided (used) by financing activities	(157,401)	157,401	-
Net increase (decrease) in cash and cash equivalents	12,426	228,308	240,734
Beginning cash and cash equivalents	61,092	6,408	67,500
Ending cash and cash equivalents	<u>\$ 73,518</u>	<u>\$ 234,716</u>	<u>\$ 308,234</u>
SUPPLEMENTAL DISCLOSURE			
Income taxes paid			\$ -
Interest paid			\$ -

Big Trout Condominium Association
Notes to Financial Statements
For the Year Ended December 31, 2022

1. Organization

Big Trout Condominium Association (the "Association") was incorporated on May 4, 2007 as a nonprofit corporation under the laws of Washington for the purposes of maintaining and preserving common property. The Association consists of 224 residential units and is located in Liberty Lake, Washington.

2. Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 24, 2023, the date that the financial statements were available to be issued.

3. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. That basis differs from generally accepted accounting principles in that, transactions are recorded when funds are received and disbursed, instead of recognizing revenue when earned and expenses when incurred. Had these financial statements been presented using accounting principles generally accepted in the United States of America, results would have been presented differently.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Board of Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

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 - The fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund - The fund is used to accumulate financial resources designated for future major repairs and replacements.

Members Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. For the purposes of modified cash basis reporting, assessments receivable is not reported on the statement of assets, liabilities, and fund balances. The Association's policy is to retain legal counsel and place liens on properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. After the Board of Directors has exhausted all efforts to collect delinquent accounts, the Board of Directors may elect to write off uncollectible balances.

Big Trout Condominium Association
Notes to Financial Statements
For the Year Ended December 31, 2022

Significant real and personal property assets are capitalized and depreciated over their estimated lives using straight-line depreciation.

Income Tax

The Association's policy is to record interest expense or penalties related to income tax in operating expenses.

Interest Income

Interest income is recognized when earned and allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

Cash and Cash Equivalents

Cash and cash equivalents include the Association's cash, checking accounts, money market funds and investments in certificates of deposit with original maturities of 90 days or less.

Concentration of Credit Risk

The Association maintains bank accounts with balances that exceed FDIC federal insurance of \$250,000. The financial institution may carry private insurance, which may or may not be sufficient to reimburse for any losses. At December 31, 2022, \$84,203 was exposed to risk.

4. Income Taxes

Common Interest Realty Associations are generally taxed either as a qualifying Internal Revenue Code (IRC) Section 528 homeowners' association or as a regular corporation subject to the special provisions of IRC Section 277 for membership organizations. For the current year, the Association has met IRC Section 528 eligibility requirements and has chosen to file Form 1120-H for its federal income tax return. The income tax filing determination is assessed for each tax year and only pertains to the tax year being evaluated.

IRC Section 528 requires that the Association separates all of its income and expense activity between three categories: exempt function, nonexempt function and capital. Taxable income includes net nonexempt function income, such as interest and other nonmember sourced income. In the determination of net taxable income, certain expenses were allocated to offset a portion of the Association's taxable income. The Form 1120-H tax rate is 30%.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association and has concluded that as of the year end, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions. The Internal Revenue Service can examine the Association's income tax returns generally up to three years. There are currently no audits in progress for any tax period.

Big Trout Condominium Association
Notes to Financial Statements
For the Year Ended December 31, 2022

5. Future Major Repairs and Replacements

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

The Board of Directors conducted a reserve study to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on this study.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or to levy special assessments, or it may delay major repairs and replacements until funds are available.

The Association's reserve study dated March 24, 2022, calculated fully funded reserves of \$1,699,323, or current funding of 7%, and recommended funding of \$22,917 per month, for 2023. The Association has budgeted monthly replacement fund contributions totaling \$22,917 for 2023.

6. COVID-19

The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. In the United States, the federal and state governments have implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus began causing business disruptions domestically beginning in 2019 that are anticipated to continue for the foreseeable future. The extent of the impact of the COVID-19 pandemic on the Association's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact of the COVID-19 pandemic on overall demand for the Association's services and the ability of owners to pay assessments, all of which are highly uncertain and cannot be predicted.

