



CPAs AND ADVISORS

CALIFORNIA PINES PROPERTY OWNERS ASSOCIATION

DECEMBER 31, 2015

FINANCIAL STATEMENTS

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CALIFORNIA PINES
PROPERTY OWNERS ASSOCIATION

DECEMBER 31, 2015

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Revenues, Expenses and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6
SUPPLEMENTARY INFORMATION	
Schedule 1 - General and Association Expenses	10
Schedule 2 - Bar Expenses	11
Schedule 3 - Restaurant and Lodge Expenses.....	12



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INDEPENDENT ACCOUNTANTS' 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 (the "Association"), which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year 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 company 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, 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 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 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. 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.

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To the Board of Directors
California Pines Property Owners Association

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, 2015, 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.

Lance, Soll & Loughard, LLP

Certified Public Accountants

Brea, California
March 25, 2016

CALIFORNIA PINES PROPERTY OWNERS ASSOCIATION

**BALANCE SHEET
DECEMBER 31, 2015**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 603,095
Short-term investment - C.D.	322,749
Dues and assessments receivable, net of allowance for doubtful accounts of \$925,000	825,000
Inventory	8,451
Prepaid income taxes	73

Total current assets 1,759,368

PROPERTY AND EQUIPMENT, NET 548,058

OTHER ASSETS

Deposits	<u>8,432</u>
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Total assets \$ 2,315,858

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 12,939
Sales tax payable	1,682

Total current liabilities 14,621

NET ASSETS

Unrestricted net assets - general	<u>2,301,237</u>
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Total liabilities and net assets \$ 2,315,858

See Notes to Financial Statements and Independent Accountants' Review Report

CALIFORNIA PINES PROPERTY OWNERS ASSOCIATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2015

	General Fund			
	General and Association	Bar	Restaurant and Lodge	Total
Revenues				
Banquet	\$ -	\$ -	\$ 7,990	\$ 7,990
Bar	-	47,186	-	47,186
Interest	1,791	-	-	1,791
Members' assessments	1,127,512	-	-	1,127,512
Miscellaneous	100	-	1,625	1,725
Motel	-	-	78,726	78,726
Restaurant	-	-	170,910	170,910
Snack foods	-	-	4,369	4,369
	<u>1,129,403</u>	<u>47,186</u>	<u>263,620</u>	<u>1,440,209</u>
Expenses	<u>(894,383)</u>	<u>(44,328)</u>	<u>(459,973)</u>	<u>(1,398,684)</u>
Increase (decrease) in unrestricted net assets	235,020	2,858	(196,353)	41,525
Unrestricted net assets, beginning	<u>5,042,606</u>	<u>(110,098)</u>	<u>(2,672,796)</u>	<u>2,259,712</u>
Unrestricted net assets, ending	<u>\$ 5,277,626</u>	<u>\$ (107,240)</u>	<u>\$ (2,869,149)</u>	<u>\$ 2,301,237</u>

See Notes to Financial Statements and Independent Accountants' Review Report

CALIFORNIA PINES PROPERTY OWNERS ASSOCIATION

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 41,525
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:	
Depreciation	21,539
Change in operating assets and liabilities:	
Decrease in prepaid income taxes	44
Increase in accounts payable	1,621
Decrease in payroll taxes payable	(1,858)
Increase in sales tax payable	145
	<hr/>
Net cash provided by operating activities	63,016

CASH FLOWS USED IN INVESTING ACTIVITIES:

Acquisition of equipment and improvements	(20,983)
Addition to certificate of deposit	(21,461)
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Net cash used in investing activities	(42,444)
	<hr/>
Net increase in cash and cash equivalents	20,572
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Cash and cash equivalents, beginning of year	582,523
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Cash and cash equivalents, end of year	\$ 603,095

See Notes to Financial Statements and Independent Accountants' Review Report

CALIFORNIA PINES PROPERTY OWNERS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1: Nature of Organization and Significant Accounting Policies

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 areas, 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 receivable.

