

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION
(A California Nonprofit Mutual Benefit Corporation)

REVIEWED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017 AND 2016

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
Gold Mountain Homeowners Association

I have reviewed the accompanying financial statements of the Gold Mountain Homeowners Association (a California Nonprofit Mutual Benefit Corporation) which comprise the balance sheets as of December 31, 2017 and 2016 and the Statements of Revenues, Expenses and Changes in Fund Balances and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical review procedures to management's financial data and making inquiries of Association 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 as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

My 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am 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 the accompanying Schedule of Operating Revenues and Expenses by Department - Budget (Compiled) and Actual, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information (except the budget, which was compiled without audit or review from information that is the representation of management, on which I do not express an opinion or any other form of assurance) is the representation of management. I have reviewed the information and, based on my review, I am 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. I have not audited the information and, accordingly do not express an opinion on it.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on common property on pages 13 and 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The required supplementary information has been compiled from information that is the representation of management. I have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Sacramento, California
April 13, 2018

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION

Balance Sheets

December 31, 2017

(With Summarized Totals for the Year Ended December 31, 2016)

	2017				2016
	Operating Fund	Special Assessment Fund	Replacement Fund	Total	Total
ASSETS					
Cash and cash equivalents	\$ 132,911	\$ -	\$ 342,359	\$ 475,270	\$ 595,606
Assessments receivable, net of allowance for uncollectible accounts of \$10,000 and \$9,000	21,547	3,218	-	24,765	45,205
Other receivables	3,254	-	-	3,254	-
Prepaid expenses	16,703	-	-	16,703	12,646
Cash - restricted (Note 2)	55,170	-	-	55,170	55,088
Due from other funds (Note 6)	40,965	-	61,960	102,925	164,571
Deposit held by others	-	-	-	-	295
Fixed assets, net (Note 3)	156,064	-	-	156,064	122,347
Total assets	\$ 426,614	3,218	\$ 404,319	\$ 834,151	\$ 995,758
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 13,325	-	\$ -	\$ 13,325	\$ 53,248
Accrued payroll	3,834	-	-	3,834	4,343
Income taxes payable	6,548	-	-	6,548	-
Prepaid member assessments	22,923	-	-	22,923	1,379
Due to other funds	-	102,925	-	102,925	164,571
Deposits held for others (Note 4)	4,000	-	-	4,000	4,000
Total liabilities	50,630	102,925	-	153,555	227,541
Fund balances	375,984	(99,707)	404,319	680,596	768,217
Total liabilities and fund balances	\$ 426,614	\$ 3,218	\$ 404,319	\$ 834,151	\$ 995,758

See accompanying notes and accountant's report

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION

Statements of Revenues, Expenses, and Changes
in Fund Balances

For the Year Ended December 31, 2017

(With Summarized Totals for the Year Ended December 31, 2016)

	2017			2016	
	Operating Fund	Special Assessment Fund	Replacement Fund	Total	Total
REVENUES					
Member assessments	\$ 291,126	\$ -	\$ 238,194	\$ 529,320	\$ 529,320
Special assessments - Internet Project	-	120,300	-	120,300	200,500
Capital gain - lot	28,888	-	-	28,888	-
Recovery of bad debts	-	-	-	-	4,910
Design review fees	8,000	-	-	8,000	4,000
Interest	103	-	50	153	1,015
Late charges	4,739	-	-	4,739	9,567
Miscellaneous	2,888	-	-	2,888	5,631
Total revenues	335,744	120,300	238,244	694,288	754,943
EXPENSES					
Administration	125,431	-	-	125,431	144,975
Common area maintenance	111,483	-	-	111,483	94,896
Major repairs and replacements	-	-	226,199	226,199	26,740
High speed internet proect expenses	-	287,025	-	287,025	133,482
Utilities	14,346	-	-	14,346	19,968
Depreciation	10,769	-	-	10,769	9,883
Income taxes	6,656	-	-	6,656	344
Total expenses	268,685	287,025	226,199	781,909	430,288
Excess (deficit) of revenues over expenses	67,059	(166,725)	12,045	(87,621)	324,655
Fund balance, beginning of year	264,439	67,018	436,760	768,217	443,562
Interfund transfers - capitalized equipment	44,486	-	(44,486)	-	-
Fund balance (accumulated deficit), end of year	\$ 375,984	\$ (99,707)	\$ 404,319	\$ 680,596	\$ 768,217

See accompanying notes and accountant's report

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION

Statements of Cash Flows

For the Year Ended December 31, 2017

(With Summarized Totals for the Year Ended December 31, 2016)