7. Accounts Receivable and Prepaid Assessments

As of December 31, 2022, the Association's owners' assessments balance of \$693,550 includes \$16,508 of assessments that were prepaid by members for the 2023 fiscal year. Under Generally Accepted Accounting Principles, such prepaid assessments would have been presented as a liability and excluded from revenues. The Association's accounting records indicate that accounts receivable as of December 31, 2022, totaled \$12,541. Accounts receivable have not been included in revenues or presented on the statement of assets, liabilities, and fund balances under the modified cash basis of accounting. Under the full accrual basis of accounting, \$12,541 of member income and accounts receivable would have been presented in these financial statements.

Big Trout Condominium Association
Notes to Financial Statements
For the Year Ended December 31, 2022

8. Property and Equipment

Property and equipment consisted of the following:

Fitness equipment	\$ 4,342
Outdoor common areas	245,469
Equipment and fixtures	7,107
Accumulated Depreciation	<u>(253,745)</u>
Total	<u><u>\$ 3,173</u></u>

We were unable to obtain sufficient appropriate audit evidence regarding the existence or accuracy of property and equipment and accumulated depreciation.

9. Insurance Claim Income

During 2022, the Association received \$50,000 in insurance income due to a claim filed due to hail damage. After the year ended December 31, 2022, the Association received a further \$153,126, and the claim is still ongoing. Under Generally Accepted Accounting Principles, insurance claim income would have been recognized as expenses are incurred.

Big Trout Condominium Association
Supplementary Information on Future Major Repairs and Replacements
December 31, 2022
(Unaudited)

The Association's Board of Directors, in conjunction with a reserve study expert, conducted a reserve study dated March 24, 2022 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair and replacement.

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

Study Component	Estimated remaining useful lives	Estimated current replacement costs
Streets and drives	2-5	\$ 314,361
Roofs	2-24	844,432
Painting	1-9	312,483
Lighting	0-5	28,980
Buildings	2-24	1,731,475
Fitness pool house	0-5	35,338
Fencing	5	78,907
Grounds	0-22	47,740
Pools and spas	0-10	56,306
		<u>\$ 3,450,022</u>
Interest rate		<u>1.50%</u>
Inflation rate		<u>3.00%</u>

See the Balance Sheet for replacement fund cash, cash equivalents and investments balances at December 31, 2022.

02298

Proposed Adjusting Journal Entries WP

For the Year Ended December 31, 2022

Reference	Account	Description	WP Ref	Debit	Credit
		RJE 1 - To reconcile equity	K4		
	3900	Retained earnings - Operating		505,817.00	
	3920	Retained earnings - Reserves			505,817.00
		RJE 2 - To allocate reserve interest	K2		
	5052	Reserve Interest Allocation		8,192.00	
	3920	Retained earnings - Reserves			8,192.00
AJE 1		To reclass reserve bank fees	K4		
	6330	Bank Charges			4,099.00
	6621	Capital Expenses		4,099.00	
		Totals for Adjusting Journal Entries		<u>518,108.00</u>	<u>518,108.00</u>

Big Trout Condominium Association

Trial Balance

For the Year Ended December 31, 2022

Unadjusted Balance from WP B4 and B5
(client balance sheet and income statement)

