



FINANCIAL STATEMENT
OF
ELDORADO PROPERTY OWNERS
ASSOCIATION
AS OF
JUNE 30, 2012 AND JUNE 30, 2011

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of Eldorado Property Owners Association, a California Corporation, as of June 30, 2012 and June 30, 2011, 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, 2012 and June 30, 2011, 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.

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements on pages 15 and 16 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.

GODECKE CLARK



Certified Public Accountant

August 21, 2011
Palm Desert, California 92260

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ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
BALANCE SHEETS
JUNE 30, 2012 AND JUNE 30, 2011



ASSETS

	Unrestricted (Operating)	Temporarily Restricted (Replacement)	Totals	
			2012	2011
CURRENT ASSETS				
Cash (Notes 1 and 3)	\$ 535,323	\$ 445,299	\$ 980,622	\$ 592,505
Certificates of Deposit (Note 2)	-	729,136	729,136	778,515
Total Cash and Certificates of Deposit	535,323	1,174,435	1,709,758	1,371,020
Accounts Receivable (Note 1)	5,423	-	5,423	40,281
Prepaid Expenses	7,628	-	7,628	7,751
Prepaid Income Taxes	-	-	-	16,726
Construction in Progress	-	3,325	3,325	-
Interfund Receivable (Payable)	146,340	(146,340)	-	-
Total Current Assets	694,714	1,031,420	1,726,134	1,435,778
PROPERTY (Note 1)				
Operating Equipment	-	91,435	91,435	60,941
Pump and Irrigation Equipment	-	96,730	96,730	96,730
Leasehold Improvements	-	65,840	65,840	65,840
Street Lights	-	79,520	79,520	79,520
	-	333,525	333,525	303,031
Less: Accumulated Depreciation	-	(188,491)	(188,491)	(169,326)
Total Property	-	145,034	145,034	133,705
TOTAL ASSETS	\$ 694,714	\$ 1,176,454	\$ 1,871,168	\$ 1,569,483

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES				
Accounts Payable	\$ 28,338	\$ -	\$ 28,338	\$ 2,648
Deferred Dues and Maintenance	265,986	-	265,986	267,385
Deferred Cable Charges	56,573	-	56,573	55,040
Accrued Other Expenses	-	-	-	3,250
Refundable Construction Deposits	-	20,000	20,000	50,000
Income Tax Payable	54,799	-	54,799	-
Total Current Liabilities	405,696	20,000	425,696	378,323
FUND BALANCES				
Unrestricted	289,018	-	289,018	249,213
Temporarily Restricted	-	1,156,454	1,156,454	941,947
Total Fund Balances	289,018	1,156,454	1,445,472	1,191,160
TOTAL LIABILITIES AND FUND BALANCES	\$ 694,714	\$ 1,176,454	\$ 1,871,168	\$ 1,569,483

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011



	Unrestricted (Operating)	Temporarily Restricted (Replacement)	Totals	
			2012	2011
REVENUES				
Annual Lot Dues	\$ 514,250	\$ -	\$ 514,250	\$ 469,202
Rental Income (Note 4)	-	216,087	216,087	73,610
Escrow Transfer Fees	-	6,500	6,500	2,000
Construction Permit Fees	-	-	-	5,176
Lot Maintenance	19,354	-	19,354	20,520
Plan Check Fees	-	-	-	3,600
Security Service Fees, Net (Note 6)	-	-	-	-
ECC Reimbursements	125,845	-	125,845	115,681
EOA Reimbursements	16,779	-	16,779	15,424
Total Revenues	676,228	222,587	898,815	705,213
EXPENSES				
Maintenance				
ECC Gardening Services	185,868	-	185,868	177,786
Repairs and Maintenance-Streets	116,845	-	116,845	51,287
Repairs and Maintenance-Other	70,358	-	70,358	105,875
Services				
ECC Accounting and Payroll (Note 6)	48,211	-	48,211	47,901
ECC Management Service (Note 6)	32,482	-	32,482	31,922
CPA Audit	16,265	-	16,265	15,790
Insurance	11,755	-	11,755	11,470
Contract Services	8,753	-	8,753	8,631
Legal	839	-	839	3,569
Other				
Utilities	30,383	-	30,383	26,656
Waste Disposal	13,557	-	13,557	15,590
Maintenance Facility Rental (Note 6)	11,628	-	11,628	11,628
Office Supplies	5,201	300	5,501	5,010
Cable Television Fees (Note 5)	4,068	-	4,068	5,290
Supplies and Small Tools	3,611	-	3,611	1,598
Equipment Rental	2,582	-	2,582	2,089
Uniforms	1,118	-	1,118	1,930
Telephone	1,020	-	1,020	1,190
Property Tax	254	-	254	-
Total Expenses	564,798	300	565,098	525,212
OTHER INCOME AND EXPENSES				
Interest Income	948	10,978	11,926	13,452
Depreciation (Note 1)	-	(19,165)	(19,165)	(15,190)
Miscellaneous Expense	(174)	(41)	(215)	-
Income Taxes (Note 7)	(72,399)	-	(72,399)	(19,874)
Total Other Income and Expenses	(71,625)	(8,228)	(79,853)	(21,612)
EXCESS OF REVENUES OVER EXPENSES				
	<u>\$ 39,805</u>	<u>\$ 214,059</u>	<u>\$ 253,864</u>	<u>\$ 158,389</u>