	2017			2016	
	Operating Fund	Special Assessment Fund	Replacement Fund	Total	Total
Cash Flows From Operating Activities:					
Excess (deficit) of revenues over expenses	\$ 67,059	(166,725)	\$ 12,045	\$ (87,621)	\$ 324,655
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by (used in) operating activities:					
Add back:					
Depreciation	10,769	-	-	10,769	9,883
Capital gain - lot	(28,888)	-	-	(28,888)	-
(Increase) decrease in:					
Assessments receivable	23,658	-	-	23,658	80,349
Other receivables	(3,254)	(3,218)	(1)	(6,473)	2,030
Prepaid expenses	(4,057)	-	-	(4,057)	90
Increase in restricted cash	(82)	-	-	(82)	465
Increase (decrease) in:					
Accounts payable	(4,330)	(35,593)	-	(39,923)	14,228
Accrued payroll	(509)	-	-	(509)	751
Income taxes payable	6,548	-	-	6,548	-
Prepaid assessments	21,544	-	-	21,544	(135,490)
Deposits held for others	-	-	-	-	4,000
Net cash provided by (used in) operating activities	<u>88,458</u>	<u>(205,536)</u>	<u>12,044</u>	<u>(105,034)</u>	<u>300,961</u>
Cash Flows From Investing Activities:					
Fixed asset acquisitions	(44,486)	-	-	(44,486)	-
Net cash used in investing activities	<u>(44,486)</u>	<u>-</u>	<u>-</u>	<u>(44,486)</u>	<u>-</u>
Cash Flows From Financing Activities:					
Proceeds from sale of lot	29,184	-	-	29,184	-
Interfund transactions	(161,051)	205,536	(44,485)	-	-
Net cash provided by (used in) financing activities	<u>(131,867)</u>	<u>205,536</u>	<u>(44,485)</u>	<u>29,184</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(87,895)	-	(32,441)	(120,336)	300,961
Cash and cash equivalents, beginning of year	220,806	-	374,800	595,606	294,645
Cash and cash equivalents, end of year	<u>\$ 132,911</u>	<u>\$ -</u>	<u>\$ 342,359</u>	<u>\$ 475,270</u>	<u>\$ 595,606</u>
Supplemental Disclosure:					
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and accountant's report

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION

Notes to Financial Statements
December 31, 2017 and 2016

Note 1: **Organization and Summary of Significant Accounting Policies**

A. **Organization**

Gold Mountain Homeowners Association (the "Association"), formed in 1996, is a non-profit corporation organized under the Non-Profit Mutual Benefit Corporation Laws of California. The primary purpose of the Association is to repair, maintain, and manage the common property components within the development, to enforce the rules and regulations adopted by the Board of Directors, and to discharge such other lawful duties and responsibilities required pursuant to the Corporations's Bylaws and the Declaration of Covenants, Conditions, and Restrictions. The Association is supported by monthly assessments to its 401 individual homeowner units, located in Plumas County, California.

B. **Date of Management Review**

In preparing the financial statements, the Association evaluated events and transactions for potential recognition or disclosure through April 1, 2018, the date the financial statements were available to be issued.

C. **Method of Accounting**

The Association's policy is to prepare its financial statements on the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses when the related liability is incurred.

D. **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 purposes:

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

Special Assessment Fund - This fund is used to account for a special assessment levied for the purpose of financing a high speed internet system. This fund is temporary and will be discontinued once the project is completed.

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

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION

Notes to Financial Statements
December 31, 2017 and 2016

Note 1: **Organization and Summary of Significant Accounting Policies** (continued)

E. Income Taxes

For federal purposes, homeowners' associations may elect to be taxed as regular corporations or as homeowners' associations. The Association has elected to be taxed as a regular corporation for the year ended 2017. Under that election, the Association is generally taxed on non-member income such as investment earnings and revenues from non-member sources at a 15% (first \$50,000) federal tax rate.

For California state income tax purposes, the Association is taxed on all net income from non-exempt function sources such as investment earnings and other non-dues sources. Non-exempt function income is taxed a flat 8.84% tax rate. Exempt function income, consisting of dues and assessments, is exempt from taxation.

The Association's federal and state income tax returns are generally subject to examination by taxing authorities for three years (four years for California) after the returns are filed, and the Association's federal and state income tax returns for 2014, 2015 and 2016 remain open to examination.

F. Member Assessments

Association members are subject to quarterly assessments to provide funds for operating expenses and future major repairs and replacements of common property.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain a collection agency and/or legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. The collection policy is explained in greater detail in the annual disclosure document. Because of the collection procedures available to the Board, subject to a reasonable allowance for uncollectible accounts, all assessments are collectible.

G. Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not capitalized in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. Personal property, such as equipment having a cost of \$1,000 or more acquired by the Association, is capitalized in the operating fund at cost and depreciated over its useful life using the straight-line method.

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION

Notes to Financial Statements
December 31, 2017 and 2016

Note 1: **Organization and Summary of Significant Accounting Policies** (continued)

H. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Cash and Cash Equivalents

For purposes of the *Statements of Cash Flows*, the Association considers investments with a maturity, from the date of purchase, of three months or less as cash and cash equivalents.