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, 2015, was \$446,380. 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 deposits are insured to \$100,000. Should any of these financial institutions fail, the Association could possibly incur a material loss.

See Independent Accountants' Review Report

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 Company has evaluated subsequent events through March 25, 2016, which is the date the financial statements are available to be issued.

CALIFORNIA PINES PROPERTY OWNERS ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015**

Note 3: Property and Equipment

Property and equipment at December 31, 2015, consist of the following:

Vehicles	\$ 32,936
Improvements	694,611
Furniture and equipment	483,533
Land and structures	76,848
Signs	<u>118,804</u>
	1,406,732
Less accumulated depreciation	<u>(858,674)</u>
Total property and equipment, net	<u>\$ 548,058</u>

Note 4: Dues and Assessments Receivable

Dues and assessments receivable consists 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 14,997 parcels.

Note 5: Supplemental Disclosure 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 Certificate of Deposits in the amount of \$322,749 to use for future repairs and replacements. Based upon the 2015 projected budget, the estimated amount required in the reserve fund at the end of the year is substantially underfunded.

See Independent Accountants' Review Report

1. General Conditions
2. Special Conditions
3. Vessel
4. Crew
5. Passengers
6. Cargo
7. Fuel
8. Maintenance and Repairs
9. Insurance
10. Salvage
11. Claims and Compensation
12. Disputes
13. Force Majeure
14. Assignment
15. Notices
16. Interpretation
17. Definitions
18. General Provisions
19. Particulars
20. Annexes

SUPPLEMENTAL INFORMATION

CALIFORNIA PINES PROPERTY OWNERS ASSOCIATION

SCHEDULE 1 - GENERAL AND ASSOCIATION EXPENSES
YEAR ENDED DECEMBER 31, 2015

Advertising	\$ 1,839
Annual meeting	3,318
Accounting	21,202
Bad debts	446,380
Bank charges	76
Bulk fuel	9,398
Computer supplies and maintenance	9,592
Donations	170
Depreciation	13,497
Director's and committee fees	5,900
Equipment rental	503
Entertainment	50
Fireworks	8,000
Insurance-general	103,697
Insurance-worker's compensation	26,264
Legal fees and liens	35
Miscellaneous	416
Notary	30
Office	13,833
Payroll taxes	7,138
Postage and mailing	17,346
Property taxes	13,648
Bulletin log	21,491
Repairs and maintenance	21,327
Road repairs and maintenance	37,768
Salaries	71,736
Supplies	907
Taxes, licenses and permits	5,253
Telephone	3,737
Travel and lodging	14,075
Utilities	9,190
Weed control	6,567
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Total general and association expenses	\$ 894,383

See Independent Accountants' Review Report

CALIFORNIA PINES PROPERTY OWNERS ASSOCIATION

SCHEDULE 2 - BAR EXPENSES
YEAR ENDED DECEMBER 31, 2015

Purchases-beverages	\$	17,891
Bulk fuel		35
Depreciation		2,590
Payroll taxes		1,851
Repairs and maintenance		1,074
Salaries		15,556
Supplies		750
Utilities		4,581
		<hr/>
Total bar expenses	\$	<u>44,328</u>

CALIFORNIA PINES PROPERTY OWNERS ASSOCIATION

SCHEDULE 3 - RESTAURANT AND LODGE EXPENSES
YEAR ENDED DECEMBER 31, 2015

Advertising	\$	11,445
Bank charges and credit card discounts		10,905
Bulk fuel		5,158
Cash over/short		9
Depreciation		5,452
Entertainment		1,055
Food		123,288
Payroll taxes		25,829
Repairs and maintenance		14,416
Salaries		206,788
Supplies		24,824
Telephone		3,737
Utilities		27,067
		<hr/>
Total restaurant and lodge expenses	\$	<u>459,973</u>