

Eldorado **PROPERTY OWNERS ASSOCIATION**
C/O ELDORADO COUNTRY CLUB
46000 FAIRWAY DRIVE
INDIAN WELLS, CALIFORNIA 92210

January 31, 2023

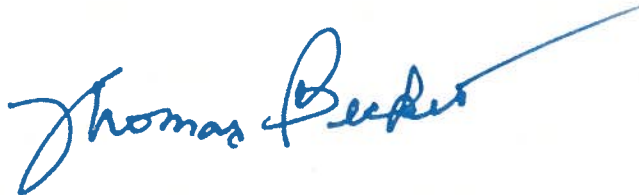
Dear Eldorado Property Owner,

An Audit of the Association's financial statements was conducted by Coachella Valley Accounting and Auditing for the year ended September 30, 2022. We are pleased to enclose a copy for your records. The Association continues to have a solid financial position.

If you have any questions or comments on the financial statements please contact Pam Jaymes, Controller at (760) 423-1503.

Please continue to enjoy our Eldorado community.

Best regards,

A handwritten signature in blue ink that reads "Thomas Becket". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Thomas Becket
President
Eldorado Property Owners' Association

2022-2023 Board of Directors

Thomas Becket James K. Dahlgren
Robert E. Cooper Robert E. Esrey
Phillip Burgess Dhiya El-Saden

John Hathaway
Heather Jiggins
Susan Strauss

ELDORADO PROPERTY OWNERS ASSOCIATION

INDIAN WELLS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2022
WITH COMPARATIVE TOTALS FOR THE THREE-MONTH PERIOD ENDING
SEPTEMBER 30, 2021

ELDORADO PROPERTY OWNERS ASSOCIATION

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ACCOUNTING & AUDITING

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Eldorado Property Owners Association which comprise of the balance sheet as of September 30, 2022, 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.

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 September 30, 2022, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eldorado Property Owners Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Eldorado Property Owners Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Eldorado Property Owners Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eldorado Property Owners Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Disclaimer of Opinion of Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future Major Repairs and Replacements on page 13 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to an essential part of the financial reporting for placing the basic financial statements in a an appropriate operational, economic, and 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 consisted of inquires 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 statement, and 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 sufficient evidence to express an opinion or provide any assurance.

Report on Comparative Information

The financial statements of Eldorado Property Owners Association for the three-month period ended September 30, 2021, were audited by a different auditing firm whose report dated December 28, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the comparative information presented herein for the three-month period ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Coachella Valley
Accounting & Auditing*

January 17, 2023
La Quinta, CA

ELDORADO PROPERTY OWNERS ASSOCIATION
BALANCE SHEET
SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2021)

ASSETS

	2022			2021
	Operating Fund	Replacement Fund	Total	(Memorandum Only) Total
CURRENT ASSETS				
Cash	\$ 559,900	\$ 114,122	\$ 674,022	\$ 610,471
Investments	387,420	2,580,082	2,967,502	2,388,473
Investment in Eldorado ROFR	300,000	-	300,000	200,000
Accounts receivable	6,162	-	6,162	7,991
Accounts receivable - other	12,557	-	12,557	43,100
Due from related parties (Note 7)	1,642	-	1,642	1,020
Prepaid expenses	7,376	-	7,376	7,575
Prepaid income tax	-	-	-	13,695
Interfund receivables (payable)	1,929	(1,929)	-	-
	<u>1,276,986</u>	<u>2,692,275</u>	<u>3,969,261</u>	<u>3,272,325</u>
Property and equipment				
Operating equipment	33,094	-	33,094	269,126
Security equipment	37,437	-	37,437	55,654
Street lights	33,280	-	33,280	266,601
	103,811	-	103,811	591,381
Less accumulated depreciation	<u>(77,414)</u>	<u>-</u>	<u>(77,414)</u>	<u>(547,918)</u>
Total property and equipment	<u>26,397</u>	<u>-</u>	<u>26,397</u>	<u>43,463</u>
TOTAL ASSETS	<u>\$ 1,303,383</u>	<u>\$ 2,692,275</u>	<u>\$ 3,995,658</u>	<u>\$ 3,315,788</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 9,060	\$ 8,650	\$ 17,710	\$ 8,464
Income tax payable	-	85,426	85,426	-
Due to related party, net - ECC (Note 7)	77,080	-	77,080	53,236
Deferred dues and maintenance	266,296	54,450	320,746	298,957
Deferred cable charges	38,348	-	38,348	36,026
Refundable construction deposits	7,500	-	7,500	27,500
	<u>398,284</u>	<u>148,526</u>	<u>546,810</u>	<u>424,183</u>
Total current liabilities	<u>398,284</u>	<u>148,526</u>	<u>546,810</u>	<u>424,183</u>
Commitments (Note 6)				
	<u>905,099</u>	<u>2,543,749</u>	<u>3,448,848</u>	<u>2,891,605</u>
FUND BALANCES	<u>905,099</u>	<u>2,543,749</u>	<u>3,448,848</u>	<u>2,891,605</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,303,383</u>	<u>\$ 2,692,275</u>	<u>\$ 3,995,658</u>	<u>\$ 3,315,788</u>