Note 2: **Cash - Restricted**

Restricted cash represents amounts set aside for future capital improvements. As capital expenditures are paid in the operating checking account, those expenditures are reimbursed from the restricted cash account. For the years ended December 31, 2017 and 2016, restricted cash amounted to \$55,170 and \$55,088, respectively.

Note 3: **Fixed Assets**

At December 31, 2017 and 2016, the Association had Property and equipment consisting of the following:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 147,534	\$ 103,049
Storage shed	125,392	125,392
Less: accumulated depreciation	<u>(116,862)</u>	<u>(106,094)</u>
Net equipment	<u>\$ 156,064</u>	<u>\$ 122,347</u>

Depreciation expense was \$10,769 for 2017 and \$9,883 for 2016.

Note 4: **Deposits Held For Others**

Deposits held for others consist of refundable builder and landscape bonds to insure that work performed is in accordance with Association policy.

At December 31, 2017 and 2016, deposits consisted of:

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION

Notes to Financial Statements
December 31, 2017 and 2016

Note 4: **Deposits Held For Others** (continued)

	2017	2016
Contractor deposits	\$ 3,000	\$ 3,000
Landscape deposits	1,000	1,000
Total	\$ 4,000	\$ 4,000

Note 5: **Income Taxes**

Federal and State income tax expense for December 31, 2017 and 2016 is as follows:

	2017	2016
Federal	\$ 3,139	\$ --
State	3,517	--
Total	\$ 6,656	\$ --

Note 6: **Interfund Receivables/Payables**

The interfund receivables and corresponding payables consist of the following:

	Due from (to)		
	Special		
	Operating	Assessment	Replacement
Unfunded replacement transfer from 2016	\$ (61,960)	\$ --	\$ 61,960
High speed internet project funds (net) funded by Operating (2016 & 2017)	102,925	(102,925)	--
Net	\$ 40,965	\$ (102,925)	\$ 61,960

Note 7: **Replacement Fund**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for normal operations. At December 31, 2017, these funds aggregated approximately \$342,000.

The Board is funding for major repairs and replacements of common property components based on a reserve study that estimates the current replacement cost and the estimated useful and remaining lives of those components. Based on the findings in the reserve study, funds are being accumulated in the Replacement Fund to meet future needs for major repairs and replacements of Association common property. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. Should the ultimate amount of required expenditures exceed the amount of funds available, the Association has the right, subject to member approval, to increase regular assessments, to levy special assessments, or to delay major repairs and replacements until funds are available.

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION

Notes to Financial Statements
December 31, 2017 and 2016

Note 7: **Replacement Fund**

Amounts expended from the Replacement Fund for the years ended December 31, 2017 and 2016 for major repairs and replacements consist of the following:

	<u>2017</u>	<u>2016</u>
Roads	\$ 219,441	\$ 11,900
Gates	--	3,835
Trails	--	2,019
Truck	26,955	--
Plow	9,516	--
Cinder spreader	8,014	--
Street signs	3,490	8,986
Mechanical equipment	<u>3,268</u>	<u>--</u>
Total expenditures	270,684	26,740
Less: transferred to the Operating Fund	<u>(44,485)</u>	<u>--</u>
Reported as expenses	<u>\$ 226,199</u>	<u>\$ 26,740</u>

The truck, plow, and cinder spreader were transferred to the Operating Fund and capitalized as a Fixed asset in accordance with the capitalization policy of the Association.

Note 8: **Special Assessment**

In July of 2016, the Association, by a majority vote of the membership, levied a special assessment of \$320,800 for the purpose of developing and constructing and high speed internet system within the development. By the terms of the assessment, each unit owner was assessed \$800 which is to be paid in two installment: \$500 in 2016 and \$300 in 2017. As of December 31, 2017, \$420,507 had been expended for the project. The project is accounted for in a separate Special Assessment Fund.

Note 9: **Commitments and Contingencies**

The Association enters into contracts for the management and for maintenance of common property. These contracts are renewable and can be cancelled by notice of either party.

