



FINANCIAL STATEMENT
OF
ELDORADO PROPERTY OWNERS
ASSOCIATION
AS OF
JUNE 30, 2010 AND JUNE 30, 2009

INDEPENDENT AUDITORS' REPORT



CPA Professionals...Accountable to You

Board of Directors
Eldorado Property Owners Association
(A California Corporation)
46000 Fairway Drive
Indian Wells, California 92210

We have audited the accompanying balance sheets of Eldorado Property Owners Association, a California Corporation, as of June 30, 2010 and June 30, 2009, and the related statements of revenues and expenses, changes in fund balances and cash flows for years then ended. These financial statements are the responsibility of Eldorado Property Owners Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eldorado Property Owners Association as of June 30, 2010 and June 30, 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The supplementary information on future major repairs and replacements as of June 30, 2010 on pages 16 and 17 is not a required part of the basic financial statements of Eldorado Property Owners Association but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

GODECKE CLARK

A handwritten signature in blue ink, reading 'Debra Clark-Reif', is written over the printed name.

Certified Public Accountant

August 16, 2010
Palm Desert, California 92260

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ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
BALANCE SHEETS
JUNE 30, 2010 AND JUNE 30, 2009



ASSETS

	Unrestricted (Operating)	Temporarily Restricted (Replacement)	Totals	
			2010	2009
CURRENT ASSETS				
Cash (Notes 1 and 4)	\$ 414,293	\$ 235,675	\$ 649,968	\$ 661,659
Certificates of Deposit (Note 3)	-	598,628	598,628	384,740
Accounts Receivable (Notes 1 and 2)	2,708	-	2,708	17,636
Prepaid Expenses	7,594	-	7,594	7,285
Prepaid Income Taxes	-	-	-	54,993
Interfund Receivable (Payable)	50,100	(50,100)	-	-
Total Current Assets	474,695	784,203	1,258,898	1,126,313
PROPERTY (Note 1)				
Operating Equipment	-	60,941	60,941	60,941
Pump and Irrigation Equipment	-	77,918	77,918	77,918
Leasehold Improvements	-	65,841	65,841	52,370
Street Lights	-	79,520	79,520	79,520
	-	284,220	284,220	270,749
Less: Accumulated Depreciation	-	(154,136)	(154,136)	(141,281)
Total Property	-	130,084	130,084	129,468
TOTAL ASSETS	\$ 474,695	\$ 914,287	\$ 1,388,982	\$ 1,255,781

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES				
Accounts Payable (Note 5)	\$ 15,534	\$ -	\$ 15,534	\$ 15,939
Accrued Other Expenses	277,508	-	277,508	249,619
Refundable Construction Deposits	-	50,000	50,000	60,000
Income Tax Payable	10,822	-	10,822	-
Total Current Liabilities	303,864	50,000	353,864	325,558
FUND BALANCES				
Unrestricted	170,831	-	170,831	219,916
Temporarily Restricted	-	864,287	864,287	710,307
Total Fund Balances	170,831	864,287	1,035,118	930,223
TOTAL LIABILITIES AND FUND BALANCES	\$ 474,695	\$ 914,287	\$ 1,388,982	\$ 1,255,781

