

## **ANALYSIS of SCHWINDT & Co.'s FIVE DOCUMENTS**

On **12/14/2023** Mr. Fedora, who was the president of the Bella Vista Homes Homeowners Association (“BVHHOA”), emailed **five pdf documents** written by Schwindt & Co (“Schwindt”) to a BVHHOA member.

Perhaps other BVHHOA members got Mr. Fedora’s email with the five Schwindt documents; four of them are on QPM’s “HOA Portal/Shared Documents” web page.

### **Mr. Fedora never explained why these five documents were created.**

Schwindt’s five documents were created by two of Schwindt & Co’s CPAs: Mr. Weaver and Mr. Lane. The documents are:

1. BVH HOA 2021 YE Management Letter. (Undated)
2. BVH HOA 2021 YE ARTICLE Memo on Internal Controls. (Undated)
3. BVH HOA 2021 YE - Financial Statements - 12-31-21 - FINAL. (dated 12/11/2023)
4. BVH HOA 2022 ARTICLE Memo on Internal Controls. (Undated)
5. BVH HOA 2022 YE Financial Statements 12-31-22 - FINAL. (12/11/2023)

These five documents are here: <https://www.bvhaccess.com/financials/>

The comments on Schwindt’s five documents, submitted below, should be read together along with with them.

### **1. BVH HOA 2021 YE Management Letter (“Management Letter”)**

The Management Letter is specifically addressed to the BVHHOA Board of Directors.

The word “*management*” needs clarification, and Schwindt helps us with this because the Notes in Schwindt’s “Financial Statements” state: “***The Association employs a community manager to perform accounting and community management functions.***”

Schwindt’s documents **never** state that BVHHOA’s “*community manager*” is, in fact, the “Quality Property Management” company (“QPM”).

Throughout the five documents, Schwindt avoids naming QPM, preferring instead to use inexact terms like: “*management*”, “*management’s financial data*”, “*Association management*”, “*Management’s Responsibility*”, “*representation of management*”, “*Cash held with management*”, “*Management fees*”, “*community management company*”, “*the Association’s management company*”, “*Community Management*”, etc.

Throughout Schwindt’s five documents, “*management*” means QPM.

QPM has been BVHHOA’s “*management*” since September 1st 2020 when, with no explanation, QPM took over from Crystal Lake Community Management (“CLCM”). BVHHOA members were never told why.

The words “Quality Property Management” and “QPM” never appear in Schwindt’s five documents.

Schwindt never mentions that, by September **2020**, an unknown BVHHOA Board, or some other entity, had **(1)** delegated, **(2)** appointed, and **(3)** authorized QPM to perform a lot of the Board’s duties. From then until September **2022**, only QPM’s Robert Rood and QPM’s Allison Merrell managed BVHHOA’s finances; not the Canadian Board.

In September **2023**, the Canadian Board suddenly hired Schwindt to perform accounting tasks. BVHHOA members weren’t told why.

The contents of Schwindt’s “BVHHOA 2021 YE Management Letter” document are now examined:

*Financial Statements/Financial Matter for Financial Year 2021:* What “*following financial matter*” is being brought to the Board’s attention? The rest of the letter does not consider “*financial matters*”, only “*meetings*”.

*“No Meeting Held”?* The minutes of the BVHHOA board meetings that were held from **2012** to **May 2020** at Pahlisch Homes’ locations in Bend are in QPM’s website’s “HOA Portal/Shared Documents” page. None of these meetings conformed to the requirements of Bylaws 2.2 that defines the Place of Meetings, nor to Bylaws 2.5 that defines the Notice of Meetings. The last Pahlisch meeting of **May 2020** was held using Zoom, but BVHHOA members were not given notice about it. This **May 2020** meeting was the last meeting held by a Board that had consisted exclusively of Pahlisch Homes directors from **April 2013** to **May 2020**.

“Section 2.3 of the Association’s Declaration”? This section of the Declaration (i.e. CC&Rs) refers to Sidewalks, not Meetings.

BVHHOA’s **Declaration** does not include any definitions of the organizational requirements for meetings. BVHHOA’s **Bylaws** define everything that a Board needs to know about calling meetings. The Declaration defines various matters about meetings’ participants and the subject matter that can be considered in meetings. There is no justifiable need for a capable Board to engage a lawyer for BVHHOA meetings.

After the final Pahlisch-staffed board’s “Zoom” meeting of **May 2020**, and the Canadian Board’s installation in **July 2021**, there were **no Board meetings until Sept. 2022! A GAP OF ONE WHOLE YEAR!**

“We will review the status of this comment”. This entire paragraph is the kind of worthless verbiage that bloats all of Schwindt’s five documents.

**2. BVH HOA 2021 YE ARTICLE Memo on Internal Controls** and  
**4. BVH HOA 2022 YE ARTICLE Memo on Internal Controls.**

These two undated Memos have no specific addressee and are identical. They are not specifically addressed to BVHHOA’s board; instead, they refer to HOA boards in general.

The memos candidly describe **“significant internal control risk”** that is likely to occur in managing HOA’s finances, including the **“risk of allowing such individuals to have access to Association cash”**, Schwindt also suggests **recommendations**.

*“An officer of the Association should consider reviewing account activity”*.