SUPPLEMENTARY INFORMATION

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION

Schedule of Operating Revenues and Expenses
Budget (Compiled) and Actual by Department
December 31, 2017

	Budget	Actual	Variance
OPERATING REVENUES			
Member assessments	\$ 291,126	\$ 291,126	\$ -
Capital gain - Lot	-	28,888	28,888
Design review fees	4,000	8,000	4,000
Interest	50	103	53
Late charges and collection fees	4,000	4,739	739
Miscellaneous	1,000	2,888	1,888
Total revenues	<u>300,176</u>	<u>335,744</u>	<u>35,568</u>
OPERATING EXPENSES			
Administration			
Management	-	28,339	(28,339)
Clerical assistant	34,944	5,839	29,105
Payroll taxes	13,000	13,616	(616)
Workmen's compensation insurance	3,505	7,286	(3,781)
Employee medical	4,608	-	4,608
Meals and travel	-	1,120	(1,120)
Telephone and fax	-	10,899	(10,899)
Insurance	12,600	17,707	(5,107)
Collections	1,000	717	283
Accounting and tax preparation	7,500	4,005	3,495
Annual meeting	6,860	5,718	1,142
Office postage and supplies	7,000	13,229	(6,229)
Dues and subscriptions	1,000	1,191	(191)
Legal	10,000	10,575	(575)
REO holding	1,500	177	1,323
Bank charges	-	775	(775)
Miscellaneous	1,500	4,238	(2,738)
Total Administration	<u>105,017</u>	<u>125,431</u>	<u>(20,414)</u>

See accompanying notes and accountant's report

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION

Schedule of Operating Revenues and Expenses
Budget (Compiled) and Actual by Department - Continued
December 31, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Common area maintenance			
Salaries and wages - onsite	\$ 14,570	\$ -	\$ 14,570
Road maintenance - payroll	8,000	12,300	(4,300)
Fuel reduction - payroll	500	1,655	(1,155)
Snow removal - payroll	7,500	18,875	(11,375)
General repairs and maintenance - payroll	11,000	8,660	2,340
Other maintenance - payroll	11,000	16,110	(5,110)
Gate repairs	4,000	3,534	466
Snow removal	7,500	10,905	(3,405)
Road maintenance	2,000	1,980	20
Fire safety and fuel reduction	34,500	1,988	32,512
Supplies and tools	3,000	6,401	(3,401)
Auto - fuel	5,000	6,629	(1,629)
Auto repairs	4,000	18,813	(14,813)
Storage shop	2,500	2,320	180
Computers and networking	1,000	968	32
Other	1,000	345	655
Total common area repairs and maintenance	<u>117,070</u>	<u>111,483</u>	<u>5,587</u>
Utilities	<u>17,000</u>	<u>14,346</u>	<u>2,654</u>
Income tax expense	<u>-</u>	<u>6,656</u>	<u>(6,656)</u>
Depreciation	<u>-</u>	<u>10,769</u>	<u>(10,769)</u>
Total Expenses	<u>239,087</u>	<u>268,685</u>	<u>(29,598)</u>
Excess of revenues over expenses	<u>\$ 61,089</u>	<u>\$ 67,059</u>	<u>\$ 5,970</u>

See accompanying notes and accountant's report

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION

Supplementary Information on Future Major Repairs and Replacements (Compiled) For the Year Ended December 31, 2017

In 2017 the Association engaged the services of an independent reserve specialist to conduct an update to the Association's reserve study. The study is effective for the 2018 year. The purpose of the study is to forecast the Association's ability to repair or replace major components as they wear out in future years. It should be noted that the reserve study is not an engineering report.

The "Cash Flow" method was used as the basis for the replacement forecast. The Cash Flow method focuses on the contributions necessary, over a thirty-year time horizon, to offset the variable annual forecasted expenditures made from the Replacement Fund. One of the objectives of the Cash Flow method is to always maintain a positive replacement cash balance over the thirty-year horizon. The forecast assumes a 2.5% cost inflation factor for components and a 2.5%, before-tax, return on invested funds.

The forecasted expenditures outlined in the study are for budgetary purposes only. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. Also, any latent defects are excluded from the reserve study.

Presented on the following page is a summary of the reserve study based on the 2016 update and presents significant information about the components of the common property. The complete reserve study is available from the Association and is also included in the annual disclosure document.

GOLD MOUNTAIN HOMEOWNERS ASSOCIATION

Schedule of Supplementary Information on Future Major Repairs
and Replacements (Compiled)

For the Year Ended December 31, 2017

<u>Component</u>	<u>Estimated Current Replacement Cost</u>	<u>Estimated Useful Life (Yrs.)</u>	<u>Estimated Remaining Useful Life (Yrs.)</u>	<u>2018 Line Item Contribution</u>
Paving	\$ 3,506,849	1-25	0-22	\$ 220,147
Structural repairs	23,736	6-18	1-17	1,920
Rehab	3,152	15-15	12-12	255
Gate equipment	887,253	4-40	1-16	19,113
Retaining wall	3,152	8-8	2-2	374
Lighting	6,041	12-12	7-7	541
Signage	64,506	1-30	0-15	6,329
Mechanical equipment	1,261	15-15	12-12	102
Outdoor equipment	3,912	6-20	1-4	376
Miscellaneous	114,713	10-18	0-6	7,227
Reserve study	2,800	3-3	1-1	866
Total	<u>\$ 4,617,375</u>			<u>\$ 257,250</u>