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009



	Unrestricted (Operating)	Temporarily Restricted (Replacement)	Totals	
			2010	2009
REVENUES				
Membership Dues	\$ 395,100	\$ -	\$ 395,100	\$ 327,426
Rental Income (Note 6)	-	148,237	148,237	20,312
Transfer Fees	-	3,000	3,000	2,000
Construction Fees	-	10,027	10,027	28,837
Cable Television Fees (Note 7)	747	-	747	2,301
Lot Maintenance	16,550	-	16,550	13,619
Plan Check Fees	(125)	1,200	1,075	4,250
ECC Reimbursements	95,770	-	95,770	99,567
ECOA Reimbursements	12,769	-	12,769	13,276
Total Revenues	520,811	162,464	683,275	511,588
EXPENSES				
Employee Costs (Note 8)	2,439	-	2,439	2,712
Repairs and Maintenance (Note 8)	137,446	433	137,879	199,006
Supplies and Small Tools	1,734	-	1,734	199
Equipment Rental	1,870	-	1,870	1,380
Office Expense	17,717	-	17,717	8,561
ECC Management Service (Note 8)	31,716	-	31,716	31,716
Utilities	25,861	-	25,861	27,882
Telephone	2,020	-	2,020	1,789
Waste Disposal	15,004	-	15,004	14,089
Contract Services	9,386	-	9,386	13,318
ECC Accounting and Payroll (Note 8)	47,592	-	47,592	48,115
ECC Gardening (Note 8)	160,572	-	160,572	158,356
Legal and Accounting	45,763	-	45,763	18,877
Grounds Maintenance Facilities (Note 8)	11,628	-	11,628	11,628
Insurance - General	11,861	-	11,861	15,806
Property Tax	707	-	707	-
Depreciation (Note 1)	-	12,855	12,855	16,087
Total Expenses	523,316	13,288	536,604	569,521
OTHER INCOME AND EXPENSES				
Interest	2,642	6,916	9,558	18,512
Gain (Loss) Sale of Assets	-	-	-	200
Miscellaneous Income	-	-	-	23,804
Income Taxes (Note 9)	(49,222)	-	(49,222)	(7,007)
Total Other Income and Expenses	(46,580)	6,916	(39,664)	35,509
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES				
	<u>\$ (49,085)</u>	<u>\$ 156,092</u>	<u>\$ 107,007</u>	<u>\$ (22,424)</u>

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009



	Unrestricted (Operating)	Temporarily Restricted (Replacement)	Totals 2010	2009
FUND BALANCE - July 1	\$ 219,916	\$ 710,307	\$ 930,223	\$ 951,907
Excess (Deficit) of Revenues Over Expenses	(49,085)	156,092	107,007	(22,424)
Other Comprehensive Income				
Unrealized Loss on Marketable Securities	-	(2,112)	(2,112)	740
FUND BALANCE - June 30	<u>\$ 170,831</u>	<u>\$ 864,287</u>	<u>\$ 1,035,118</u>	<u>\$ 930,223</u>

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009



	Unrestricted (Operating)	Temporarily Restricted (Replacement)	Totals	
			2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (Deficit) of Revenues				
Over Expenses	\$ (49,085)	\$ 156,092	\$ 107,007	\$ (22,424)
Adjustments to Reconcile Excess (Deficit) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:				
Depreciation	-	12,855	12,855	16,087
Gain (Loss) on Sale of Asset	-	-	-	(200)
(Increase) Decrease In:				
Accounts Receivable	14,928	-	14,928	47,317
Prepaid Expenses	(309)	-	(309)	11,259
Construction in Progress	-	-	-	-
Prepaid Income Taxes	54,993	-	54,993	(106,043)
Interfund Receivable (Payable)	(33,832)	33,832	-	-
Increase (Decrease) In:				
Accounts Payable	(405)	-	(405)	7,077
Accrued Other Expenses	27,889	-	27,889	43,772
Income Tax Payable	10,822	-	10,822	-
Refundable Construction Deposits	-	(10,000)	(10,000)	(20,000)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	25,001	192,779	217,780	(23,155)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the Sale of Certificates of Deposit	-	384,000	384,000	90,000
Purchase of Certificates of Deposit		(600,000)	(600,000)	(474,000)
Proceeds from the Sale of Fixed Assets	-	-	-	200
Purchase of Fixed Assets	-	(13,471)	(13,471)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	(229,471)	(229,471)	(383,800)
NET INCREASE (DECREASE) IN CASH	25,001	(36,692)	(11,691)	(406,955)
CASH, July 1	389,292	272,367	661,659	1,068,614
CASH, June 30	\$ 414,293	\$ 235,675	\$ 649,968	\$ 661,659

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009



Supplemental Disclosures of Cash Flow Information:
Cash Paid During the Years for:

Interest	<u>\$ -</u>	<u>\$ -</u>
Taxes	<u>\$ 37,600</u>	<u>\$ 113,050</u>

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009



1. SIGNIFICANT ACCOUNTING POLICIES

Organization

Eldorado Property Owners Association (the Association) was incorporated in the State of California on February 14, 1958 as a homeowners' association. The Association supervises and enforces quality maintenance control of 224 homes and 18 vacant lots and common areas associated with those units, located on 220 acres within Eldorado Country Club in Indian Wells, California.