All “account activity”, excluding activity covered by ORS 94.670(9)(b), could be stored on a secure website accessible to all BVHHOA members. Transparency leads to accountability, and QPM’s website lacks both.

Schwindt’s warnings and advice to all HOAs include: “Any unusual activity should be investigated and reported to the board. We understand this procedure may place an undue burden on the board.”. BVHHOA members might **justly disagree** with the last sentence as bad management of the BVHHOA’s finances places an equal, or greater, “undue burden” on the BVHHOA’s rank and file members; whom the board serves!

**3. BVH HOA 2021 YE - Financial Statements - 12-31-21 - FINAL** and  
**5. BVH HOA 2022 YE - Financial Statements - 12-31-22 - FINAL**

These two “Financial Statement” (“FS”) documents have similar formats and contents that are discussed below; only the significant differences between Fiscal Year (“FY”) 2021 and 2022 are identified.

Each FS contains:

- Independent Accountant’s Review Report addressed to the Board (“Review Report”). This **review is not an audit.**
- Revised Balance Sheet and Revenue/Expenditure for BVH HOA for the Review’s FY. Schwindt never explains the reasons for these revisions in plain language. (Note: “income” and “revenue” mean the same)
- Statement of Changes in Fund Balance - Modified Cash Basis
- Notes to the Review Report, the Balance Sheet (“B/S”) and the Revenue & Expense report (“I/E”).
- Supplementary Information. This “extract” from the **2022** Reserve Study is the same for both the **2021** FS and the **2022** FS.
- July 6th 2022 “Starting Balance Distribution” (Appears in both Reviews!)

**BVH HOA’s Accounting Requirements, and general information**

Before examining the contents of Schwindt’s FS’s, the following statutes and governing documents, that are the controlling legal documents that mandate BVH HOA’s required accounting standards and record-keeping, are specifically relevant to the Schwindt documents:

ORS Chapter 65: 65.771(2), 65.771(5)(g)

ORS Chapter 94: 94.670(3), 94.670(5), 94.595, 94.670(4), 94.616(3)(f)

BVH HOA Declaration: 3.1, 3.9, 3.9.1, 3.9.2, 3.9.3, 5.10, 5.12,

BVH HOA Bylaws: 3.14, 3.17

## **Association Funds**

The word “fund” refers to an amount of money that is saved for a defined purpose. *A fund can consist of one or more bank accounts.* All BVHHOA income must be maintained according to Oregon Statute 95.670 (key parts are shown below with **bold and blue** fonts added), and the Declaration and Bylaws to which ORS 94.670(2)(b) defers:

**ORS 94.670(2)(a)** All assessments, including declarant subsidies and all other association funds, **shall be deposited and maintained in the name of the association in one or more separate federally insured accounts, including certificates of deposit, at a financial institution**, as defined in ORS 706.008, other than an extranational institution. Except as provided in paragraph (b) of this subsection, funds must be maintained in an association account until disbursed.

(b) Subject to any limitations imposed by the declaration or bylaws, funds of the association maintained in accounts established under this subsection may be used to purchase obligations of the United States government.

(c) All expenses of the association shall be paid from the association account.

**ORS 706.008(9)** “Financial institution” means an insured institution, an extranational institution, a credit union as defined in ORS 723.006, an out-of-state credit union under ORS 723.042 or a federal credit union.

The Declaration and Bylaws refer specifically to the Reserve Fund, Reserve Account, Operating Fund and Operating Account, without identifying the difference between the terms “Fund” and “Account”, in the following paragraphs: **(1)** Declaration: 3.9. **(2)** Bylaws: 4.6.

## **History of BVHHOA FS's from 2015 to 2022**

The history of all BVHHOA's budgets, financial statements, and tax returns is here: <https://www.bvhaccess.com/financials>.

## **Schwindt's claim of “Independence”:**

The Canadian Board (Fedora, Lommer, & Bews) hired Schwindt in mid 2023, but, as a key member of the Oregon CAI, Schwindt's “*independence*” is suspect.

## **Modified Cash Basis (“MCB”)**

The term “modified cash basis” (“MCB”) first appears ***(three times!)*** in the first paragraph of both of the “Independent Accountant’s Review Reports”.

MCB is not mentioned in the YE Management Letter, nor in the two Memos.

## **Accrual Accounting, Cash Based Accounting, and MCB Accounting**

With cash-based accounting, income is recorded when it is received, and expenses are recorded when they are paid. This means that, for example, when an accounting time period is greater than one FY, the income statements might show large losses, or large gains, from one FY to the next.

Cash-based accounting does **not** track Accounts Receivable (“A/R’s”) nor Accounts Payable (“A/P’s”); it will not account for future bills that are due for payment, nor income that will be received in the future. This means that an end-of-accounting-period balance may be less, or more, than expected, and this might give a misleading financial status.

Accrual accounting allows income to be recorded before it is received, and expenses to be recorded as they are incurred, and before their actual payment. The incomes and expenses are entered into the books before the monetary transactions for them are actually completed and appear on the books as A/Rs and A/Ps, respectively. All the F/S’s Balance Sheets from FY 2015 to the six-month FS to June 2020 contain A/R and A/P entries.

With MCB, accrual accounting is used for “long-term” incomes and expenses, and cash accounting is used for “short-term” ones.