Account	Type	Description	12/31/22 Unadjusted Balance	Adjusting JE Adjustments	12/31/22 Adjusted Balance
1011	A	Alliance Bank - Operating	73,518.00		73,518.00
1013	A	Alliance Bank - Reserves/WC	234,716.00		234,716.00
1104	A	Accounts Receivable	0.00		0.00
1150	A	Other owner receivables	0.00		0.00
1160	A	Bad debt allowance	0.00		0.00
1175	A	Due to due from - operating	0.00		0.00
1176	A	Due to due from - reserve	0.00		0.00
1180	A	Prepaid insurance	0.00		0.00
1181	A	Prepaid taxes	0.00		0.00
1200	A	Fitness Equipment	4,343.00		4,343.00
1201	A	Outdoor Common Areas	245,469.00		245,469.00
1202	A	Equipment and Fixtures	7,106.00		7,106.00
1203	A	Landscape Labor	55,450.00		55,450.00
1250	A	Accumulated Depreciation	(253,745.00)		(253,745.00)
2011	L	Account payable	0.00		0.00
2505	L	Prepaid Assessments	0.00		0.00
3900	Q	Retained earnings - Operating	(677,111.00)		(171,294.00)
		RJE 1 - To reconcile equity		505,817.00	
3920	Q	Retained earnings - Reserves	0.00		(514,009.00)
		RJE 1 - To reconcile equity		(505,817.00)	
		RJE 2 - To allocate reserve interest		(8,192.00)	
3929	Q	Interfund Tranfers - Reserve	0.00		0.00
4142	R	Reserve Assessment	0.00		0.00
4180	R	NSF Income	0.00		0.00
4520	R	Fine Income	0.00		0.00
5009	Q	Capital Reserve Income	(200,004.00)		(200,004.00)
5010	R	Dues	(693,550.00)		(693,550.00)
5014	R	Transfer Fee	100.00		100.00
5020	R	Late charges	(1,214.00)		(1,214.00)
5021	R	Late Interest	(110.00)		(110.00)
5025	R	Nsf income	(40.00)		(40.00)
5026	R	Fine income	(300.00)		(300.00)
5032	R	Lien Income	(100.00)		(100.00)
5045	R	Initiation Fees	0.00		0.00
5050	R	Interest Income - Capital Reserves	(8,192.00)		(8,192.00)
5051	R	Interest Income Reserves	(27.00)		(27.00)
5052	E	Reserve Interest Allocation	0.00		8,192.00
		RJE 2 - To allocate reserve interest		8,192.00	
5100	R	Misc. Income	(50,000.00)		(50,000.00)
6120	E	Community Events	2,113.00		2,113.00
6135	E	Board and Annual Meetings	128.00		128.00
6305	E	Accounting	3,750.00		3,750.00
6306	E	Legal	0.00		0.00
6307	E	Security services	9,308.00		9,308.00
6308	E	Lien Filing Fees	200.00		200.00
6310	E	Insurance Expenses	57,705.00		57,705.00
6311	E	Depreciation Expense	8,975.00		8,975.00
6320	E	Staffing	495.00		495.00
6330	E	Bank Charges	4,221.00		122.00
		AJE 1 To reclass reserve bank fees		(4,099.00)	
6410	E	Refuse Removal	725.00		725.00
6415	E	Electricity and Gas	25,285.00		25,285.00
6420	E	Water	31,285.00		31,285.00
6425	E	Sewer	86,170.00		86,170.00
6430	E	Recycling	0.00		0.00

Big Trout Condominium Association

Trial Balance

For the Year Ended December 31, 2022

6435	E	Stormwater	0.00		0.00
6440	E	Street cleaning and maintenance	38.00		38.00
6445	E	Cable	121,527.00		121,527.00
6450	E	Internet Fees	21,402.00		21,402.00
6455	E	Technical Services	5,109.00		5,109.00
6610	E	Pool & Hot Tub	16,497.00		16,497.00
6611	E	Fitness Center	3,277.00		3,277.00
6615	E	Snow Removal	15,200.00		15,200.00
6620	Q	Building Replace - Reserve	200,004.00		200,004.00
6621	E	Capital Expenses	525,198.00		529,297.00
		AJE 1 To reclass reserve bank fees		4,099.00	
6625	E	Supplies	0.00		0.00
6626	E	Postage	2,004.00		2,004.00
6630	E	Repairs and Maintenance	11,411.00		11,411.00
6635	E	Special Projects	1,902.00		1,902.00
6810	E	Mowing	42,836.00		42,836.00
6812	E	Homes Mowing	0.00		0.00
6820	E	Commons Fertilizing	4,273.00		4,273.00
6822	E	Homes Fertilizing	0.00		0.00
6830	E	Commons Turf Spraying	1,680.00		1,680.00
6832	E	Homes Turf Spray	0.00		0.00
6843	E	Tree Program	6,350.00		6,350.00
6844	E	Insect Control	469.00		469.00
6850	E	Flowers	1,885.00		1,885.00
6860	E	Sprinkler Turn On/Off	1,318.00		1,318.00
6880	E	Landscape Labor	2,749.00		2,749.00
6890	E	Misc. Landscape	1,708.00		1,708.00
6891	E	Swale Maintenance	0.00		0.00
6900	E	Web fees	157.00		157.00
7505	E	Management Fee	42,784.00		42,784.00
7508	E	Property Taxes	0.00		0.00
7515	E	Federal Income Taxes	3,553.00		3,553.00
8000	E	Other income tax	0.00		0.00
8015	E	Tax preparation	0.00		0.00
8018	E	Management & Accounting	0.00		0.00
8019	E	Fidelity or Crime Insurance	0.00		0.00
		Totals	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Big Trout Condominium Association
Account Groupings

