

ELDORADO PROPERTY OWNERS ASSOCIATION

INDIAN WELLS, CALIFORNIA

INDEPENDENT AUDITORS' REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2021

WITH COMPARATIVE TOTALS FOR JUNE 30, 2020

ELDORADO PROPERTY OWNERS ASSOCIATION

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JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statement of Eldorado Property Owners Association (a California nonprofit corporation) (the Association), which comprise of the balance sheet as of June 30, 2021, and the related statements of revenues, expenses, and 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 Statement

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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from 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 auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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

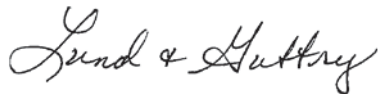
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2021, and the results of its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Eldorado Property Owners Association June 30, 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent in all material respects, with the audited financial statement from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements on page 13 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.



September 10, 2021

ELDORADO PROPERTY OWNERS ASSOCIATION
BALANCE SHEET
JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

ASSETS

	2021			2020
	Operating Fund	Replacement Fund	Total	(Memorandum Only) Total
CURRENT ASSETS				
Cash	\$ 462,836	\$ 315,113	\$ 777,949	\$ 369,984
Investments	451,980	1,801,056	2,253,036	2,541,808
Investment in Eldorado ROFR	200,000	-	200,000	-
Accounts receivable	287,039	-	287,039	237,542
Accounts receivable - other	52,720	-	52,720	-
Due from related parties	1,487	-	1,487	1,664
Cash - held for related parties (Note 7)	-	-	-	225,000
Prepaid expenses	12,139	-	12,139	10,857
Prepaid income tax	-	-	-	7,544
Interfund receivables (payable)	1,929	(1,929)	-	-
 Total current assets	 1,470,130	 2,114,240	 3,584,370	 3,394,399
 Property and equipment				
Operating equipment	269,126	-	269,126	278,330
Security equipment	55,654	-	55,654	73,470
Street lights	266,601	-	266,601	266,601
	591,381	-	591,381	618,401
Less accumulated depreciation	(541,878)	-	(541,878)	(531,621)
 Total property and equipment	 49,503	 -	 49,503	 86,780
TOTAL ASSETS	\$ 1,519,633	\$ 2,114,240	\$ 3,633,873	\$ 3,481,179

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 17,671	\$ -	\$ 17,671	\$ 16,053
Income tax payable	-	81,233	-	21,986
Due to related party, net - ECC (Note 7)	90,026	-	90,026	175,516
Due to related party - ECOA (Note 7)	-	-	-	25,000
Deferred dues and maintenance	539,289	-	539,289	539,130
Deferred cable charges	72,051	-	72,051	63,825
Refundable construction deposits	25,000	-	25,000	20,000
 Total current liabilities	 744,037	 81,233	 825,270	 861,510
 Commitments (Note 6)				
FUND BALANCES	775,596	2,033,007	2,808,603	2,619,669
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,519,633	\$ 2,114,240	\$ 3,633,873	\$ 3,481,179

(The accompanying notes are an integral part of these financial statements)

ELDORADO PROPERTY OWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	2021			2020
	Operating Fund	Replacement Fund	Total	(Memorandum Only) Total
REVENUES				
Annual lot dues	\$ 514,250	\$ -	\$ 514,250	\$ 514,259
Rental income and commission income	-	387,119	387,119	79,570
Escrow transfer fees	-	13,000	13,000	6,000
Construction, permit, and plan check fees	-	16,995	16,995	26,827
Lot maintenance	2,565	-	2,565	7,196
Investment income	459	883	1,342	39,824
Security dues	527,389	-	527,389	495,126
Cable television fees	136,471	-	136,471	129,098
ECC shared maintenance costs	116,569	-	116,569	122,046
ECOA shared maintenance costs	22,928	-	22,928	16,273
Total revenues	1,320,631	417,997	1,738,628	1,436,219
EXPENSES				
Maintenance				
ECC gardening services	256,798	-	256,798	258,557
Equipment	-	48,361	48,361	13,834
Repairs and maintenance - landscaping	49,677	-	49,677	56,335
Repairs and maintenance - other	8,647	48,673	57,320	15,931
Repairs and maintenance - streets	18,065	16,239	34,304	66,986
Storm damage	308	-	308	-
Services				
ECC accounting and payroll	56,016	-	56,016	56,016
ECC management service	37,332	-	37,332	37,332
Professional fees	91,553	-	91,553	46,283
Insurance	17,011	-	17,011	14,799
Contract services	10,056	-	10,056	11,098
Other				
Utilities	49,452	-	49,452	51,427
Maintenance facility rental	11,628	-	11,628	11,628
Office supplies cable television fees	16,631	-	16,631	10,607
Supplies and small tools	2,959	-	2,959	1,021
Equipment rental	2,229	-	2,229	2,259
Uniforms	3,755	-	3,755	3,075
Total expenses	632,117	113,273	745,390	657,188
OTHER EXPENSES				
Depreciation	36,717	-	36,717	86,206
Provision for doubtful accounts	-	-	-	22,090
Security services	527,389	-	527,389	505,134
Cable television expense	139,723	-	139,723	130,804
Administrative bonus	5,473	-	5,473	-
Miscellaneous expense	1,016	-	1,016	663
Income taxes	-	93,986	93,986	27,793
Total other expenses	710,318	93,986	804,304	772,690
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	(21,804)	210,738	188,934	6,341
FUND BALANCES BEGINNING OF THE YEAR	797,400	1,822,269	2,619,669	2,613,328
FUND BALANCE END OF YEAR	\$ 775,596	\$ 2,033,007	\$ 2,808,603	\$ 2,619,669

