

Eldorado Property Owners Association (A California Nonprofit Corporation)

Financial Report

Years Ended June 30, 2014 and 2013

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Balance Sheets	3
Statements of Revenues and Expenses	4
Statements of Changes in Fund Balances	5
Statements of Cash Flows	6
Notes to Financial Statements	7-12
SUPPLEMENTARY INFORMATION	
Board of Directors/Committees	14
Future Major Repairs and Replacements (Unaudited)	15



INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Eldorado Property Owners Association
Indian Wells, California

Report on the Financial Statements

We have audited the accompanying financial statements of Eldorado Property Owners Association (a California nonprofit corporation) (the Association), which comprise the balance sheet as of June 30, 2014, and the related statement of revenues and expenses, changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Eldorado Property Owners Association 2013 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 8, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements on page 15 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, or other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hutchinson and Bloodgood LLP

October 23, 2014

ELDORADO PROPERTY OWNERS ASSOCIATION
(A California Nonprofit Corporation)

Balance Sheets

June 30, 2014

(With Comparative Totals as of June 30, 2013)

	Operating Fund	Replacement Fund	2014	2013
ASSETS				
Current Assets				
Cash (Notes 1 and 3)	\$ 694,898	172,624	\$ 867,522	\$ 907,305
Certificates of deposit (Note 2)	--	1,193,190	1,193,190	893,906
Total cash and certificates of deposit	694,898	1,365,814	2,060,712	1,801,211
Accounts receivable (Note 1)	53,200	--	53,200	64,798
Prepaid expenses	42,314	--	42,314	10,068
Interfund receivable (payable)	(6,982)	6,982	--	--
Total current assets	<u>783,430</u>	<u>1,372,796</u>	<u>2,156,226</u>	<u>1,876,077</u>
Property (Note 1)				
Operating equipment	161,677	--	161,677	135,491
Pump and irrigation equipment	96,730	--	96,730	96,730
Leasehold improvements	65,840	--	65,840	65,840
Street lights	233,321	--	233,321	127,338
	557,568	--	557,568	425,399
Less accumulated depreciation	<u>(168,477)</u>	<u>--</u>	<u>(168,477)</u>	<u>(128,795)</u>
Total property	<u>389,091</u>	<u>--</u>	<u>389,091</u>	<u>296,604</u>
Total assets	<u>\$ 1,172,521</u>	<u>\$ 1,372,796</u>	<u>\$ 2,545,317</u>	<u>\$ 2,172,681</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 9,299	\$ --	\$ 9,299	\$ 1,721
Deferred dues and maintenance	260,688	--	260,688	264,947
Deferred cable charges	62,196	--	62,196	59,512
Refundable construction deposits	70,000	--	70,000	60,000
Deferred income taxes	30,000	--	30,000	--
Income tax payable	--	--	--	22,281
Total current liabilities	<u>432,183</u>	<u>--</u>	<u>432,183</u>	<u>408,461</u>
Commitments (Note 5)				
Fund Balances				
Operating	740,338	--	740,338	619,335
Replacement	--	1,372,796	1,372,796	1,144,885
Total fund balances	<u>740,338</u>	<u>1,372,796</u>	<u>2,113,134</u>	<u>1,764,220</u>
Total liabilities and fund balances	<u>\$ 1,172,521</u>	<u>\$ 1,372,796</u>	<u>\$ 2,545,317</u>	<u>\$ 2,172,681</u>

ELDORADO PROPERTY OWNERS ASSOCIATION
(A California Nonprofit Corporation)