Schwindt does not define the time periods for these “short-term” and “long-term” categories of its incomes and expenses; and Schwindt does not state which assets, liabilities, incomes and expenditures belong to these two categories, or which line items represent accrual or cash transactions.

A/P and A/R line items never appear in any of the Balance Sheets (“B/S”) in Schwindt’s “Review Reports”.

## **Facts about CLCM’s and QPM’s historical FS’s:**

The annual FS’s that CLCM produced from 2015 to mid-2020 **were based on accrual accounting.**

**2015 to June 2020.** CLCM's FS's have similar formats. The A/R Assets and A/P Liabilities in the B/S's show that CLCM's FS's from 2015 to June 2020 used Accrual Accounting. CLCM's 2019 and June 2020 FS's even say "Accounting basis: Accrual" in their titles. Also CLCM's 2019 and June 2020 FS's used a "Chart of Accounts".

Here's a brief history of **QPM's** F/S's:

- **Sept 2020 to Dec 2020.** QPM's FS has **NO** A/R, **NO** A/P. Did QPM change BVHHOA from accrual to Cash Accounting without Board authorization?
- **Dec 2021.** QPM B/S's had no A/R and no A/P line items. Was QPM using cash accounting, or MCB Accounting?
- **Dec 2022.** Same question as Dec 2021.

**Summary:** CLCM used accrual accounting from 2015 to mid 2020; after this date, QPM used an undefined form of cash accounting.

BVHHOA's Fiscal Year ("FY") is the calendar year: Jan 1 to Dec 31.

BVHHOA's **Declaration 3.17(a)** says: "accounting and controls should conform to generally accepted accounting principles".

By 5th Dec **2023**, Schwindt had reviewed and adjusted BVHHOA's FY 2021 and FY 2022 F/S's, that were produced by QPM, to convert them from Cash Based accounts to MCB to deal with the fact that from mid-2020 through to 2022 large amounts of BVHHOA's money was held by QPM in a QPM owned bank account, contrary to **ORS 94.670(2)(a)**. This money had to be transferred from accounts in the name of QPM into accounts in the name of BVHHOA, although Schwindt does not explain these transfers in plain language. The methods that QPM used for BVHHOA's accounting from mid-2020 to the end of 2022 and beyond, did not comply with Oregon Statutes and BVHHOA's Governing Documents.

**In summary:** Accrual accounting was used up to mid-2020. Schwindt did not review the 2020 accounts. It is unclear what "accounting principles" QPM used from mid-2020 to 2022. The lack of any A/P and A/R line items in both QPM's and Schwindt's B/S's suggest that Schwindt adjusted QPM's 2021 and 2022 F/S's to MCB.

The **2023 FS, if, - or when - it is ever distributed**, might show if Schwindt's MCB will continue, or if accrual accounting is restored.

At the March 5th 2024 Turnover meeting the Declarant **did not deliver** a FS for **3/5/2023 to 3/5/2024 as required by ORS 94.616(3)(f)** (in red here):

**94.616(3) At the meeting called under ORS 94.609, the declarant shall deliver to the association:**

- (a) The original or a photocopy of the recorded declaration and copies of the bylaws and the articles of incorporation, if any, of the planned community and any supplements and amendments to the articles or bylaws;
- (b) A deed to the common property in the planned community, unless otherwise provided in the declaration;
- (c) The minute books, including all minutes, and other books and records of the association and the board of directors;
- (d) All rules and regulations adopted by the declarant;
- (e) Resignations of officers and members of the board of directors who are required to resign because of the expiration of any period of declarant control reserved pursuant to ORS 94.600;
- (f) **A financial statement. The financial statement:**
  - (A) Must consist of a balance sheet and an income and expense statement for the preceding 12-month period or the period following the recording of the declaration, whichever period is shorter; and**
  - (B) Must be reviewed, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants, by an independent certified public accountant licensed in the State of Oregon if the annual assessments of an association exceed \$75,000**

## **ANALYSIS OF SCHWINDT'S FIVE DOCUMENTS**

### **Independent Accountant's Review Report**

Schwindt States: "A review includes primarily applying *analytical procedures* to *management's financial data* and making inquiries of *Association management*."

"analytical procedures". What specifically are these "procedures"?

"management's financial data": Who exactly is "management"? Is it solely QPM, or does "management" include the Board? Even though the Board delegated control of all of BVHHOA's financial matters to QPM, the Board remains ultimately responsible for the management of all BVHHOA matters.

What does "management's financial data" consist of? **Bylaws 3.14(I)** charges the Board with "keeping books with detailed accounts of the receipts and expenditures of the Association". Since **4/28/2023** QPM has failed to deliver these books to one Association member despite **seven demands** or them to QPM since **4/19/2023**, and at least **five demands** for them to the Canadian Board. These are statutory violations.

Does the term "Association management" refer to CLCM, or QPM, or the  
Sunday, April 21, 2024



Pahlisch board before July 2020, or the nonexistent board from July 2020 to July 2021, or the Canadian Board from Sept. 2021 to March **2024**?

Schwindt ambiguously states that its review is something other than an audit, calling it “*an expression of opinion*”, then Schwindt then states that it does not “*express such an opinion*”. Schwindt’s evasive writing occurs in all its five documents, as if Schwindt was trying to avoid awkward facts.