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011



	Unrestricted (Operating)	Temporarily Restricted (Replacement)	Totals	
			2012	2011
FUND BALANCE - July 1	\$ 249,213	\$ 941,947	\$ 1,191,160	\$ 1,035,118
Excess of Revenues Over Expenses	39,805	214,059	253,864	158,389
Other Comprehensive Income				
Change on Unrealized Loss on Marketable Securities	-	448	448	(2,347)
FUND BALANCE - June 30	<u>\$ 289,018</u>	<u>\$ 1,156,454</u>	<u>\$ 1,445,472</u>	<u>\$ 1,191,160</u>

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011



	Unrestricted (Operating)	Temporarily Restricted (Replacement)	Totals	
			2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of Revenues				
Over Expenses	\$ 39,805	\$ 214,059	\$ 253,864	\$ 158,389
Adjustments to Reconcile Excess				
of Revenues Over Expenses				
to Net Cash Provided (Used) by				
Operating Activities:				
Depreciation	-	-	-	15,190
Unrealized Gain (Loss) on Investments	-	(173)	(173)	(234)
(Increase) Decrease In:				
Accounts Receivable	34,858	-	34,858	(37,573)
Prepaid Expenses	123	-	123	(157)
Construction in Progress	-	(3,325)	(3,325)	-
Prepaid Income Taxes	16,726	-	16,726	(16,726)
Interfund Receivable (Payable)	(103,766)	103,766	-	-
Increase (Decrease) In:				
Accounts Payable	25,690	-	25,690	(12,886)
Accrued Other Expenses	(3,116)	-	(3,116)	48,167
Income Tax Payable	54,799	-	54,799	(10,822)
Refundable Construction Deposits	-	(30,000)	(30,000)	-
NET CASH PROVIDED				
BY OPERATING ACTIVITIES	65,293	284,368	349,661	143,348
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the Sale of				
Certificates of Deposit	-	547,000	547,000	300,000
Purchase of				
Certificates of Deposit	-	(497,000)	(497,000)	(482,000)
Purchase of Fixed Assets	-	(30,494)	(30,494)	(18,811)
NET CASH PROVIDED (USED)				
BY INVESTING ACTIVITIES	-	19,506	19,506	(200,811)
NET INCREASE (DECREASE)				
IN CASH	65,293	303,874	369,167	(57,463)
CASH, July 1	470,204	122,301	592,505	649,968
CASH, June 30	<u>\$ 535,497</u>	<u>\$ 426,175</u>	<u>\$ 961,672</u>	<u>\$ 592,505</u>

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011



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

	<u>2012</u>	<u>2011</u>
Interest	\$ -	\$ -
Taxes	<u>\$ 17,600</u>	<u>\$ 47,422</u>

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011



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 provides general maintenance and security services for 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.

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.

Under Declaration of Conditions and Restrictions recorded April 2000 and expiring on April 17, 2030, the Association is 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.

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.

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.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011



1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 at June 30, 2012 and June 30, 2011 was \$19,165 and \$15,190, 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. CERTIFICATES OF DEPOSIT

The Association invested funds based on an approved investment policy instituted by the Board of Directors.