Under Declaration of Conditions and Restrictions recorded April 2000 and expiring on April 17, 2030, the Association was authorized to and withholds the right to purchase and resell property from owners desiring to sell their property to individuals who had not been approved for membership in Eldorado Country Club.

Membership in the Association does not entitle the member to any individual interest, participation, share or property right in the assets of the Association. All properties owned by the Association and such funds as are accumulated, if any, are the indivisible property of the Association as a whole, to be used only for corporate purposes. Upon dissolution or winding-up of the Association, after paying or adequately providing for the debts and obligations of the Association, the directors or persons in charge of the liquidation shall assign, transfer or convey any remaining assets to the members of the Association. Such assets are to be divided into a number equal to the number of lots owned of record by all members, and each member is to receive an amount of such portion equal to the number of lots such member owns.

Financial Statement Presentation - Fund Accounting

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

Operating Fund

This fund is used to account for financial resources available for the general operations of the Association. The Association considers this fund unrestricted.

Replacement Fund

This fund is used to accumulate financial resources designated for future major street repairs and other capital replacements. The Association considers this fund temporarily restricted until funds are released from temporary restriction as costs are incurred for such expenditures.

Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The Association has not designated any other assets as cash equivalents in determining the net increase in cash in the statement of cash flows.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009



1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivables are stated at full value and are considered fully collectible. Bad debts are recorded using the direct write-off method when management believes an account is uncollectible.

Interest Income

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

Property

The Association capitalizes all property and equipment to which it has title or other evidence of ownership.

Depreciation

Property is recorded at cost and is depreciated over estimated lives of 3 to 15 years using straight-line and accelerated methods. The cost of maintenance and repairs are charged to expense and significant renewals and betterments are capitalized. Upon retirement, sale, or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

Depreciation expense at June 30, 2010 and June 30, 2009 were \$12,855 and \$16,087 respectively.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. ACCOUNTS RECEIVABLE

Association members are subject to annual assessment to provide for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. The Association considers all assessments receivable as of June 30, 2010 to be fully collectible. Any excess assessments at year end are retained by the Association for use in the succeeding years.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009



2. ACCOUNTS RECEIVABLE (Continued)

Accounts receivable at June 30, 2010 and June 30, 2009 consist of the following:

	Operating Fund	Replacement Fund	Totals	
			2010	2009
Eldorado Cottage Owners Assoc	\$ 1,119	\$ -	\$ 1,119	\$ 4,354
Homeowner Construction Fees	-	-	-	-
Eldorado Properties	-	-	-	7,370
Assessments Receivable	1,589	-	1,589	5,912
	<u>\$ 2,708</u>	<u>\$ -</u>	<u>\$ 2,708</u>	<u>\$ 17,636</u>

3. CERTIFICATES OF DEPOSIT

The Association invested funds based on an approved investment policy instituted by the Board of Directors. Cost and fair value of certificates of deposit at June 30, 2010 and June 30, 2009 are as follows:

	Amortized Cost	Net Unrealized Gains (Losses)	2010 Fair Value	2009 Fair Value
Held to Maturity:				
Fixed Income Securities	<u>\$ 600,000</u>	<u>\$ (1,372)</u>	<u>\$ 598,628</u>	<u>\$ 384,740</u>

As of June 30, 2010 all held securities had stated maturity of more than 90 days.

4. CONCENTRATION OF CREDIT RISK

As discussed in Note 1, the sole activity of the Association is the management of common areas of Eldorado Country Club, which creates a condition of economic dependency based on the continued existence of the Country Club.

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of cash, and cash equivalents

The Association's cash deposits include a business checking and depository account. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC). The Association's banking institution is participating in the FDIC's Transaction Account Guarantee Program (TAGP). The TAGP was originally implemented in December 2008 and was scheduled to expire December 31, 2009 but the FDIC initially extended the program through June 30, 2010 and the most recent extension was through December 31, 2010. Under this program, non-interest bearing deposit amounts, including business checking deposit accounts that do not earn interest, are fully insured for the entire amount in the deposit account through December 31, 2010. Unless the FDIC again extends the TAGP or another program is implemented, subsequent to December 31, 2010, all interest and non-interest bearing deposits are insured by the FDIC up to \$250,000. Based on legislation signed on July 21, 2010, the standard maximum deposit insurance amount of \$250,000 became permanent. The Association regularly monitors the financial stability and credit worthiness of its financial institution.