(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 SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2021)

	2022			2021
	Operating Fund	Replacement Fund	Total	(Memorandum Only) Total
REVENUES				
Annual lot dues	\$ 514,250	\$ 163,350	\$ 677,600	\$ 128,563
Rental income and commission income	-	399,402	399,402	74,716
Escrow transfer fees	-	9,000	9,000	1,000
Construction, permit, and plan check fees	5,500	19,705	25,205	75
Lot maintenance	10,260	-	10,260	1,283
Investment income	502	(1,796)	(1,294)	377
Security dues	609,031	-	609,031	118,467
Cable television fees	149,791	-	149,791	36,027
ECC shared maintenance costs	121,155	-	121,155	23,802
ECOA shared maintenance costs	16,153	-	16,153	3,174
Total revenues	1,426,642	589,661	2,016,303	387,484
EXPENSES				
Maintenance				
ECC gardening services	247,150	-	247,150	52,934
Repairs and maintenance - landscaping	52,835	-	52,835	5,177
Repairs and maintenance - other	8,459	17,324	25,783	4,188
Repairs and maintenance - streets	10,415	8,055	18,470	3,479
Storm damage	2,350	-	2,350	-
Services				
ECC accounting and payroll	58,640	-	58,640	18,318
ECC management service	39,081	-	39,081	12,269
Professional fees	10,892	-	10,892	7,038
Insurance	17,901	-	17,901	4,544
Contract services	11,060	-	11,060	2,662
Other				
Utilities	52,555	-	52,555	12,197
Maintenance facility rental	11,628	-	11,628	2,907
Office supplies cable television fees	9,313	-	9,313	716
Supplies and small tools	1,844	-	1,844	80
Equipment rental	3,120	-	3,120	-
Uniforms	4,183	-	4,183	1,176
Total expenses	541,426	25,379	566,805	127,685
OTHER EXPENSES				
Depreciation	17,066	-	17,066	6,040
Security services	609,031	-	609,031	118,468
Cable television expense	149,281	-	149,281	36,021
Administrative bonus	5,485	-	5,485	-
Miscellaneous expense	587	-	587	195
Income taxes	-	110,805	110,805	16,073
Total other expenses	781,450	110,805	892,255	176,797
EXCESS OF REVENUES OVER EXPENSES	103,766	453,477	557,243	83,002
FUND BALANCES BEGINNING OF THE PERIOD	801,333	2,090,272	2,891,605	2,808,603
FUND BALANCE END OF PERIOD	\$ 905,099	\$ 2,543,749	\$ 3,448,848	\$ 2,891,605

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

ELDORADO PROPERTY OWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2021)

	2022			2021
	Operating Fund	Replacement Fund	Total	(Memorandum Only) Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess of revenues over expenses	\$ 103,766	\$ 453,477	\$ 557,243	\$ 83,002
Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operating activities:				
Depreciation	17,066	-	17,066	6,040
Unrealized loss on investments	-	9,395	9,395	2,134
(Increase) decrease in assets				
Accounts receivable	1,829	-	1,829	279,048
Accounts receivable - other	30,543	-	30,543	9,620
Prepaid expenses	199	-	199	4,564
Prepaid income tax	-	13,695	13,695	(13,695)
Increase (decrease) in liabilities				
Accounts payable and accrued expenses	596	8,650	9,246	(9,207)
Income tax payable	-	85,426	85,426	(81,233)
Due to related parties - ECC	23,844	-	23,844	(36,790)
Due to related parties - ECOA	-	-	-	-
Deferred income	(30,339)	54,450	24,111	(276,357)
Refundable construction deposits	(20,000)	-	(20,000)	2,500
Net cash flows provided (used) by operating activities	127,504	625,093	752,597	(30,374)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments activity, net	162,366	(751,412)	(589,046)	(137,104)
Contributions to related party - ROFR	(100,000)	-	(100,000)	-
Net cash flows provided (used) by investing activities	62,366	(751,412)	(689,046)	(137,104)
NET INCREASE (DECREASE) IN CASH	189,870	(126,319)	63,551	(167,478)
CASH AT BEGINNING OF PERIOD	370,030	240,441	610,471	777,949
CASH AT END OF PERIOD	<u>\$ 559,900</u>	<u>\$ 114,122</u>	<u>674,022</u>	<u>\$ 610,471</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for income taxes			<u>\$ 25,774</u>	<u>\$ 111,000</u>

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

ELDORADO PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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.

Accounts Receivable

The Association uses the allowance method to estimate uncollectible accounts. For the years ended September 30, 2022 and 2021 the Association deemed certain accounts to be uncollectible and recorded an appropriate allowance for doubtful accounts.