Security investments that the Association has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and recorded at fair value in investments and other assets. Net change in unrealized gains or losses for the period is reflected as other comprehensive income.

	Amortized Cost	Net Unrealized Gains (Losses)	2012 Fair Value	2011 Fair Value
Held to Maturity:				
Certificates of Deposit	\$ 732,000	\$ (2,864)	\$ 729,136	\$ 778,515

As of June 30, 2012 investments in debt securities classified as available for sale mature as follows:

	Within 1 year	1-5 Years	5-10 years	Total
Certificates of Deposit	\$ 246,310	\$ 482,826	\$ -	\$ 729,136

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011



2. CERTIFICATES OF DEPOSIT (Continued)

During the year ended June 30, 2012, the Association redeemed certificates of deposits for a total of \$547,000. Interest earned from these securities is included as interest income on the statement of revenues and expenses. No capital gain or loss was recognized at the time of redemption.

The Association acquired certificates of deposits in the amount of \$497,000 during the period ended June 30, 2012. These securities are now included in the balance sheet total of \$729,136.

3. CONCENTRATION OF CREDIT RISK

As discussed in Note 1, the sole 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 deposits and cash equivalents with high credit quality financial institutions. All non-interest bearing deposit accounts at an FDIC-insured institution that do not earn interest are fully insured under the Dodd-Frank Wall Street Reform Act, through December 31, 2012. Interest bearing accounts are insured up to \$250,000. As of June 30, 2012, the Association periodically maintained balances in excess of insured limits. The Association has not experienced any losses on any deposits and regularly monitors the financial stability and credit worthiness of its financial institution.

At June 30, 2011 the Association had \$252,023 of funds in excess of the insured limits. As of June 30, 2012 the amount of funds in excess of insured limits were \$278,624.

4. 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 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. (an California S Corporation) 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 call for a base rent of \$1,200 per month for the first year and \$1,500 for the second and third years. In addition to the base rent, sub-lessee is to pay rental income that is calculated as a percentage of income collected from property sales.

Rental income for the years ended June 30, 2012 and June 30, 2011 was \$216,087 and \$73,610, respectively.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011



5. 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 homeowner. Annual increases are limited to \$1 per unit per month per year.

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

June 30,	
2013	\$ 120,825
2014	123,525
2015	31,050
Total	<u>\$ 275,400</u>

6. RELATED PARTY TRANSACTIONS

Services Provided and Cost Sharing

The Association, Eldorado Cottage Owners Association and Eldorado Country Club have a comprehensive Master Agreement which outlines operational and financial arrangements between the three companies. 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 service, security services, 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 semi-monthly 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.

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.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011



6. RELATED PARTY TRANSACTIONS (Continued)

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, street lights, common landscaped areas, the dog park area and street mediums. Pursuant to the Master agreement, the parties share these maintenance costs based on the following percentages: EPOA 66%, ECOA 4%, and the Club 30%.

	June 30, 2012	June 30, 2011
Annual Security Services	\$ 497,713	\$ 530,996
Annual Management Services	\$ 32,482	\$ 31,922
Annual Accounting services	\$ 48,211	\$ 47,901
Annual Golf Course Maintenance Building Usage	\$ 11,628	\$ 11,628
Common Area Maintenance - the amount of common area maintenance costs reimbursed by the Club and ECOA were:		
Eldorado Country Club	\$ 125,845	\$ 115,681
Eldorado Cottage Owners Association	16,779	15,424
	\$ 142,624	\$ 131,105
As of June 30, The Association had payables due to (owed from) the Club in the amounts of:		
ECC Security	\$ -	3,350
ECC Management	5,473	2,677
ECC Accounting/Payroll	8,035	4,018
ECC Golf Course Maintenance Building Usage	1,938	969
EPOA Common Area, (Gardening Labor and Other)	11,724	(9,704)
	\$ 27,170	\$ 1,310
As of June 30, the Association had receivables due from ECOA in the amounts of:		
ECOA Shared Costs	\$ 1,681	\$ 2,439
Plan Check Fees	-	500
EPOA Common Area	133	-
	\$ 1,814	\$ 2,939

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011



7. INCOME TAXES

Homeowners' associations may be taxed either as 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.