At June 30, 2009 the Association had \$136,658 of funds in excess of the insured limits. As of June 30, 2010 the amount of funds in excess of insured limits were \$153,782.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009



5. ACCOUNTS PAYABLE

Accounts payable at June 30, 2010 and June 30, 2009 consist of the following:

	Operating Fund	Replacement Fund	Totals	
			2010	2009
Eldorado Country Club	\$ 13,275	\$ -	\$ 13,275	\$ 13,473
Accounts Payable-Other	2,259	-	2,259	2,466
	<u>\$ 15,534</u>	<u>\$ -</u>	<u>\$ 15,534</u>	<u>\$ 15,939</u>

6. RENTAL INCOME

On March 29, 1984 Eldorado Property Owners Association acquired (at a cost of \$75,000) all of the rights, title and interest of a lease between Eldorado Country Club and the Estate of Robert P. McCulloch. The annual ground lease payments to Eldorado Country Club are \$10 per year.

As of April 9, 2007 the Association entered into a sub-lease agreement with Eldorado Properties for a term of 3 years. In addition to the rent, the sub-lease agreement called for the reimbursement of \$1,800 per month to be applied towards 50% of the cost of renovating the offices. Total renovation costs incurred during the year ended June 30, 2008 by the Association were \$104,739. The balance due on these renovation costs were \$7,370 as of June 30, 2009 and had been paid in full by the lease maturity date of May 31, 2010.

On May 10, 2010 the Association entered into a sub-lease agreement with Morton & Murphy, Premier Real Estate Brokers, LLC for a term of 3 years. Rental income from the sub-lease to Eldorado Properties is based on a percentage of gross receipts attributable to property sold from the real estate office located on the premises of Eldorado Country Club.

The terms of this new sub-lease agreement called for a base rent of \$1,200 per month for the first year, \$1,500 for the second and third years. In addition to the base rent, sub-lessee is to pay a percentage of gross receipts attributable to property sold from the real estate office located on the premises of Eldorado Country Club.

Rental income for the years ended June 30, 2010 and June 30, 2009 was \$148,237 and \$20,312, respectively.

7. LONG-TERM CONTRACT

Eldorado Property Owners Association entered into a cable television contract with Time Warner Cable on May 5, 2009 with service beginning October 1, 2009. The contract is for a term of five years and is renewable in one-year increments at the end of the term. Cable services are charged at a rate of \$42 per month per unit. Time Warner Cable bills the Eldorado Property Owners Association in one master billing each month. This billing covers all 225 current Association residents only. Time Warner Cable requires that the monthly invoice be paid within 30 days or a 1% service charge per month will be added to the bill. Annual increases are limited to \$1 per unit per month per year.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009



7. LONG-TERM CONTRACT (Continued)

Future annual payments over the life of the contract are as follows:

June 30,	
2011	\$ 115,425
2012	118,125
2013	120,825
2014	123,525
2015	31,050
Total	<u>\$ 508,950</u>

8. RELATED PARTY TRANSACTIONS

Eldorado Country Club is the legal employer for the Association, Eldorado Cottage Owners Association and the Club, thus, Eldorado Country Club pays all salaries and other administrative expenses on behalf of Eldorado Property Owners Association. On a monthly basis, Eldorado Property Owners Association reimburses Eldorado Country Club for payroll and related expenses.

Eldorado Property Owners Association had balances owed to Eldorado Country Club in the amounts of \$13,275 and \$13,473 as of June 30, 2010 and June 30, 2009, respectively.

Eldorado Property Owners Association had receivables due from Eldorado Cottage Owners Association in the amounts of \$1,119 and \$4,354 as of June 30, 2010 and June 30, 2009, respectively.