Statements of Revenues and Expenses

Year Ended June 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	Operating Fund	Replacement Fund	2014	2013
REVENUES				
Annual lot dues	\$ 514,250	\$ --	\$ 514,250	\$ 514,250
Rental income (Note 4)	--	312,406	312,406	167,992
Escrow transfer fees	--	9,000	9,000	6,000
Construction permit fees	--	16,925	16,925	52,838
Lot maintenance	10,245	--	10,245	18,994
ECC reimbursements	127,877	--	127,877	99,535
ECOA reimbursements	16,134	--	16,134	13,271
Total revenues	668,506	338,331	1,006,837	872,880
EXPENSES				
Maintenance				
ECC gardening services	197,873	--	197,873	195,117
Repairs and maintenance- landscaping	69,263	--	69,263	69,780
Repairs and maintenance- streets	108,840	--	108,840	6,664
Repairs and maintenance- street lights	7,374	--	7,374	2,385
Services				
ECC accounting and payroll (Note 6)	50,434	--	50,434	50,068
ECC management service (Note 6)	33,676	--	33,676	33,164
Professional fees - audit and tax	16,588	--	16,588	16,695
Insurance	12,976	--	12,976	11,442
Contract services	11,601	--	11,601	8,610
Legal	4,383	--	4,383	8,906
Other				
Utilities	27,277	--	27,277	30,521
Waste disposal	15,274	--	15,274	17,644
Maintenance facility rental (Note 6)	11,628	--	11,628	11,628
Office supplies cable television fees (Note 5)	448	300	748	9,104
Supplies and small tools	1,077	--	1,077	2,138
Equipment rental	3,012	--	3,012	2,106
Uniforms	1,699	--	1,699	1,288
Telephone	1,212	--	1,212	1,141
Total expenses	574,635	300	574,935	478,401
OTHER INCOME AND EXPENSES				
Interest income	537	9,194	9,731	8,087
Depreciation (Note 1)	(39,682)	--	(39,682)	(19,823)
Miscellaneous income	1,347	--	1,347	--
Income taxes (Note 7)	(59,809)	--	(59,809)	(62,500)
Total other income and expenses	(97,607)	9,194	(88,413)	(74,236)
Excess of revenues over expenses	\$ (3,736)	\$ 347,225	\$ 343,489	\$ 320,243

ELDORADO PROPERTY OWNERS ASSOCIATION
(A California Nonprofit Corporation)

Statements of Changes in Fund Balances
Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Operating Fund	Replacement Fund	2014	2013
FUND BALANCE - Beginning of Year	\$ 611,905	\$ 1,152,315	\$ 1,764,220	\$ 1,445,472
Excess of revenues over expenses	(3,736)	347,225	343,489	320,243
Other changes in fund balance	--	5,425	5,425	(1,495)
Interfund Transfers for capital improvements	<u>132,169</u>	<u>(132,169)</u>	<u>--</u>	<u>--</u>
FUND BALANCE - End of Year	<u>\$ 740,338</u>	<u>\$ 1,372,796</u>	<u>\$ 2,113,134</u>	<u>\$ 1,764,220</u>

ELDORADO PROPERTY OWNERS ASSOCIATION
(A California Nonprofit Corporation)

Statements of Cash Flows

Year Ended June 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	Operating Fund	Replacement Fund	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of revenues over expenses	\$ (3,736)	\$ 347,225	\$ 343,489	\$ 320,243
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
Depreciation	39,682	--	39,682	19,823
Unrealized (gain) loss on investments	--	5,425	5,425	(1,495)
Decrease (increase) in :				
Accounts receivable	11,598	--	11,598	(59,375)
Prepaid expenses	(32,246)	--	(32,246)	(2,440)
Interfund receivable (payable)	42,223	(42,223)	--	--
Increase (decrease) in :				
Accounts payable	7,578	--	7,578	(26,617)
Accrued other expenses	(1,575)	--	(1,575)	1,900
Income taxes, including deferred income taxes	7,719	--	7,719	(32,518)
Refundable construction deposits	10,000	--	10,000	40,000
Net cash flows provided by operating activities	81,243	310,427	391,670	259,521
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of certificates of deposit	--	648,657	648,657	482,000
Purchase of certificates of deposit	--	(947,941)	(947,941)	(646,770)
Purchase of fixed assets	(132,169)	--	(132,169)	(168,068)
Net cash flows used in investing activities	(132,169)	(299,284)	(431,453)	(332,838)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund transfer to fund fixed asset purchases	132,169	(132,169)	--	--
Net increase (decrease) in cash	81,243	(121,026)	(39,783)	(73,317)
CASH, beginning of the year	613,655	293,650	907,305	980,622
CASH, end of year	\$ 694,898	\$ 172,624	\$ 867,522	\$ 907,305
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for income taxes			\$ 85,590	\$ 67,618

ELDORADO PROPERTY OWNERS ASSOCIATION
(A California Nonprofit Corporation)

Notes to Financial Statements
June 30, 2014 and 2013

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Organization: Eldorado Property Owners Association (a California nonprofit corporation) (the Association) was incorporated in the state of California on February 14, 1958 as a homeowners' association. The Association provides certain maintenance and security services for 233 homes and nine vacant lots and common areas associated with those units, located on 220 acres within Eldorado Country Club ("the Club") in Indian Wells, California.