(The accompanying notes are an integral part of these financial statements)

ELDORADO PROPERTY OWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	2021		2020
	Operating Fund	Replacement Fund	(Memorandum Only) Total
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficiency) excess of revenues over expenses	\$ (21,804)	\$ 210,738	\$ 188,934
Adjustments to reconcile (deficiency) excess of revenues over expenses to net cash provided by operating activities:			
Depreciation	36,717	-	36,717
Unrealized loss (gain) on investments	220	-	220
Loss on disposal of assets	517	-	517
(Increase) decrease in assets			
Accounts receivable	(49,497)	-	(49,497)
Accounts receivable - other	(52,720)	-	(52,720)
Prepaid expenses	(1,282)	-	(1,282)
Prepaid income tax	-	7,544	7,544
Cash held for related parties	225,000	-	225,000
Increase (decrease) in liabilities			
Accounts payable and accrued expenses	1,618	-	1,618
Income tax payable	-	59,247	59,247
Due to related parties - ECC	(85,490)	-	(85,490)
Due to related parties - ECOA	(25,000)	-	(25,000)
Deferred income	8,385	-	8,385
Refundable construction deposits	5,000	-	5,000
Net cash flows provided by operating activities	41,664	277,529	319,193
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments activity, net	489,920	(201,148)	288,772
Contributions to related party - ROFR	(200,000)	-	(200,000)
Net cash flows (used) provided by investing activities	289,920	(201,148)	88,772
CASH FLOWS FROM FINANCING ACTIVITIES			
Inter-fund transfers	(21,986)	21,986	-
Net cash flows (used) provided by financing activities	(21,986)	21,986	-
NET INCREASE IN CASH	309,598	98,367	407,965
CASH AT BEGINNING OF YEAR	153,238	216,746	369,984
CASH AT END OF YEAR	\$ 462,836	\$ 315,113	\$ 777,949

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for income taxes	\$ 4,959	\$ 6,491
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(The accompanying notes are an integral part of these financial statements)

ELDORADO PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. ORGANIZATION AND NATURE OF ACTIVITIES

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 242 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 the Amended and Restated Declaration of Conditions and Restrictions (CC&R's) recorded February 13, 2020, 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 Club, offer its lot for sale to the Club on the same terms and conditions which seller had agreed to accept from the prospective purchaser.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

ELDORADO PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments

As of June 30, 2021, and 2020, short-term investments consist of investments in certificates of deposit and US T-Bills. The Association reports the investments at fair value. Unrealized gains and losses and interest income earned from certificates of deposit and US T-Bills is included as investment income on the statements of revenues and expenses. No capital gain or loss was recognized at the time of redemption of any certificates of deposit or US T-Bills.

Accounts Receivable

The Association uses the allowance method to estimate uncollectible accounts. For the years ended June 30, 2021 and 2020 the Association deemed certain accounts to be uncollectible and recorded an appropriate allowance for doubtful accounts.

Interest Income

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

Property and Equipment

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. During the year ended June 30, 2020 the Association implemented a new policy to only capitalize new assets which have not previously been included in the reserve funding calculation. Reserve replacement purchases will now be expensed in the year in which they are purchased. Assets purchased under the former treatment will continue to be depreciated until disposed of.

Depreciation

Capitalized common property is depreciated over estimated useful lives of 5 to 10 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.

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.

ELDORADO PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Memorandum Totals

The financial statements include certain prior-year summarized comparative information in total but no net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the prior year, from which the summarized information was derived.

