

**CALIFORNIA PINES  
PROPERTY OWNERS ASSOCIATION  
FINANCIAL STATEMENTS AND INDEPENDENT  
ACCOUNTANT'S REVIEW REPORT  
DECEMBER 31, 2016**

CALIFORNIA PINES  
PROPERTY OWNERS ASSOCIATION

DECEMBER 31, 2016

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
California Pines Property Owners Association  
Alturas, California

We have reviewed the accompanying financial statements of California Pines Property Owners Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and change in net assets, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

## **Supplementary Information**

The supplementary information included in Schedules 1, 2, and 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly do not express an opinion on such information.

## **Known Departure from Accounting Principles Generally Accepted in the United States of America**

As discussed in Note 6, a schedule of future major repairs and replacements as of December 31, 2016, has not been presented. Accounting principles generally accepted in the United States of America require that such a schedule be presented when financial statements purport to present financial position and results of operations.

Respectfully submitted,

**SingletonAuman PC**  
**Susanville, CA**  
December 11, 2019

**CALIFORNIA PINES  
PROPERTY OWNERS ASSOCIATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 798,899
Short-term investment	322,779
Dues and Assessments Receivable (Net of Allowance for Doubtful Accounts of \$2,141,069)	728,834
Inventory	14,803
Other Current Assets	2,430
<b>Total Current Assets</b>	<u>1,867,745</u>

**PROPERTY AND EQUIPMENT, NET**

545,224

**OTHER ASSETS**

Deposits	8,432
<b>Total Assets</b>	<u><u>\$ 2,421,401</u></u>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 4,791
Sales Tax Payable	1,759
<b>Total Current Liabilities</b>	<u>6,550</u>

**NET ASSETS**

Unrestricted net assets - general	2,414,851
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 2,421,401</u></u>

**CALIFORNIA PINES  
PROPERTY OWNERS ASSOCIATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR YEAR ENDED DECEMBER 31, 2016**

	General Fund			Total
	General and Association	Bar	Restaurant and Lodge	
Revenues				
Banquet	\$ -	\$ -	\$ 11,482	\$ 11,482
Bar	-	52,930	-	52,930
Interest	2,106	-	-	2,106
Members' assessments	1,221,945	-	-	1,221,945
Miscellaneous	7,653	-	1,427	9,080
Motel	-	-	91,905	91,905
Restaurant	-	-	163,360	163,360
Snack Foods	-	-	4,724	4,724
<b>Total Revenues</b>	<b>1,231,704</b>	<b>52,930</b>	<b>272,898</b>	<b>1,557,532</b>
Expenses	(959,935)	(46,479)	(382,890)	(1,389,304)
Increase (decrease) in unrestricted net assets	271,769	6,451	(109,992)	168,228
Unrestricted net assets, beginning, as restated (Note 7)	<u>5,223,012</u>	<u>(107,240)</u>	<u>(2,869,149)</u>	<u>2,246,623</u>
Unrestricted net assets, ending	<u><u>\$ 5,494,781</u></u>	<u><u>\$ (100,789)</u></u>	<u><u>\$(2,979,141)</u></u>	<u><u>\$ 2,414,851</u></u>

See Notes to Financial Statements and Independent Accountant's Review Report

**CALIFORNIA PINES  
PROPERTY OWNERS ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR YEAR ENDED DECEMBER 31, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Increase in net assets	\$ 168,228
Adjustment to reconcile increase in net assets to net cash provided by (used in) operating activities:	
Depreciation	28,022
Change in operating assets and liabilities:	
Decrease in Accounts receivable	23,656
Increase in inventory	(665)
Increase in undeposited funds	2,430
Decrease in accounts payable	(749)
Decrease in payroll taxes payable	(77)
Decrease in sales tax payable	<u>(106)</u>
Net cash provided by operating activities	<u>220,739</u>