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 a proportionate share of such assets based upon the number of lots that such member owns.

Under Amended and Restated Declaration of Conditions and Restrictions (CC&R's) recorded May 10, 2010 and expiring on April 17, 2030, no person(s) shall purchase a Lot within the Project until and unless each such person has been accepted for membership in the Eldorado Country Club, unless the Association fails to exercise its rights of first refusal to purchase the Lot as outlined in the CC&R's. Specifically, if a prospective purchaser of a Lot within the Project is not accepted for membership in the Club, the seller of such Lot shall, by written notice to the Association, offer its Lot for sale to the Association on the same terms and conditions which seller had agreed to accept from the prospective purchaser.

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.

Replacement Fund: This fund is used to accumulate financial resources designated for future major street repairs and other capital replacements.

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 Nonprofit Corporation)

Notes to Financial Statements
June 30, 2014 and 2013

NOTE 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. Property is recorded at cost. The cost of maintenance and repairs are charged to expense and significant renewals and betterments are capitalized.

Depreciation: Capitalized common property is depreciated over estimated useful lives of 3 to 15 years using straight-line and accelerated methods. 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 for the years ended June 30, 2014 and 2013 was \$39,682 and \$19,823, respectively.

Revenue Recognition: Annual lot dues and lot maintenance revenues billed in advance are recorded as deferred revenue and are recognized as revenues in the periods to which they apply. Related party reimbursement revenues are recognized at the time related expenses are incurred. Real estate rental and construction permit fee revenues are recognized in the period incurred. Percentage rent and escrow transfer fees revenues are recognized when the related homes are sold.

Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 2. CERTIFICATES OF DEPOSIT

The Association invests funds based on an approved investment policy instituted by the Board of Directors. The general policy is purchase certificates of deposits with varying terms and maturity dates. The maturity dates will coincide with projected future cash requirements to fund capital improvements.

Interest income earned from certificates of deposit is included as interest income on the statement of revenues and expenses. No capital gain or loss was recognized at the time of redemption of any certificates of deposit.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A California Nonprofit Corporation)

Notes to Financial Statements
June 30, 2014 and 2013

NOTE 3. CONCENTRATION OF CREDIT RISK

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

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

The Association maintains its cash and cash equivalents with high credit quality financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures interest bearing and non-interest bearing accounts up to \$250,000. As of June 30, 2014 and during the fiscal year the Association periodically maintained deposits in excess of insured limits. On a regular basis, the Association's policy is to review the financial strength of the financial institution to ensure financial stability and credit quality.

NOTE 4. RENTAL INCOME

On March 29, 1984, the 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 relating to real estate office occupancy and usage. The annual ground lease payment from the Association to Eldorado Country Club is \$10.

On May 10, 2010, the Association entered into a sub-lease agreement with Morton & Murphy, Premier Real Estate Brokers, Inc. (a California S Corporation) for a term of 3 years. On May 14, 2013, the term of the sub-lease agreement was extended through January 31, 2014, with a subsequent month-to-month provision following.

The sub-lease agreement provides for a Base Rent of \$1,200 per month for the first year and \$1,500 per month for the ensuing years of the sub-lease. In addition to the Base Rent, the sub-lessee is required to pay the Association a Percentage Rent, which is based upon a percentage of gross receipts attributable to property sold by the sub-lessee from the real estate office located on the premises of Eldorado Country Club.

Total rental income, including percentage rent, for the years ended June 30, 2014 and 2013 was \$312,406 and \$167,992, respectively.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A California Nonprofit Corporation)

Notes to Financial Statements
June 30, 2014 and 2013

NOTE 5. LONG-TERM COMMITMENTS

On May 11, 2014, the Association entered into a new contract with Time Warner Cable, for bundled Multi-Channel Video Service (Cable) and High Speed Data service, beginning October 1, 2014. The new contract is for a term of three years and is renewable in one-year increments at the end of the term. Cable and High Speed Data services will be charged at a rate of \$72.00 per month per homeowner. Annual increases will be limited to \$1.00 per unit per year beginning October 1, 2015.