For the years ended June 30, 2012 and June 30, 2011, the Association was taxed as a regular corporation. Income tax expense consists of the following:

	Operating Fund	Replacement Fund	Totals	
			2012	2011
Federal	\$ 54,647	\$ -	\$ 54,647	\$ 12,922
State	17,752	-	17,752	6,952
	<u>\$ 72,399</u>	<u>\$ -</u>	<u>\$ 72,399</u>	<u>\$ 19,874</u>

The Association tax returns are subject to examination by the taxing authorities as far back as period ending June 30, 2009.

8. RECLASSIFICATIONS

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

9. SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 21, 2012, the date that the financial statements were available to be issued.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011



BOARD OF DIRECTORS

Paul VonGontard	President
Bob Bowers	Vice President
Pat Collins	Treasurer
Cynthia "CeCe" Baise	Secretary
Barry Williams	Ex-Officio
Roger Burpee	Director
Kevin Knee	Director
Gail Peterson	Director
Pete Douglas	Director
Gerry Schissler	Director

ARCHITECTURAL COMMITTEE

Roger Burpee	Chairman
Pete Douglas	

BEAUTIFICATION COMMITTEE

Cynthia "CeCe" Baise	Chairperson
Gail Peterson	

FINANCE COMMITTEE

Pat Collins	Chairman
Kevin Knee	

SECURITY COMMITTEE

Bob Bowers	Chairman
Gerry Schissler	

REAL ESTATE COMMITTEE

Pete Douglas	Chairman
Gerry Schissler	



SUPPLEMENTARY INFORMATION

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
SUPPLEMENTARY INFORMATION FOR FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
JUNE 30, 2012



RESERVE REPLACEMENT FUND:

Reserve Funding

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 allocate 100% of all the dues to the operations fund while allocating 100% of the Percentage Rent income to the Future Replacements Fund. Home owners who elect to construct or remodel their homes are charged an amount equal to 100% of any construction permit fees charged by the City of Indian Wells. Construction permit fees are collected and used exclusively for capital expenditures.

The Replacement Fund as of June 30, 2012 and June 30, 2011 had accumulated cash and marketable securities in the amount of \$1,174,435 and \$900,816, respectively. These funds are held in separate investment accounts and are not available for operating purposes. The fund balances as of June 30, 2012 and June 30, 2011 were \$1,156,754 and \$941,947, respectively.

RESERVE STUDY:

In July 2011, the Association contracted McCaffery Reserve Consulting to update the Association's Reserve Fund study for the year ending June 30, 2011. The result of the study reflected a deficit in reserves of approximately \$160,229. Given the increase in percentage rent, this deficit was eliminated and a reserve surplus of \$49,222 was created as of the year end. The consulting company's recommendation was for the Association to contribute \$84,000 per year, on average, commencing with the 2012 tax year.

In July 2012, a new study was conducted. The results of this study have not been approved by the Association's Board of Directors as of issuance of these financial statements. This study indicates an increase in the number of assets to be included, an increase in the value of the assets and an increase in future funding requirements.

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.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
SUPPLEMENTARY INFORMATION FOR FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
JUNE 30, 2012



RESERVE - CAPITAL EXPENDITURES:

The Association incurred the following capital improvements expenditures:

During the period ended June 30, 2012, the Association acquired a new riding mower with a total cost of \$30,494. The estimate for replacement reserves has been prepared using the same sharing percentages as outlined in the Master Agreement.

ELDORADO PROPERTY OWNERS ASSOCIATION
(A CALIFORNIA CORPORATION)
SUPPLEMENTARY INFORMATION FOR FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
JUNE 30, 2012



	<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	\$ 99,257	\$ 10,328	\$ 85,390
Streets	Various	Various	612,619	24,505	367,571
Street Lights	Various	Various	299,943	12,264	269,294
Landscaping	Various	Various	358,989	14,291	278,259
Real Estate Office	Various	Various	117,100	6,243	57,486
Contingency (5%)			-	3,382	49,532
Total Required Reserves			<u>\$ 1,487,908</u>	<u>\$ 71,013</u>	\$ 1,107,532
Current Reserves					<u>1,156,454</u>
Reserve Surplus					<u>\$ 48,922</u>

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