**CASH FLOWS USED IN INVESTING ACTIVITIES:**

Acquisition of equipment and improvements	(25,188)
Decrease to certificate of deposit	<u>253</u>
Net cash used in investing activities	(24,935)
Net increase in cash and cash equivalents	195,804
Cash and cash equivalents, beginning of year	<u>603,095</u>
Cash and cash equivalents, end of year	<u><u>\$ 798,899</u></u>

**CALIFORNIA PINES PROPERTY OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2016**

**Note 1: NATURE OF ORGANIZATION**

California Pines Property Owners Association was organized May 9, 1968, pursuant to the General Non-Profit Corporate Law of the State of California to promote the community welfare of the owners of certain real property in Modoc County, California. The Association's activities involve maintenance of roads, development and maintenance of recreational facilities, streams, parks, public area, lakes and ponds for recreational purposes and use. All persons who become property owners in California Pines become members of the Association and pay assessments to the Association.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Fund accounting: The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following fund established according to their nature and purpose:

General Fund – This fund is used to account for financial resources available for the general operations of the Association, including the bar, restaurant and lodge.

Dues and assessments: Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. Dues and assessments receivable at the statement of financial position date represent amounts due from lot owners. The Association's policy is to retain legal counsel and place liens on the properties of members whose assessments are over one year delinquent. The Association does not recognize interest income on dues and assessments receivables.

Bad debts: On a periodic basis, management evaluates its dues and assessments receivable based on owner arrangements and an estimate of collectability. For financial statement purposes, dues and assessments over two years delinquent are considered uncollectible and are written off to bad debt expense. Bad debt expense for the year ended December 31, 2016, was \$477,082. Accounts Receivable, net of the allowance, is based on the average percentage of actual cash receipts for the previous three years.

Property and equipment: Property and equipment are carried at cost. Depreciation is computed primarily using accelerated methods over the estimated useful lives of the assets which range from three to thirty-nine years. Repairs and maintenance are charged to expense. Common property includes the bar, restaurant and lodge.

Concentration risk: The Association maintains bank accounts at financial institutions with balances exceeding \$250,000, the statutory limit of federal depository insurance. Its certificates of deposit are insured to \$100,000. Should any of these financial institutions fail, the Association could possibly incur a material loss.



**CALIFORNIA PINES PROPERTY OWNERS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING DECEMBER 31, 2016**

**Note 2:           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income taxes: The Association is exempt from federal income taxes under Section 501c(4) of the Internal Revenue Code of 1986. The Association files its state return under State Code Section 23701T in order to receive certain benefits, which in effect, permits the exclusion of exempt function income from gross income. However, tax exempt income does not include income from sources other than membership fees, dues or assessments. Under the California Exempt Organization laws, an exempt association still must file a regular California franchise tax return and pay corporate franchise taxes if it receives over \$100 of such non-exempt income.

The Association follows the authoritative guidance on accounting for uncertain tax positions, and that all of its tax positions will more likely than not be upheld in an audit. Accordingly, the Association has evaluated its tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations, and tax planning strategies, and has concluded it does not have any unrecognized tax benefits for its tax positions.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect a number of amounts reported in the financial statements and accompanying notes. Significant accounting policy elections, estimates and assumptions include, among others, future major repairs and replacements, allowance for doubtful accounts, disclosure of contingent assets and liabilities, and income taxes. Management bases the estimates on historical experience and other assumptions that are believed to be reasonable. If actual results differ from those estimates, the Association includes revisions in the results of operations in the period the actual amounts become known. Historically, the aggregate differences, if any, between the estimates and actual amounts in any year have not had a significant impact on the financial statements.

Cash equivalents: Cash equivalents consist of highly liquid investments with an original maturity of three months or less. Investments with original maturities greater than three months are classified as short-term investments.

Short-term investments: Investments with original maturities greater than three months are classified as short-term investments. Short-term investments are stated at cost with accrued interest earned through the balance sheet date.

Revenue recognition: Revenue is generally recognized when earned, provided that collection of the related assessment receivable is reasonably assured.