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

Year Ending June 30,	
2015	\$ 169,122
2016	184,032
2017	<u>46,008</u>
Total	<u>\$ 399,162</u>

NOTE 6. RELATED PARTY TRANSACTIONS

Services Provided and Cost Sharing: The Association, Eldorado Cottage Owners Association (ECOA) and Eldorado Country Club (ECC) (the Club) have a comprehensive Master Agreement, which outlines operational and financial arrangements between the three entities. The Master agreement was effective April 1, 2010 and has a term of five years, with automatic renewal for an additional five years. Services provided by the Club include gardening services, security services, and management, accounting and payroll services. The Association utilizes the gardening staff provided by the Club, and other resources to maintain all common areas within the community. As costs are incurred for these services, the Club and the Association bill the other entities for their portion of these costs.

ECC Gardening Services: Eldorado Country Club is the legal employer of all employees used by the Association, Eldorado Cottage Owners Association and the Club. Based on this arrangement, Eldorado Country Club pays all wages, payroll taxes and other benefits on behalf of the Eldorado Property Owners Association. On a semimonthly basis, Eldorado Property Owners Association reimburses Eldorado Country Club for these costs.

ECC Security Services: The Association provides security services on a 24-hour, seven days a week basis, for all property owners via the Club's security department. On a semi-annual basis, the Club bills the Association for the estimated cost of security. The Association, in turn, bills each lot owner for their respective share of their prorated cost of security. These costs include the Association's share of the security department's salaries, wages, payroll taxes, prorated security asset charges and other operating expenses.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A California Nonprofit Corporation)

Notes to Financial Statements
June 30, 2014 and 2013

NOTE 6. RELATED PARTY TRANSACTIONS (Continued)

ECC Management and Accounting Services: The Association pays a monthly fee for management services of \$2,643 and accounting and payroll services of \$3,966. These fees are subject to possible increases based on the Consumer Price Index with a limit of 5% per year.

ECC Golf Course Maintenance Building Usage: The Association pays a monthly fee for space usage/equipment storage of \$969 at the Club's golf course maintenance building.

Services Provided by the Association: The Association utilizes the gardening staff provided by the Club and other resources to maintain all common areas within the Eldorado community. These areas include streets, streetlights, common landscaped areas, the dog park area and street medians. Pursuant to the Master Agreement, the parties share these maintenance costs based on the following percentages: EPOA 66%, ECOA 4%, and the Club 30%.

	2014	2013
Eldorado Country Club – shared maintenance	\$ 127,877	\$ 99,535
Eldorado Cottage Owners Association – shared maintenance	<u>16,134</u>	<u>13,271</u>
	<u>\$ 144,011</u>	<u>\$ 112,806</u>
As of June 30, the Association had receivables due from ECOA in the amounts of:		
ECO Shared Costs	\$ 1,841	\$ 1,040
Plan Check Fees	--	--
EPOA Common Area	<u>2,636</u>	<u>8,751</u>
	<u>\$ 2,636</u>	<u>\$ 9,791</u>

Services Provided by the Club:

	2014	2013
Annual Security Services	<u>\$ 512,005</u>	<u>\$ 536,030</u>
Annual Management Services	<u>\$ 33,676</u>	<u>\$ 33,164</u>
Annual Accounting services	<u>\$ 50,434</u>	<u>\$ 50,068</u>
Annual Golf Course Maintenance Building Usage	<u>\$ 11,628</u>	<u>\$ 11,628</u>

As of June 30, the Association had receivables due from (owed to) the Club in the amounts of:

ECC Management	\$ --	\$ 6,971
ECC Accounting Payroll	--	8,791
ECC Golf Course Maintenance Building Usage	--	969
EPOA Common Area (Gardening Labor and Other)	<u>(20,678)</u>	<u>(60,624)</u>
	<u>\$ (20,678)</u>	<u>\$ (43,893)</u>

ELDORADO PROPERTY OWNERS ASSOCIATION
(A California Nonprofit Corporation)

Notes to Financial Statements
June 30, 2014 and 2013

NOTE 7. INCOME TAXES

Homeowners' associations may be taxed either as a homeowners' association or as a regular corporation. 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 made this annual election, to be taxed as a regular corporation, in order to minimize its tax obligation. All income taxes are considered current expenses.

Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the difference between the reported amounts of assets and liabilities and their tax basis. For the Association deferred taxes are due to using different depreciation methods for financial reporting purposes and tax reporting purposes.