- **Management’s Responsibility for the Financial Statements.** The Board always was, and is, responsible for the financial control of BVHHOA. Bylaws 3.13, and 3.16 state: “*The Board may delegate such powers as are necessary to perform the manager’s assigned duties.*” The specific duties that the board delegated to CLCM are published here: <https://www.bvhaccess.com/management-duties> .The specific duties that the Canadian Board **assigned** to QPM have **never** been published. The Canadian Board once stated that QPM produced and published all of BVHHOA’s FS’s. The Board may delegate powers and authority to QPM, but the Board cannot delegate its **responsibility**. *The Board alone is ultimately responsible for all aspects of the financial operations of BVHHOA.*
- **Accountant’s Responsibility.** Who, in July 2020, made the decision to change from accrual to cash accounting? Since 2015, no decision to change BVHHOA’s accounting method was ever minuted in any Board meetings. Schwindt’s statement “*We are required to be independent of Bella Vista Homes Homeowner’s Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.*” Was Schmidt also “*independent of*” the Declarant and QPM? What are these “*other ethical responsibilities*” and the “*ethical requirements related to our review*”? These vague words show Schwindt’s indisputable lack of distinct candor.
- **Accountant’s Conclusion.** Schwindt never identifies the parts of QPM’s “*management’s financial data*” that Schwindt felt had to be “*modified*”. Schwindt’s own conclusion about its own accounting documents is blatant self-serving.
- **Basis of Accounting** Why, when, and by whom, was it decided to use MCB accounting instead of either accrual accounting or cash based accounting? Did the Canadian board vote on a motion and was a decision minuted? If so, where? What were the actual “*modifications*” that Schwindt did to QPM’s financial records?
- **Supplementary Information.** The term “Supplementary Information” actually refers to the Reserve Study and Reserve Accounting defined in

Oregon Statute 94.595. Since 2015, no Reserve Study has complied with ORS 94.595, and all the past amounts that were set aside for reserves were improperly calculated. From 2015 onwards, all the budgets that used these improperly calculated reserve amounts were worthless because **(1)** BVHHOA never has a comprehensive inventory of Common Property **(2)** BVHHOA management never kept a comprehensive history of the maintenance and replacement of its Common Property.

### **Balance Sheet – Modified Cash Basis 2021.**

The phrase “**Cash held with management**” is the cash in the amount of **\$181,605** shown on QPM’s 2021 B/S. On **12/31/2021** this **cash was held in an account belonging to QPM!!!** All cash must be held in accounts in BVHHOA’s name, and any and all its earned interest belongs to BVHHOA. Oregon Statute 94.670(2)(a) states: “*All assessments, including declarant subsidies and all other association funds, shall be deposited and maintained in the name of the association in one or more separate federally insured accounts, including certificates of deposit, at a financial institution, as defined in ORS 706.008, other than an extrajurisdictional institution. Except as provided in paragraph (b) of this subsection, funds must be maintained in an association account until disbursed.*”

Accordingly, the “**Cash held with management**” phrase shows that QPM was in violation of ORS 94.670(2)(a) and Declaration 3.9.3 because cash must be held in separate BVHHOA accounts in a financial institution: **(1)** an account for the Operating Fund, and **(2)** a separate account for the Reserve Fund, and both accounts must be **in the name of the association.** Why was QPM holding cash that belonged to BVHHOA? What was QPM doing with the interest earned by the **\$181,605**? Exactly what was going on with BVHHOA’s funds from **Sept. 2020** to the end of **2022**, and beyond?

Schwindt refers to the Reserve Fund as the “*Replacement Fund*”. Why did Schwindt change the naming convention that is used by the Declaration and the Bylaws (i.e., “Reserve Study” and “Reserve Fund”)?

The “**Refundable construction deposits**” of **\$55,250** are shown as being held in the Operating Fund. Was the money shown on the B/S’ line items held in two bank accounts: **(1)** the “Operating Fund” account, and **(2)** the

“Replacement Fund” account, or is all this money distributed throughout several financial institutions’ accounts that, since June 2020, have never been named in the FS’s created and published by QPM? See Declaration 3.9, and Bylaws 3.14(e) , 3.14(g), 3.17(a) and 3.17(b).

Schwindt’s 2021 B/S shows assets of \$181,605. But QPM’s 2021 B/S showed Total Assets of \$146,630.53, (a difference of \$34,974) There is no consistency between the account names on QPM’s B/S’s line items and Schwindt’s B/S’s line items’ account names. QPM’s accounts names (“*Escrow Cash*”, “*HOA Reserve Account- Pooled*”, “*x-fer Sec Dep to TA#2*”, etc ) are not self-explanatory; this is a problem with all the B/S’s ever produced by QPM.

**Statement of Revenues and Expenses - Modified Cash Basis - 2021**

(Revenue and expenses come from QPM’s Income Statement 1/1/2021 to 12/31/2021)  
 ( /Diff/ is the numerical difference between two amounts)

	<u>QPM</u>	<u>Schwindt</u>	<u>/Diff/</u>
Revenues:	121,330.20	117,080	4250
Expenses:	94,963.80	94,964	0
Net Income	26,366.61	22,116	4250

**Balance Sheet – Modified Cash Basis 2022.**

Where were these “*interest bearing deposits*” deposited? Why does BVHHOA only have a total of **\$683** in cash in its BHHOA accounts when QPM has **\$170,315** of BVHHOA’s money in accounts in QPM’s name? What was/is QPM doing with the interest accrued from BVHHOA’s money held in QPM’s own bank accounts? Why is **\$170,998** in “***Cash held with management***”. Was all this money in a bank account that is in QPM’s name? If so, this did not comply with 94.670(2)(a) that states: “*must be maintained in an association account until disbursed*”.