Joint Sharing (Cost) Agreements

The Association, Eldorado Cottage Owners Association and Eldorado Country Club entered into a comprehensive Master Agreement which clarified many of the operational and financial arrangements between the three companies. The agreement was effective April 1, 2010 and has a term of five years, with automatic renewal for an additional five years. Pursuant to this agreement, Eldorado Country Club (ECC) now bills each association for their share of security expenses.

A joint organization sharing agreement with Eldorado Country Club (ECC) and Eldorado Cottage Owners Association (ECO) was formed, whose purpose is to review the annual operating and capital budgets for security and maintenance of the streets and common areas surrounding the streets. As a result of this agreement, it was decided that the three parties would share in the cost of maintaining the streets, streetlights and common area landscaping as follows:

EPOA 66%

ECO 4%

ECC 30%

The sharing percentage was determined not to apply to capital budgets unless the parties agreed that it should. If the committee chose not to apply the sharing percentage they would determine an alternative proper percentage for sharing the capital expenditures. The replacement of current estimate of needed reserves has been prepared using the same percentages as those used for the joint organization sharing agreement.

As of June 30, 2010 the amount of costs reimbursed by Eldorado Country Club and Eldorado Property Owners Association were \$95,770 and \$12,769 respectively.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009



8. RELATED PARTY TRANSACTIONS (Continued)

The Association agreed to a monthly fee for management services of \$2,643 and accounting services of \$3,966 with annual increases based in the Consumer Price Index with a limit of 5% per year. For years ending June 30, 2010 and June 30, 2009 the total management fee paid was \$31,716 each year. As for the accounting services, the total paid for the same periods was \$47,592 and \$48,115, respectively.

The Association also agreed to a monthly fee for usage of the golf course maintenance building of \$969. For years ending June 30, 2010 and June 30, 2009 the total amount paid for rent was \$11,628 each year.

Employee Costs

The Association entered into an agreement with Eldorado Country Club for all of the landscaping services. Under the terms of this agreement, all landscaping employee costs are to be passed through to the Association.

In addition, the Association incurred expenses related to the termination of an employee benefit pension plan sponsored by Eldorado Country Club. The actual amounts paid for the years ending June 30, 2010 and June 30, 2009 were \$26 and \$99, respectively.

For years ending June 30, 2010 and June 30, 2009 the total amounts reported for employee cost were as follow:

	Operating Fund	Replacement Fund	Totals	
			2010	2009
TERMINATED EMPLOYEES				
Pension Plan Contribution	\$ 25	\$ -	\$ 25	\$ 99
CURRENT EMPLOYEES				
ECC Gardeners	160,572	-	160,572	158,356
Uniforms	2,414	-	2,414	2,613
Total Current Employees	162,986	-	162,986	160,969
Total Employee Costs	\$ 163,011	\$ -	\$ 163,011	\$ 161,068

Repairs And Maintenance

Repairs and Maintenance expense as of June 30, 2010 and June 30, 2009 consisted of the following:

	Operating Fund	Replacement Fund	Totals	
			2010	2009
Equipment Maintenance	\$ 4,057	\$ -	\$ 4,057	\$ 4,199
Grounds Maintenance	52,990	-	52,990	80,047
Building Repairs	156	-	156	938
Lights	24,252	-	24,252	38,442
Perimeter Beautification	10,839	-	10,839	39,843
Perimeter Maintenance	45,152	433	45,585	35,537
	\$ 137,446	\$ 433	\$ 137,879	\$ 199,006

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009



9. INCOME TAXES

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non membership income, such as interest earnings and rental income, at regular federal and state corporate rates. The Association has chosen this election in order to minimize its tax obligation. All income taxes are considered current expenses.

For the years ended June 30, 2010 and June 30, 2009, the Association was taxed as a regular corporation. Income tax expense consists of the following:

	Operating Fund	Replacement Fund	Totals	
			2010	2009
Federal	\$ 36,120	\$ -	\$ 36,120	\$ 4,309
State	13,102	-	13,102	2,698
	<u>\$ 49,222</u>	<u>\$ -</u>	<u>\$ 49,222</u>	<u>\$ 7,007</u>

10. RECLASSIFICATIONS

Certain reclassifications not affecting fund balances have been made to the prior year presentation in order to conform to the current year presentation.