	12/31/22 Unadjusted Bal	Adjusting JE Adjustments	12/31/22 Adjusted Bal
Account Classification			
CA	Current Assets		
	CA, CASH Cash and Equivalents		
1011 - Alliance Bank - Operating	73,518.00		73,518.00
Totals for Cash and Equivalents	73,518.00	0.00	73,518.00
	CA, CASH - R Cash and Equivalents - Reserves		
1013 - Alliance Bank - Reserves/WC	234,716.00		234,716.00
Totals for Cash and Equivalents - Reserves	234,716.00	0.00	234,716.00
CA	308,234.00	0.00	308,234.00
NPE	Net Property and Equipment		
	NPE, No Subcode		
1200 - Fitness Equipment	4,343.00		4,343.00
1201 - Outdoor Common Areas	245,469.00		245,469.00
1202 - Equipment and Fixtures	7,106.00		7,106.00
Totals for No Subcode	256,918.00	0.00	256,918.00
	NPE, AD Accumulated Depreciation		
1250 - Accumulated Depreciation	(253,745.00)		(253,745.00)
Totals for Accumulated Depreciation	(253,745.00)	0.00	(253,745.00)
	NPE, LAND Land		
1203 - Landscape Labor	55,450.00		55,450.00
Totals for Land	55,450.00	0.00	55,450.00
NPE	58,623.00	0.00	58,623.00
EQ	Equity		
	EQ, RE Retained Earnings		
3900 - Retained earnings - Operating	(677,111.00)		(171,294.00)
RJE 1 - To reconcile equity		505,817.00	
Totals for Retained Earnings	(677,111.00)	505,817.00	(171,294.00)
	EQ, EQ - R Reserves Equity		
3920 - Retained earnings - Reserves	0.00		(514,009.00)
RJE 1 - To reconcile equity		(505,817.00)	
RJE 2 - To allocate reserve interest		(8,192.00)	
Totals for Reserves Equity	0.00	(514,009.00)	(514,009.00)
EQ, XFER - O Transfers - Operating			

**Big Trout Condominium Association
Account Groupings**

	12/31/22 Unadjusted Bal	Adjusting JE Adjustments	12/31/22 Adjusted Bal
6620 - Building Replace - Reserve	200,004.00		200,004.00
Totals for Transfers - Operating	<u>200,004.00</u>	<u>0.00</u>	<u>200,004.00</u>
EQ, XFER - R Transfers - Reserves			
5009 - Capital Reserve Income	(200,004.00)		(200,004.00)
Totals for Transfers - Reserves	<u>(200,004.00)</u>	<u>0.00</u>	<u>(200,004.00)</u>
EQ Totals for Equity	<u>(677,111.00)</u>	<u>(8,192.00)</u>	<u>(685,303.00)</u>
INC Income			
INC, No Subcode			
5014 - Transfer Fee	100.00		100.00
5021 - Late Interest	(110.00)		(110.00)
5025 - Nsf income	(40.00)		(40.00)
5026 - Fine income	(300.00)		(300.00)
5032 - Lien Income	(100.00)		(100.00)
Totals for No Subcode	<u>(450.00)</u>	<u>0.00</u>	<u>(450.00)</u>
INC, ASSESS Owners assessments			
5010 - Dues	(693,550.00)		(693,550.00)
Totals for Owners assessments	<u>(693,550.00)</u>	<u>0.00</u>	<u>(693,550.00)</u>
INC, INT Interest			
5051 - Interest Income Reserves	(27.00)		(27.00)
Totals for Interest	<u>(27.00)</u>	<u>0.00</u>	<u>(27.00)</u>
INC, INT - R Interest - Reserves			
5050 - Interest Income - Capital Reserves	(8,192.00)		(8,192.00)
Totals for Interest - Reserves	<u>(8,192.00)</u>	<u>0.00</u>	<u>(8,192.00)</u>
INC, INSCLAIM - R Insurance claim income Reserve			
5100 - Misc. Income	(50,000.00)		(50,000.00)
Totals for Insurance claim income Reserve	<u>(50,000.00)</u>	<u>0.00</u>	<u>(50,000.00)</u>
INC, LATE LATE			
5020 - Late charges	(1,214.00)		(1,214.00)
Totals for LATE	<u>(1,214.00)</u>	<u>0.00</u>	<u>(1,214.00)</u>
INC Totals for Income	<u>(753,433.00)</u>	<u>0.00</u>	<u>(753,433.00)</u>
EXP Operating Expenses			
EXP, No Subcode			
6307 - Security services	9,308.00		9,308.00