Does the “*Interfund balance*” line item show a direct transfer of **\$22,253** from the Operating Fund to the Reserve Fund, or is another unnamed account involved here? Where does this **\$22,253** amount come from,

since there was no 2022 Reserve Study?

The original 2022 B/S showed Total Assets of \$149,273.49c. Schwindt's 2022 B/S shows assets of \$170,998 a difference of \$21,724.51c !!!!

The wording used in Schwindt's 2021 and 2022 B/S's shows that funds were, and maybe still are, deposited and held in bank accounts belonging to QPM, and also at banks or depositories whose identities and account names have never been divulged to the BVHHOA members. Why is there so much secrecy about the BVHHOA banks and the BVHHOA bank accounts? All this secrecy started from mid 2020 when QPM took over management from CLCM.

From mid 2020 QPM stopped using accrual accounting, and A/P and A/R line items do not appear on either QPM's or Schwindt's B/S's. Schwindt did not review BVHHOA's accounts for FY 2020 when the management changed from CLCM to QPM, and the accounting method changed from accrual to cash and BVHHOA's banks were changed.

(Refer back to ,the warnings in Schwindt's "Memo On Internal Controls")

### **Statement of Revenues and Expenses - Modified Cash Basis - 2022**

(Revenue and expenses come from QPM's Income Statement 1/1/2022 to 12/31/2022 )

	<u>QPM</u>	<u>Schwindt</u>	<u>/Diff/</u>
Revenues:	109,384.90	108,387	979.90
Expenses:	109,991.94	110,244	252.06
Net Income:	-607.04	-1,857	449.60

### **Statement of Changes in Fund Balance - Modified Cash Basis 2021**

With small differences to the refundable construction deposits, this statement simplifies QPM's 2021 B/S which states that at Y/E 2021 there was **\$181,605** in cash in QPM's accounts of which **\$55,250** was refundable construction deposits.

(Fund Balance comes from QPM's B/S as of 12/31/2020)

(Excess Revenue comes from QPM's Income Statement as of 12/31/2021)

	<u>QPM</u>	<u>Schwindt</u>	<u>/Diff/</u>
Fund balance, as of December 31, 2020;	145,409	103,239	42,170
Excess of revenues over (under) expenses;	26,367	22,116	4251
Initial working capital contributions;	N/A	1,000	1000
Fund balance, as of December 31, 2021;	172,046	126,355	45691

### **Statement of Changes in Fund Balance - Modified Cash Basis 2022**

(Fund Balance comes from QPM's B/S as of 12/31/2021)

(Excess Revenue comes from QPM's Income Statement as of 12/31/2022)

	<u>QPM</u>	<u>Schwindt</u>	<u>/Diff/</u>
Fund balance, as of December 31, 2021:	146,630	126,3552	20005
Excess of revenues over (under) expenses:	-607.04	-1,857	1249.96
Initial working capital contributions:	N/A	1,000	1000
Fund balance, as of December 31, 2022:	146,023	125,498	20525

Schwindt does not identify which MCB revenues are categorized as short term nor which are long term; also Schwindt does not define the duration of their short term time period and their long term time period.

All of Schmidt's B/S's, Statements of Revenues and Expenses, and Statements of Changes in Fund Balances are appended with the statement: *"See accompanying notes and independent accountant's review report"*.

Schwindt's *"accompanying notes"* do not clearly explain Schwindt's modifications. All of Schwindt's notes are replete with worthless verbiage, explanations, and rewrites of information that is found in Oregon Statutes or BVHHOA's Declaration and Bylaws.

## Notes to Financial Statements.

Although the 2021 and 2022 Notes to Financial Statements are almost identical, there are some differences, and Schwindt's notes have different numbers starting from Note 6. Because of this, the Notes are identified below by their titles, instead of Schwindt's numbers.

1. **Nature of Organization.** This note is superfluous; BVHHOA's "nature" is defined in BVHHOA's Declaration, Bylaws and Oregon Statutes.

### 2. **Summary of Significant Accounting Policies.**

- **Accounting Method.** This note does not explain in plain language why, starting from July 2020, Bylaws 3.17(a) was ignored. Before this date, BVHHOA's accounts used accrual accounting. Why does Schwindt say: "*cash receivable from the community management company*" instead of "**cash receivable from QPM**", and also not explain this transaction? The two receivables that were treated as accrual income were: **(1)** the cash that QPM transferred from QPM's bank accounts to BVHHOA's bank accounts in 2023, and **(2)** the "*refundable construction deposits*". In which FY's did these cash amounts cease to be held by QPM and be returned back to BVHHOA as "*cash receivable*"? Why did QPM take BVHHOA's cash and then deposit it in QPM's accounts? Why were "*refundable construction deposits*" held in a separate account with an unnamed account owner? No statute permits QPM to hold BVHHOA cash. From **2015 to mid-2020** the Association used **accrual** accounting, and A/R and A/P line items appear on the annual B/S's when CLCM published the annual FS's. *In fact the 2019 and 2020 FS documents from CLCM even say "accrual" in their titles.* Why did BVHHOA's accounting method suddenly change when QPM became BVHHOA's manager in July 2020? Why, all of a sudden in July 2020, was there was no active board of directors? Who created this debacle?
- **Fund Accounting.** This note does not identify any of the "*governing documents*" that define BVHHOA's financial management; nor does this note identify any specific statutes and laws in these "*governing documents*". These "*governing documents*", i.e., Oregon Statutes, the Declaration and the Bylaws, never mention a "*fund accounting*" method.