11. SUBSEQUENT EVENTS

Events arising after the date of the financials and through August 19, 2010, the date the financials are ready for distributions have been evaluated.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009



BOARD OF DIRECTORS

Richard Morgan	President
Barry Williams	Vice President
David Bissett	Treasurer
Lucy McBain	Secretary
James Harrington	Ex-Officio
Din Bolin	Director
Ashley Maentz	Director
Pat Collins	Director
Paul VonGontard	Director
Roger Burpee	Director

ARCHITECTURAL COMMITTEE

Barry Williams	Chairman
Roger Burpee	

BEAUTIFICATION COMMITTEE

Ashley Maentz	Chairperson
Din Bolin	

FINANCE COMMITTEE

David Bissett	Chairman
Pat Collins	

SECURITY COMMITTEE

Din Bolin	Chairman
Paul VonGontard	

REAL ESTATE COMMITTEE

Lucy McBain	Chairman
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SUPPLEMENTARY INFORMATION

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
SUPPLEMENTARY INFORMATION FOR FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
JUNE 30, 2010



RESERVE REPLACEMENT FUND ANALYSIS

Replacement reserves are estimated amounts for replacement of major assets of the Association. Reserving provides a secure, planned financial base to address major cost emergencies and to provide replacement of capital assets. A reserve fund acts to stabilize the assets of the community and member assessments, and reflects the Association's ability to execute their fiduciary responsibilities and provide governance over the Association.

As of July 1, 2008, the Association, in order to make the operations less dependent on non member income, made the decision to apply all the dues to the operations fund while allocating 100% of the Percentage Rent income to the Future Repairs and Replacements Fund. Home owners who elected to construct or remodel their homes were also charged an amount equal to 100% of any building fees charged by the city. These fees were collected and placed in a separate account to be used exclusively for capital expenditures (asset purchases) over \$5,000 in value and with a useful life of five years or more.

The Replacement Fund as of June 30, 2010 and June 30, 2009 had accumulated cash and marketable securities in the amount of \$834,303 and \$657,107, respectively. These funds are held in separate bank accounts and are generally not available for operating purposes. The fund (equity) had a balance as of June 30, 2010 and June 30, 2009 in the amount of \$864,287 and \$714,478, respectively.

On September 2009 the Association contracted McCaffery Reserve Consulting to update their formal Reserve Fund study for the year ending June 30, 2010. The result of the study reflected a deficit in reserves of approximately \$535,842. Given the increase in percentage rent, this deficit was reduced to \$446,182 as of the year end. The consulting company's recommendation was to increase the reserve contributions by approximately \$168,000 per year commencing with the 2010 tax year.

The Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. Given the current slowdown in real estate activity during the current year and based on the lack of immediate need for major capital replacements, the Board has not approved any major repairs or capital replacements.

Real Estate Office

During the period ended June 30, 2010, the Real Estate office's roof was replaced for a total cost of \$13,471.

The current estimate needed for replacement reserves has been prepared using the same percentages as those used for the joint organization sharing agreement (see Note 8).

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
SUPPLEMENTARY INFORMATION FOR FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
JUNE 30, 2010



	<u>Average Estimated Useful Lives (Years)</u>	<u>Average Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Proposed Budgeting Requirements</u>	<u>Current Estimate of Needed Reserves</u>
Landscaping Equipment	Various	Various	\$ 81,952	\$ 8,476	\$ 53,059
Streets	Various	Various	837,843	71,185	474,988
Street Lights	Various	Various	251,075	10,299	214,164
Landscaping	Various	Various	358,989	14,291	293,305
Real Estate Office	Various	Various	327,000	16,350	212,550
Contingency (5%)			-	6,030	62,403
Total Required Reserves			<u>\$ 1,856,859</u>	<u>\$ 126,631</u>	<u>\$ 1,310,469</u>
Current Reserves					<u>864,287</u>
Reserve Deficit					<u>\$ (446,182)</u>

NOTE: Original Reserve Study included a separate line item for Security department as well as full replacement of the Real Estate office building.

Since Eldorado Country Club holds title to the Real Estate office, future major improvements must be pre-approved by the Club.