**Big Trout Condominium Association
Account Groupings**

	12/31/22 Unadjusted Bal	Adjusting JE Adjustments	12/31/22 Adjusted Bal
6320 - Staffing	495.00		495.00
6630 - Repairs and Maintenance	11,411.00		11,411.00
6635 - Special Projects	1,902.00		1,902.00
Totals for No Subcode	<u>23,116.00</u>	<u>0.00</u>	<u>23,116.00</u>
EXP, SNOW Snow removal			
6615 - Snow Removal	15,200.00		15,200.00
Totals for Snow removal	<u>15,200.00</u>	<u>0.00</u>	<u>15,200.00</u>
EXP, RESINT Reserve Interest			
5052 - Reserve Interest Allocation	0.00		8,192.00
RJE 2 - To allocate reserve interest		8,192.00	
Totals for Reserve Interest	<u>0.00</u>	<u>8,192.00</u>	<u>8,192.00</u>
EXP, ELEC Electricity and gas			
6415 - Electricity and Gas	25,285.00		25,285.00
Totals for Electricity and gas	<u>25,285.00</u>	<u>0.00</u>	<u>25,285.00</u>
EXP, CAB Cable			
6445 - Cable	121,527.00		121,527.00
Totals for Cable	<u>121,527.00</u>	<u>0.00</u>	<u>121,527.00</u>
EXP, INTER Internet			
6450 - Internet Fees	21,402.00		21,402.00
Totals for Internet	<u>21,402.00</u>	<u>0.00</u>	<u>21,402.00</u>
EXP, TR Trash Removal			
6410 - Refuse Removal	725.00		725.00
Totals for Trash Removal	<u>725.00</u>	<u>0.00</u>	<u>725.00</u>
EXP, LAND Landscape			
6810 - Mowing	42,836.00		42,836.00
6820 - Commons Fertilizing	4,273.00		4,273.00
6830 - Commons Turf Spraying	1,680.00		1,680.00
6843 - Tree Program	6,350.00		6,350.00
6850 - Flowers	1,885.00		1,885.00
6860 - Sprinkler Turn On/Off	1,318.00		1,318.00
6880 - Landscape Labor	2,749.00		2,749.00
6890 - Misc. Landscape	1,708.00		1,708.00
Totals for Landscape	<u>62,799.00</u>	<u>0.00</u>	<u>62,799.00</u>
EXP, WATSEW Water and Sewer			
6420 - Water	31,285.00		31,285.00