3. INVESTMENTS

The Association invests funds, in certificates of deposit and US T-Bills, based on an approved investment policy instituted by the Board of Directors. The general policy is to purchase certificates of deposits and US T-Bills with varying terms and maturity dates. The maturity dates will coincide with projected future cash requirements to fund capital improvements. At June 30, 2021 and 2020 the Association's investments consisted of certificates of deposit and US T-Bills totaling \$2,253,036 and \$2,541,808, respectively. The investments are stated at fair value, using level I inputs, based on quoted market prices. The cost basis of the investments at June 30, 2021 and 2020 were \$2,252,881 and \$2,534,922, respectively, resulting in an unrealized gain of \$155 and \$6,886, respectively, which is included in the statement of activities in investment income.

4. 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 (the Club).

The Association maintains its cash and cash equivalents with two financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures interest bearing and non-interest-bearing accounts up to \$250,000. 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. The Association has not experienced any losses on any deposits and does not anticipate any losses as a result of the excess balance.

5. RENTAL AND COMMISSION INCOME

On October 1, 2018, the Association entered into a sub-lease agreement with Bennion Deville Homes/Encore Premier Group for a term of 3 years which shall automatically renew for one term following the initial term of the lease.

ELDORADO PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

5. RENTAL AND COMMISSION INCOME (Continued)

Each sub-lease agreement provides for base rent of \$2,000 per month with a month-to-month provision. 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 the Club.

Total rental and commission income, for the years ended June 30, 2021 and 2020 was \$387,119 and \$79,570, respectively.

6. COMMITMENTS

In 2014, the Association entered into an Installation and Service Agreement (the Agreement) with Spectrum for bundled multi-channel video service (cable television) and high-speed data service, effective October 1, 2014. In March 2017 the Agreement was extended to October 1, 2020. Under the terms of the extended Agreement, effective October 1, 2017, each homeowner will be charged at a rate of \$45 per month per unit. Annual increases are limited to 5% per year beginning January 1, 2018. The Agreement covers 215 units.

Future estimated payments over the remaining life of the Agreement are \$32,975, as the agreement expired September 30, 2020 and is currently on a year by year basis.

7. RELATED PARTY TRANSACTIONS

Effective April 1, 2010, the Association, ECC, and ECOA entered into a comprehensive Master Agreement (the Agreement) which clarified many of the operational and financial arrangements between the three entities. The Agreement has a five-year term with an automatic renewal for an additional five years. Pursuant to the Agreement, ECC bills each association for their share of security expenses. Pursuant to the Agreement, representatives from the Association, ECC, and ECOA review, modify, and approve the annual operating and capital budgets for security. For the fiscal years ended June 30, 2021 and 2020, total operating costs related to security services provided by ECC were \$527,389 and \$505,134 respectively.

The three parties also share in the costs of maintaining common areas and common area equipment based on the following cost allocation breakdown:

Eldorado Country Club	30%
EPOA	66%
ECOA	4%

The EPOA supervises the maintenance of streets, streetlights and common area landscaping within the Eldorado community. The Association is paid (by Club and ECOA) for these costs in accordance with the terms of the Agreement for Club and ECOA's portion of these costs.

ELDORADO PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

7. RELATED PARTY TRANSACTIONS (Continued)

Total fees (income to the Association) related to shared maintenance for the years ended June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Shared maintenance - ECC	\$ 116,569	\$ 122,046
Shared maintenance - ECOA	<u>22,928</u>	<u>16,273</u>
	<u>\$ 139,497</u>	<u>\$ 138,318</u>

As of June 30, 2021 and 2020, the Association had net amounts receivable/(payable) from ECOA of 1,487 and (\$23,336), respectively.

The Association is charged a monthly fee for accounting and management services provided by ECC. These services are subject to annual increases based on the Consumer Price Index, limited to 5% per year.

Total fees paid by the Association to ECC related to accounting, management services and golf course maintenance building usage for the years ended June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Accounting fees	\$ 56,016	\$ 56,016
Management fees	37,332	37,332
Golf course maintenance building usage fee	<u>11,628</u>	<u>11,628</u>
	<u>\$ 104,976</u>	<u>\$ 104,976</u>

ECC is the legal employer for the Association, paying all salaries and benefit costs on behalf of the Association. Each month the Association reimburses ECC for payroll and benefit expenses incurred by the Association. Total amounts reported for employee costs were \$256,798 and \$258,557, respectively.