"Fund accounting" refers to an accounting method used by non-profit corporations. Schwindt's documents do not explain it, but a "**fund**" can consist of more than just one bank account. When BVHHOA used

accrual accounting in 2019, there were three accounts at “Alliance” bank: (1) “Alliance Operating”, (2) “Alliance Reserve Money Market” and (3) “Alliance ARC Deposits”. All three were in BVHHOA’s name. There was also a “Working Fund” but it is not clear where this fund was held, and if it was in BVHHOA’s name, or CLCM’s.

- Member Assessments, Operating and “Replacement” Funds. Member Assessments are defined in Declaration Article V. Schwindt is, yet again, unnecessarily and pointlessly rewriting the governing documents. Declaration 3.9, and 3.9.1 to 3.9.4 define BVHHOA’s Operating and Reserve Funds. See also ORS 94.670(2):

*(a:) All assessments, including declarant subsidies and all other association funds, shall be deposited and maintained in the name of the association in one or more separate federally insured accounts, including certificates of deposit, at a financial institution, as defined in ORS 706.008, other than an extranational institution. Except as provided in paragraph (b) of this subsection, funds must be maintained in an association account until disbursed.*

*(b) Subject to any limitations imposed by the declaration or bylaws, funds of the association maintained in accounts established under this subsection may be used to purchase obligations of the United States government.*

*(c) All expenses of the association shall be paid from the association account.*

What does all this mean? A “fund” can consist of one or more separate bank accounts **but they all must be in the “name of the association”;** **not in QPM’s name!** QPM had no right to hold BVHHOA’s money in an account owned by QPM. Between 2015 and mid-2020, according to CLCM’s B/S’s, there were at least four separate Alliance Bank accounts, or funds: (1) Operating, (2) “Working” (3) Reserve (4) ARC Deposit. **CLCM left in mid-2020 and QPM took over unilateral control of BVHHOA and, after this, BVHHOA had no effective board. BVHHOA members still have no knowledge of BVHHOA’s banks, nor the accounts in these banks, nor the names of these bank accounts’ signatories, nor if the BVHHOA monetary assets were being used by CLCM or QPM for their own benefit.** The “*cash held with management*” asset line item in both Schwindt’s 2021 B/S {\$181,605} and 2022 B/S {\$170,305} does not state if these monies were either held in QPM’s bank accounts, or, as ORS 94.670(2) requires, held in BVHHOA’s name? **This secrecy exists to this day!**

- Refundable Construction Deposits. A pdf file dated **3/5/2020** and named “BVH-ACC-Application-2020-03-05” contains a document titled “*Bella Vista Homes Owners’ Association Architectural Control Committee Request Form (For Use on Proposed New Residential Construction)*” that defines the **ACC**’s fees and deposits requirements. This document is not in QPM’s “HOA Portal”/“Shared Documents” in QPM’s website, but it is here: <https://www.bvhaccess.com/architectural> by clicking on the button titled “BVH-ACC-Application-2020-03-05”. There is no such entity as an “**ARC**” (“Architectural Review Committee”) in the governing documents, and the “**ACC**” (“Architectural **CONTROL** Committee”) ceased to be effective from September 2020.
3. Income Taxes. Schwindt’s note is superfluous. HOA taxes are filed using IRS Form 1120-H defined here: <https://www.irs.gov/instructions/i1120h> . Unless an extension is filed, tax returns must be filed by April 15th. BVHHOA’s Federal returns were filed on the following dates: 2015 - 1/28/2016, 2016 - 1/31/2017, 2017 - Unknown, 2018 - 3/17/2019, 2019 - **4/10/2023**, 2020 - **6/8/2023**, 2021 - **11/29/2022**. On **3/17/2023**, in response to a query asking about Oregon tax returns filed under BVHHOA’s Tax ID/EIN of **90-0877531**), Mr. West, Senior Corporation Tax Auditor of the **Oregon Department of Revenue** stated “I looked at the account and found that BVHHOA did not file any returns be it federal or Oregon for any years between 2014 and 2022.”
  4. Future Major Repairs and Replacements. This is yet another Schwindt note that rewords and reinterprets the **controlling legal documents** for reserve studies and reserve accounts that are in the Oregon statutes and BVHHOA’s governing documents. ORS **94.595** defines the requirement’s for BVHHOA’s reserve study and reserve account. Also, BVHHOA’s reserve account must also comply with **ORS 94.670**. Since 2015 onwards, **no** BVHHOA reserve study has conformed to ORS 94.670. Instead, these reserve studies were produced according to the “*National Reserve Study Guidelines established by the Community Associations Institute (CAI)*”. **CAI “guidelines” do not apply to the reserve study requirements of an Oregon HOA**. No “*guidelines*” can supercede ORS 94.595. Moreover, **ORS 94.595(3)( c )** defines the content of a reserve study and ORS 94.595 does not entrust reserve study requirements to BVHHOA’s Declaration, nor to BVHHOA’s