**Big Trout Condominium Association
Account Groupings**

	12/31/22 Unadjusted Bal	Adjusting JE Adjustments	12/31/22 Adjusted Bal
6425 - Sewer	86,170.00		86,170.00
Totals for Water and Sewer	<u>117,455.00</u>	<u>0.00</u>	<u>117,455.00</u>
EXP, PEST Pest control			
6844 - Insect Control	469.00		469.00
Totals for Pest control	<u>469.00</u>	<u>0.00</u>	<u>469.00</u>
EXP, POOL Pool and spa			
6610 - Pool & Hot Tub	16,497.00		16,497.00
Totals for Pool and spa	<u>16,497.00</u>	<u>0.00</u>	<u>16,497.00</u>
EXP, STREET Street sweeping			
6440 - Street cleaning and maintenance	38.00		38.00
Totals for Street sweeping	<u>38.00</u>	<u>0.00</u>	<u>38.00</u>
EXP, FIT Fitness equipment			
6611 - Fitness Center	3,277.00		3,277.00
Totals for Fitness equipment	<u>3,277.00</u>	<u>0.00</u>	<u>3,277.00</u>
EXP, MRR Major Repairs and replacements			
6621 - Capital Expenses	525,198.00		529,297.00
AJE 1 To reclass reserve bank fees		4,099.00	
Totals for Major Repairs and replacements	<u>525,198.00</u>	<u>4,099.00</u>	<u>529,297.00</u>
EXP Totals for Operating Expenses	<u>932,988.00</u>	<u>12,291.00</u>	<u>945,279.00</u>
OE Other Expenses			
OE, No Subcode			
6135 - Board and Annual Meetings	128.00		128.00
6308 - Lien Filing Fees	200.00		200.00
6330 - Bank Charges	4,221.00		122.00
AJE 1 To reclass reserve bank fees		(4,099.00)	
6626 - Postage	2,004.00		2,004.00
6900 - Web fees	157.00		157.00
Totals for No Subcode	<u>6,710.00</u>	<u>(4,099.00)</u>	<u>2,611.00</u>
OE, INS Insurance expense			
6310 - Insurance Expenses	57,705.00		57,705.00
Totals for Insurance expense	<u>57,705.00</u>	<u>0.00</u>	<u>57,705.00</u>
OE, MGMT Management			
7505 - Management Fee	42,784.00		42,784.00
Totals for Management	<u>42,784.00</u>	<u>0.00</u>	<u>42,784.00</u>

Big Trout Condominium Association
Account Groupings

	12/31/22 Unadjusted Bal	Adjusting JE Adjustments	12/31/22 Adjusted Bal
OE, LEGAL Legal and professional			
6455 - Technical Services	5,109.00		5,109.00
Totals for Legal and professional	5,109.00	0.00	5,109.00
OE, SOCIAL Community and social activities			
6120 - Community Events	2,113.00		2,113.00
Totals for Community and social activities	2,113.00	0.00	2,113.00
OE, DEP Depreciation expense			
6311 - Depreciation Expense	8,975.00		8,975.00
Totals for Depreciation expense	8,975.00	0.00	8,975.00
OE, ACCT Accounting services			
6305 - Accounting	3,750.00		3,750.00
Totals for Accounting services	3,750.00	0.00	3,750.00
OE Totals for Other Expenses	127,146.00	(4,099.00)	123,047.00
TAX Provision for Income Taxes			
TAX, FEDERAL Federal Income Taxes			
7515 - Federal Income Taxes	3,553.00		3,553.00
Totals for Federal Income Taxes	3,553.00	0.00	3,553.00
TAX Totals for Provision for Income Taxes	3,553.00	0.00	3,553.00
Totals for Account Classification	0.00	0.00	0.00
Leadsheet Schedule			
UV Property and Equipment			
UV, UV-2 Accumulated Depreciation			
1250 - Accumulated Depreciation	(253,745.00)		(253,745.00)
Totals for Accumulated Depreciation	(253,745.00)	0.00	(253,745.00)
UV Totals for Property and Equipment	(253,745.00)	0.00	(253,745.00)
SS Equity			
SS, SS-1 Retained Earnings			
3900 - Retained earnings - Operating	(677,111.00)		(171,294.00)
RJE 1 - To reconcile equity		505,817.00	
Totals for Retained Earnings	(677,111.00)	505,817.00	(171,294.00)