Related party payables at June 30 are comprised of the following:

	<u>2021</u>	<u>2020</u>
Payroll, benefit, administrative costs–ECC	\$ 90,026	\$ 75,516
Amounts held on behalf of ECC (see below)	-	100,000
Amounts held on behalf of ECOA (see below)	<u>-</u>	<u>25,000</u>
	<u>\$ 90,026</u>	<u>\$ 200,516</u>

ELDORADO PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

7. RELATED PARTY TRANSACTIONS (Continued)

During January 2020, the Association's Board of Directors along with the Board of Directors for ECC and ECOA agreed to establish a separate entity that would assist in exercising the right of first refusal that ECC has over the EPOA and ECOA homes that are being sold. Subsequent to year end, the ECOA decided not to participate in the formation of this new entity and excluded from the table below. This separate entity holds the following amounts for each of the entities to be used in the event the right of first refusal (ROFR) needs to be exercised.

ECC	\$ 200,000
EPOA	<u>200,000</u>
	<u>\$ 400,000</u>

The amounts will remain on each of the two entity's statement of financial position as an asset until the right of first refusal is exercised in the future. Any investment earnings accumulated by these funds will be held by the ROFR entity. As of June 30, 2020 ECOA, had remitted an amount of \$25,000 related to the initial agreement above which was returned by the EPOA.

8. INCOME TAXES

The Association may be taxed either as a homeowners' association or as a regular corporation. For the years ended June 30, 2021 and 2020, for federal purposes, the Association elected to file as a homeowners' association, and file Form 1120-H. As a homeowners' association, membership income is exempt from taxation, and the Association is taxed only on income not related to membership dues and assessments, such as interest income and rental income less related expenses.

For California purposes, the Association is does not have tax exempt status and is taxed on income not related to membership dues and assessments, and excess member income generated each year. The Board may make an annual election under Rev Proc 70-604 to defer income and taxes to the following year.

For the year ended June 30, 2021, the federal and California income tax expense was \$70,517 and \$23,469. For the year ended June 30, 2020, the federal and California income tax expense was \$20,897, and \$6,896.

For the year ended June 30, 2020, the Association had prepaid income taxes of \$7,544.

For the year ended June 30, 2021 the Association had income taxes payable of \$81,233. For the year ended June 30, 2020 the Association had income taxes payable of \$21,986.

The Association's annual tax returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after filed.

ELDORADO PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

9. FUTURE MAJOR REPAIRS AND IMPROVEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for expenditures for normal operations. The Board of Directors had a study conducted in May 2021 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from reserve study consultants. Actual expenditures, however, may vary from the estimated future expenditures and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements.

10. UNCERTAINTIES

The COVID-19 outbreak in the United States has caused business disruption through mandated closures of non-essential businesses. The related financial impact on the Association and the duration cannot be reasonably estimated at this time.

11. SUBSEQUENT EVENTS

The Association has evaluated all potential subsequent events as of September 10, 2021, when the financial statements were authorized and available to be issued. No subsequent events or transactions, were identified after June 30, 2021 or as of September 10, 2021 that require disclosure to the financial statements.

SUPPLEMENTAL INFORMATION

ELDORADO PROPERTY OWNERS ASSOCIATION

FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

JUNE 30, 2021

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 enables 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 Bennion Deville (see Note 5) 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, 2021, the Association budgeted base and percentage rent, transfer fees and construction permit fees of \$417,114. Such revenues and fees collected by the Association will be allocated to the Replacement Fund.

The Replacement Fund as of June 30, 2021 and 2020 had accumulated cash and investment balances in the amounts of \$2,116,169 and \$1,836,771, respectively. These funds are held in separate bank accounts and are not available for operating purposes.

The Association contracted for and obtained a reserve study, including site inspection, in May 2021. The reserves are approximately 60% funded. The unfunded reserves represent a deficit in reserves of approximately \$1,428,646. 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, 2021**
Landscaping Equipment	5-30	1-8	\$ 221,300	\$ 153,263
Streets	4-28	0-18	2,142,115	1,754,104
Security	5-20	0-9	453,933	221,411
Street Lights	4-25	1-23	342,734	103,134
Landscaping	10-20	1-17	1,088,500	1,004,525
Flood Channel	5-25	2-7	259,000	162,467
Vehicles	5-7	1-3	60,000	43,429
Real Estate Office	10-25	1-14	221,160	100,553
Total Required Reserves			<u>\$ 4,788,742</u>	<u>3,542,886</u>
Reserve fund balance				<u>2,114,240</u>
Reserves Deficit				<u>\$ (1,428,646)</u>

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

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