Bylaws, **and certainly not to the CAI**. None of BVHHOA's reserve studies have ever complied with to 94.595(3)( c ). Because BVHHOA never kept a (1) comprehensive inventory of its Common Property, and (2) never kept a comprehensive history of the maintenance and repair of all of its Common Property, all of BVHHOA's reserve studies did not conform to 94.595, and all of BVHHOA's budgets were inaccurate. The phrase "Replacement Fund" is incorrect; it should be "Reserve Fund".

5. **Cash Held with Management**. This euphemism should say: "**BVHHOA's cash that is unlawfully unlawfully held in QPM's bank accounts**". What do the sentences "*During 2022, all funds of the Association were transferred to new bank accounts in the name of the Association*" and "*During 2023, all funds of the Association were transferred to new bank accounts in the name of the Association*" Where were all these "*funds of the Association*" **transferred from**? Schwindt uses the passive voice here, i.e. "*were transferred*"? Why? Management (i.e. QPM) had no, and still has no, right to hold BVHHOA's cash. BVHHOA's monetary assets must be held in accounts in the name of BVHHOA and the account signatories must be approved *and minuted* by the Board of Directors [Bylaws 3.15(g)]. This has never happened since May 2020. What are these "*new bank accounts*"? Who are these "*new banks*"? Why all the secrecy about them? What was going on from July 2020 to the date when "*all funds of the Association were transferred to new bank accounts in the name of the Association*". Were the transactions for these nonspecific fund transfers treated as cash transfers or accrual transfers?
6. **Interfund Balance (2022 B/S only)**. Schwindt's use of the phrase "**owed \$22,253**" is misleading. The amount of money that is transferred from the Operating Fund to the Reserve Fund is decided by the Board, and **not** by a CAI Reserve Fund "consultant" nor by a **CAI accountant**. The reserve fund has no such thing as debts "**owed**" to it: this is pure **CAI propaganda!** There was no Reserve Study for 2022 because, according to QPM, Capital Reserve Consultants ("CRC") had a "mental breakdown", caused - allegedly - by a homeowner asking CRC one simple question. QPM later published a "*2022 reserve study Rough Draft and Incorrect findings*" that recommended a "*2022 reserve fund contribution: \$55,000.00*" on its page 2-2. Where did the "**owed \$22,243**" number come from? And why was it necessary for BVHHOA to spend **\$311** to open a "*new reserve bank account*" in 2022? What was wrong with the existing Reserve Fund's bank account? [see Declaration 3.9.2 and Bylaws 3.14(e) that requires the Board's approval]. Why was

CLCM's reserve account at Alliance bank closed during the transfer of BVHHOA's management in July 2020 to QPM?

7. **Architectural Review Fees.** See: <https://www.bvhaccess.com/architectural> for information about Architectural applications and fees by clicking on the button titled "BVH-ACC-Application-2020-03-05". The Declaration and the Bylaws only refer to an "Architectural **CONTROL** Committee", or "**ACC**". Neither the phrase "Architectural Review Committee" nor the abbreviation "**ARC**" appears in the Declaration and the Bylaws. Perhaps this change was made to disguise the fact that **there were no Architectural Controls from September 2020.**
  
8. **Initial Working Capital Contributions.** This refers to the First Amendment to the Declaration: "*Article 5 Section 16 shall be replaced with the following: 5.16 Capitalization of Association. Upon the First Conveyance of title on a Lot with a completed home, Buyer shall pay \$200.00 as an initial contribution to the working capital of the Association. This amount shall be in addition to, not in lieu of, the annual Regular Assessments and shall not be considered an advance payment of such assessment. **This amount shall be deposited into the purchase and sales escrow and disbursed therefrom to the Association for use in covering operating expenses and other expenses incurred by the Association pursuant to this Declaration. This Section shall not apply in any bare lot conveyance, nor in any subsequent conveyance of a Lot with a completed home.**" A buyer of "bare lot" does not pay this \$200. For any lot, the \$200 is only paid once: after the home on it is completed and when the home is sold.*
  
9. **Declarant Activity.** "*The Declarant gifted one lot to the Association*" This "gift" increased the size of the Common Area that BVHHOA must maintain. What a "gift"! What **largesse**, what **noblesse oblige** of the Declarant! (*sarcasm*) The "*Deferred Reserve Assessment Payments*" of **\$6,138** should have appeared as an A/R line item in the 2022 B/S's Assets; the **\$6,138** must now appear as income on the 2023 I/E report - if one is ever published - because the Declarant has sold all its lots, and Declarant control immediately ceased, on **12/7/2023**.
  
10. **Community Management.** The means QPM. Schwindt's note is another verbose, unnecessary, and evasive superfluity that blatantly fails to mention QPM by name. CLCM's "Managing Agent Responsibilities" are here:

<https://www.bvhaccess.com/management-duties> and QPM's capabilities are here: <https://www.qpmcompany.com/medford-community-management> .