Big Trout Condominium Association
Account Groupings

		12/31/22 Unadjusted Bal	Adjusting JE Adjustments	12/31/22 Adjusted Bal
SS	Totals for Equity	<u>(677,111.00)</u>	<u>505,817.00</u>	<u>(171,294.00)</u>
	Totals for Leadsheet Schedule	<u>(930,856.00)</u>	<u>505,817.00</u>	<u>(425,039.00)</u>



June 28, 2023

Board of Directors and Management
Big Trout Condominium Association
Liberty Lake, Washington

Dear Board of Directors and Management:

We have audited the financial statements of Big Trout Condominium Association for the year ended December 31, 2022. We have released the draft financial statements and representation letter to you. Upon the Board's approval of the financial statements and representation letter we will release the final report. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated November 28, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

You are responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Big Trout Condominium Association are described in Note 3 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended December 31, 2022. We noted no transactions entered into by Big Trout Condominium 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.

Your estimate of useful lives and depreciation methodology for property and equipment. We evaluated the consistency and appropriateness of the estimates in determining that depreciation is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

During the course of the audit, we were unable to obtain sufficient audit evidence to support the balances for the fixed assets and accumulated depreciation.

Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We have provided management with all audit adjusting journal entries recorded.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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.

Other Matters

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. Please note that the supplementary information has not been subjected to audit procedures.

This information is intended solely for the use of the Board of Directors and Management of Big Trout Condominium Association and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Newman Certified Public Accountant, PC.

Newman Certified Public Accountant, PC
Bellevue, Washington

May 22, 2023

Newman Certified Public Accountant, PC
10900 N.E. 4th Street, Ste 2300
Bellevue, WA 98004

This representation letter is provided in connection with your audit of the financial statements of Big Trout Condominium Association (the "Association"), which comprise the statement of assets, liabilities and fund balance - modified cash basis as of December 31, 2022, and the related statements of revenues, expenses, and changes in fund balance - modified cash basis for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with the modified cash basis of accounting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities and, as set out in the terms of the audit engagement letter, including our responsibilities for the preparation and fair presentation of the financial statements.
2. The financial statements referred to above are fairly presented in accordance with the modified cash basis of accounting.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed.
7. All events subsequent to the date of the financial statements have been adjusted or disclosed.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. If applicable, a list of the uncorrected misstatements is attached to the representation letter.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed.
10. Material concentrations have been properly disclosed.
11. Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed.
12. Transfers or designations of fund balance or inter-fund borrowings have been properly authorized and approved and have been properly recorded or disclosed.
13. Uncollectible inter-fund loans have been properly accounted for and disclosed.

Information Provided

14. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
15. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
17. We have no knowledge of any fraud or suspected fraud that affects the Association and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements

communicated by employees, former employees, regulators, or others.

- 19. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 20. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 21. We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.
- 22. The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 23. We acknowledge our responsibility for presenting the supplementary information on major repairs and replacements, and we believe the supplementary information on major repairs and replacements, including its form and content, is fairly presented. The methods of measurement and presentation of the supplementary information on major repairs and replacements have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 24. The board of directors is collecting funds for future major repairs and replacements in conformity with the Association's policy to fund for those needs based on the latest study conducted. The board of directors believes the funds will adequately provide for future major repairs and replacements.
- 25. The Association's allocation of expenses against exempt and nonexempt function income conforms with IRS rules, which require that the allocation be made "on a reasonable basis." We have adequately documented such allocation.
- 26. The Association's excess income, if applicable, in the current year, has for tax purposes in the event form 1120 is prepared and filed, elected to either (a) offset it against next year's assessments, or (b) refund it to members. We have adequately documented such election in the current year. In the event form 1120-H is prepared and filed, we understand that the resolution to offset or refund is not required.
- 27. We understand that management is responsible for requesting clarification from the tax preparer, if necessary for the Association's choice of filing Form 1120 or 1120-H, and the consequences thereof.

Big Trout Condominium Association. Audit for the year ended December 31, 2022.

BOARD:

DocuSigned by:
DG Garcia
Signature: _____
DF70905B32A64C3...
Print name: DG Garcia
Title: President

MANAGING AGENT:

DocuSigned by:
Gil Pierce
Signature: _____
0F06A50A15644C0...
Print name: Gil Pierce
Title: HOA Manager