Subsequent events: The Association has evaluated subsequent events through February 28, 2017.

**CALIFORNIA PINES PROPERTY OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDING DECEMBER 31, 2016**

**Note 3: PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2016, consist of the following:

Vehicles	\$ 41,154
Improvements	710,884
Furniture and equipment	484,231
Land and structures	76,848
Signs	<u>118,804</u>
	1,431,920
Less accumulated depreciation	<u>(886,696)</u>
Total Property and Equipment, net	<u>\$ 545,224</u>

**Note 4: DUES AND ASSESSMENTS RECEIVABLE**

Dues and assessments receivable consist of annual assessments to the Association's members and are currently \$75 per parcel per year. The Association's members are comprised of 10,960 property lot owners, and 14,995 parcels.

**Note 5: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid during the year for:

Income taxes	<u>\$800</u>
Interest	<u>\$ -</u>

**Note 6: FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. However, the Association has conducted an informal study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. When funds are required for major repairs and replacements, the Association may borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. Currently the Association has available Certificates of Deposits in the amount of \$322,779 to use for future repairs and replacements. Based upon the 2016 projected budget, the estimated amount required in the reserve fund at the end of the year is substantially underfunded.

**Note 7: RESTATEMENT OF BEGINNING NET ASSETS**

The December 31, 2015 net assets has been restated due to the determination of errors in the prior year calculation of doubtful accounts allowance related to accounts receivable.

**SUPPLEMENTAL INFORMATION**

**CALIFORNIA PINES  
PROPERTY OWNERS ASSOCIATION  
SCHEDULE 1 - GENERAL AND ASSOCIATION EXPENSES  
FOR YEAR ENDED DECEMBER 31, 2016**

Advertising	\$ 1,337
Annual Meeting	1,071
Accounting	22,078
Bad debts	477,082
Bulletin log	10,991
Bulk fuel	8,535
Bank charges	15
Computer supplies and maintenance	8,432
Depreciation	21,547
Director's and committee fees	4,738
Fireworks	8,000
Insurance-general	77,241
Insurance-workers' compensation	16,487
Legal and professional fees	9,996
Miscellaneous	(7,606)
Office & Admin Supplies	15,586
Payroll taxes	15,876
Pool supplies and repairs	2,072
Postage and delivery	11,307
Property taxes	14,840
Repairs and maintenance	13,845
Road repairs and maintenance	66,165
Salaries	129,156
Taxes, licenses and permits	912
Telephone	3,402
Travel and lodging	12,265
Utilities	7,564
Weed control	6,999
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Total general and association expenses	<u><u>\$ 959,935</u></u>

See Independent Accountant's Review Report

**CALIFORNIA PINES  
PROPERTY OWNERS ASSOCIATION  
SCHEDULE 2 - BAR EXPENSES  
FOR YEAR ENDED DECEMBER 31, 2016**

Purchases-beverages	\$ 19,802
Bulk fuel	65
Depreciation	2,430
Payroll taxes	1,815
Licenses and permits	572
Repairs and maintenance	267
Salaries	15,431
Supplies	1,011
Utilities	<u>5,087</u>
 Total bar expenses	 <u><u>\$ 46,479</u></u>

See Independent Accountant's Review Report

**CALIFORNIA PINES  
PROPERTY OWNERS ASSOCIATION  
SCHEDULE 3 - RESTAURANT AND LODGE EXPENSES  
FOR YEAR ENDED DECEMBER 31, 2016**

Advertising	\$ 11,633
Bank charges and credit card discounts	10,999
Bulk fuel	3,190
Cash over/short	7
Depreciation	4,045
Donations	662
Employee Benefits	1,998
Food	105,934
Payroll taxes	18,603
Repairs and maintenance	14,191
Salaries	154,712
Supplies	25,460
Telephone	3,402
Utilities	<u>28,054</u>
Total restaurant and lodge expenses	<u><u>\$ 382,890</u></u>

See Independent Accountant's Review Report