11. **Date of Board of Directors' Review.** This note is unclear. This is what ORS 94.670(4) says: *“Within 90 days after the end of the fiscal year, the board of directors shall:*

*(a) Prepare or cause to be prepared an annual financial statement consisting of a balance sheet and income and expenses statement for the preceding fiscal year; and*

*(b) Distribute to each owner and, upon written request, any mortgagee of a lot, a copy of the annual financial statement.”*

What does Schwindt's phrase: *“the date the financial statements were available to be issued”* mean, other than more evasion and ambiguity.

By mid December 2023 Schwindt produced: **“BVH HOA 2021 YE - Financial Statements - 12-31-21 - FINAL.pdf”** and: **“BVH HOA 2022 YE - Financial Statements - 12-31-22 - FINAL.pdf”**.

Schwindt - an Oregon HOA Accounting specialist - must have known that not only did ORS 94.670 require the 2023 FS for BVH HOA to be delivered to BVH HOA by **1st April 2024**, but also that an FS for the 12 months from 5th March **2023** to 5th March **2024** must be delivered to BVH HOA by **5th March 2024** at the Turnover meeting as shown here:

**ORS 94.670(4) Within 90 days after the end of the fiscal year, the board of directors shall:**

**(a) Prepare or cause to be prepared an annual financial statement consisting of a balance sheet and income and expenses statement for the preceding fiscal year; and**

**(b) Distribute to each owner and, upon written request, any mortgagee of a lot, a copy of the annual financial statement.**

and:

**94.616(3) At the meeting called under ORS 94.609, the declarant shall deliver to the association:**

•  
•  
•

**(f) A financial statement. The financial statement:**

**(A) Must consist of a balance sheet and an income and expense statement for the**

preceding 12-month period or the period following the recording of the declaration, whichever period is shorter; and

(B) Must be reviewed, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants, by an independent certified public accountant licensed in the State of Oregon if the annual assessments of an association exceed \$75,000;

**At the date in this page's footnote, no such Financial Statements have been delivered to the BVHHA members.**

### **SUPPLEMENTARY INFORMATION**

Both of the "Supplementary Information" sections for Schwindt's Dec. 31 **2021** Review and the Dec. 31 **2022** Review are identical and both begin with the sentence *"The Association engaged a consultant who conducted a full on-site reserve dated in July 2022 to estimate the remaining useful lives and the replacement costs of the components of common property."*

The contents starting from *"The Association engaged a consultant"* to the line *"Reserve assessments \$17,064"* in both of Schwindt's 2021 and 2022 reviews are identical, except that the line starting with "Replacement Funding" has "**2021**" in the 2021 Review, and "**2022**" in the 2022 Review.

Schwindt states that the "Reserve Assessments" were **\$17,064 for both 2021 and 2022**.

What do the Reserve Studies for 2021 and 2022 actually say?

The Reserve Study ("RS") for 2021 that was produced on **5/7/21** by Capital Reserve Consultants ("CRC"), and it states: "**2021 reserve fund contribution: \$17,064.00**" on page 2-2.

The only RS for 2022 in QPM's "HOA Portal" is titled **"2022 reserve study Rough Draft and Incorrect findings.pdf"** and was created on **9/26/2021** by CRC, but, as its title implies, it is **"incorrect"**.

**This "incorrect" RS for 2022 came up with a "reserve fund contribution" of \$55,000** on its page 2-2. But for reasons not given, Schwindt uses the 2021 RS's amount of **\$17,064 for 2022**.

**RESERVE STUDIES (“RS”) COSTS**

Financial Year	Date RS was Created	Cost of Study
2019	11/4/2018	\$1144
2020	9/17/2029	\$1144
2021	5/7/2021 (?)	\$0
2022	9/26/2021	\$0
2023	6/6/2022	\$2098

## CONCLUSIONS

Schwindt's five documents are a fog bank of financial legerdemain that is an attempt to cover-up BVHHOA's aberrant accounting practices from mid-2020 onwards. Schwindt's cover-up is as bad as the crimes.

BVHHOA used accrual accounting from 2015 to mid-2020. CLCM's accounting duties included "Process A/R and A/P", and the "Accounting Basis" of the Financial Statements of 2019 and mid-2020 was "Accrual".

So who, on or around September 2020, decided to change from accrual accounting to some other form of accounting? And why?

What was wrong with CLCM's Accrual Accounting? Why change it?

Who allowed BVHHOA's cash to be held in bank accounts in QPM's name?

Has the new Board stopped QPM from doing this, or not? Will BVHHOA's 2023 accounts need a Schwindt rewrite?

In what bank, and accounts, is BVHHOA's money now deposited? Who of the new board' officers are now on the bank signature cards?

Did Schwindt produce their I/E reports and B/S's, from the "*books with detailed accounts of the receipts and expenditure of the Association*" that are required by Bylaws 3.14(l)?

Or did Schwindt just rework the numbers from QPM's original I/E Accounts and B/S's that QPM, from September 2020 onwards, produced using QPM's method of cash-based accounting.

Why, as of the date of this document has Schwindt failed to produce a **2023 FS**, and a FS for calendar year **3/5/2023 to 3/5/2024**?

**Will the 8 years of mismanagement, misgovernment and secrecy continue?**