ELDORADO PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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 September 30, 2022 and 2021, 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.

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 only property and equipment purchases that are new asset types which it has title or other evidence of ownership. Property that is capitalized is recorded at cost. The cost of maintenance and repairs are charged to expense and significant renewals and betterments are capitalized. 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.

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.

ELDORADO PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Memorandum Totals

The financial statements include the three-month period ending September 30, 2021 summarized comparative information in total but no fund 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 September 30, 2022 and 2021 the Association's investments consisted of certificates of deposit and US T-Bills totaling \$2,967,502 and \$2,388,473, respectively. The investments are stated at fair value, using level I inputs, based on quoted market prices. The cost basis of the investments at September 30, 2022 and 2021 were \$2,973,014 and \$2,387,448, respectively, resulting in an unrealized (loss) gain of (\$5,502) and \$1,025, 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.

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 fiscal year ended September 30, 2022 and for the three-month period ended September 30, 2021 was \$399,402 and \$74,716, respectively.

ELDORADO PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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.

The Spectrum contract was renewed in November 2021 for another 5 year term and each homeowner will be charged at a rate of \$55 per month per unit (plus taxes). Annual increases are limited to 3% per year beginning January 2023.

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 year ending September 30, 2022 and the three-month period ended September 30, 2021, total operating costs related to security services provided by ECC were \$609,031 and \$118,468 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.

Total fees (income to the Association) related to shared maintenance for the fiscal years ended September 30, 2021 and the three-month period ended September 30, 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Shared maintenance - ECC	\$ 121,155	\$ 23,802
Shared maintenance - ECOA	<u>16,153</u>	<u>3,174</u>
	<u>\$ 137,308</u>	<u>\$ 26,976</u>

As of September 30, 2022 and 2021, the Association had net amounts receivable from ECOA of \$1,642 and \$1,020, respectively.

ELDORADO PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

7. RELATED PARTY TRANSACTIONS (Continued)

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 fiscal year ended September 30, 2021 and the three-month period ended September 30, 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Accounting fees	\$ 58,640	\$ 18,318
Management fees	39,081	12,269
Golf course maintenance building usage fee	<u>11,628</u>	<u>2,907</u>
	<u>\$ 109,349</u>	<u>\$ 33,494</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 \$247,150 and \$52,934, respectively.

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

	<u>2022</u>	<u>2021</u>
Payroll, benefit, administrative costs–ECC	\$ 77,080	\$ 53,236
	<u>\$ 77,080</u>	<u>\$ 53,236</u>

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.

	<u>ECC</u>	<u>EPOA</u>	<u>Total</u>
September 30, 2021	\$200,000	\$200,000	\$400,000
Annual Contribution	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
September 30, 2022	<u>\$300,000</u>	<u>\$300,000</u>	<u>\$600,000</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.

ELDORADO PROPERTY OWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

8. INCOME TAXES

The Association may be taxed either as a homeowners' association or as a regular corporation. For the year ended September 30, 2022 and the three-month period ended September 30, 2021, 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 September 30, 2022, the Federal and California income tax expense was \$79,268, and \$19,662. During the 2022 fiscal year, it was determined that additional \$11,875 was due for Federal taxes which was paid in April 2022. For the three-month period ended September 30, 2021, the Federal and California income tax expense was \$12,335 and \$3,738.

For the year ended September 30, 2022, the Association had income taxes of payable of \$85,426. For the three-month period ended September 30, 2021 the Association had no income taxes payable.

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.

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 June 2022 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 January 17, 2023, when the financial statements were authorized and available to be issued. No subsequent events or transactions, were identified after September 30, 2022 or as of January 17, 2023 that require disclosure to the financial statements.

SUPPLEMENTAL INFORMATION

ELDORADO PROPERTY OWNERS ASSOCIATION

FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

SEPTEMBER 30, 2022

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 fiscal year ending September 30, 2022, the Association budgeted base and percentage rent, transfer fees and construction permit fees of \$893,000. Such revenues and fees collected by the Association will be allocated to the Replacement Fund.

The Replacement Fund as of September 30, 2022 and 2021 had accumulated cash and investment balances in the amounts of \$2,692,275 and \$2,090,272, 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 June 2022. The reserves are approximately 62% funded. The unfunded reserves represent a deficit in reserves of approximately \$1,452,614. 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 September 30, 2022**
Landscaping Equipment	5-25	1-7	\$ 221,300	\$ 90,552
Streets	0-28	0-17	3,638,574	1,590,067
Security	5-20	0-8	461,933	131,807
Street Lights	4-25	0-22	342,735	65,999
Landscaping	10-20	3-16	1,088,500	442,839
Flood Channel	5-30	2-22	571,000	149,952
Vehicles	5-8	1-6	72,000	28,784
Total Required Reserves			<u>\$ 6,396,042</u>	<u>2,500,000</u>
Reserve fund balance				<u>2,692,275</u>
Reserves Surplus				<u>\$ 192,275</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.