The Association's policy is to recognize tax positions in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. As of June 30, 2014, the Association had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. As of June 30, 2014, the Association's annual tax filings for the prior three and four years are open for audit by Federal and state tax agencies respectively.

For the years ended June 30, 2014 and 2013, the Association was taxed as a regular corporation. Income tax expense consists of the following:

	Operating Fund	Replacement Fund	Totals	
			2014	2013
Federal	\$ 48,399	\$ --	\$ 48,399	\$ 48,000
State	<u>11,410</u>	<u>--</u>	<u>11,410</u>	<u>14,500</u>
	<u>\$ 59,809</u>	<u>\$ --</u>	<u>\$ 59,809</u>	<u>\$ 62,500</u>

NOTE 8. RECLASSIFICATIONS

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation. The most significant reclassification was to reflect the fixed assets and related accumulated depreciation as a component of the Operating Fund. This presentation is consistent with industry practice. The changes had no effect on the total fund balance as previously reported.

NOTE 9. SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 23, 2014, the date that the financial statements were available to be issued.

Supplementary Information

ELDORADO PROPERTY OWNERS ASSOCIATION
(A California Nonprofit Corporation)

Board of Directors/Committees
June 30, 2014 and 2013

BOARD OF DIRECTORS

Gerald Schissler	President
David Ryerse	Vice President
Cynthia Baise	Treasurer
Gail Peterson	Secretary
Bob Bowers	Ex-Officio
Emily Summers	Director
Karen Belden	Director
Paul Clark	Director
Charles Pigott	Director

ARCHITECTURAL COMMITTEE

David Ryerse	Chairperson
Emily Summers	
Paul Clark	

LANDSCAPE COMMITTEE

Gail Peterson	Chairperson
Emily Summers	
Charles Pigott	

FINANCE COMMITTEE

Cynthia Baise	Chairperson
Paul Clark	
Karen Belden	

SECURITY COMMITTEE

Cynthia Baise	
Charles Pigott	

REAL ESTATE COMMITTEE

Karen Belden	Chairperson
David Ryerse	
Gail Peterson	

ELDORADO PROPERTY OWNERS ASSOCIATION
(A California Nonprofit Corporation)

Future Major Repairs and Replacements (Unaudited)
June 30, 2014

REPLACEMENT FUND AND FUNDING OF THE REPLACEMENT FUND

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 buttresses the Association's ability to execute its various responsibilities.

As of July 1, 2008, the Association, in order to make its operations less dependent on non-member income, made the decision to allocate 100% of dues income to the Operating Fund while allocating 100% of the Percentage Rent received under the sub-lease agreement with Morton & Murphy (see Note 4) to the Replacement Fund. Homeowners who undertake to construct or remodel their homes are charged an amount equal to 100% of any construction permit fees charged the homeowner by the City of Indian Wells. For the year ending June 30, 2015, the Association has budgeted percentage rent and construction permit fees of \$198,000. Such revenues and fees collected by the Association will be allocated to the Replacement Fund.

The Replacement Fund as of June 30, 2014 and 2013 had accumulated cash and marketable securities in the amount of \$1,365,814 and \$1,187,557, respectively. These funds are held in separate investment accounts and are not available for operating purposes.

The Association contracted for and obtained a reserve study, including site inspection, in August 2014. The study identified a deficit in reserves of approximately \$1,282,000. The estimate for replacement reserves has been prepared using the same sharing percentages as outlined in the Master Agreement.

	Average Estimated Useful Lives (Years)	Average Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	Estimate of Required Reserves at June 30, 2014
Landscaping Equipment	5-30	0-11	\$ 161,105	\$ 116,426
Streets	20-25	0-19	1,151,527	1,178,995
Security	5-25	0-9	796,243	576,164
Street Lights	15-25	0-23	297,502	82,986
Landscaping	10-30	4-12	691,641	504,617
Real Estate Office	10-25	5-19	215,185	62,510
Contingency (5%)				<u>126,085</u>
Total Required Reserves			<u>\$ 3,313,203</u>	2,647,783
Current Cash Reserves				<u>1,365,814</u>
Reserve Deficit				<u>\$ (1,281,969)</u>

Estimated Current Replacement Cost – Total cost to replace or repair component in today's dollars.

Estimate of Required Reserves – The amount that should be saved during the life of the component as of the end of the fiscal year.