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

January 31, 2024

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, 2023. 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,

Thomas Becket

Thomas Becket
President
Eldorado Property Owners' Association

ELDORADO PROPERTY OWNERS ASSOCIATION

INDIAN WELLS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDING SEPTEMBER 30, 2022

ELDORADO PROPERTY OWNERS ASSOCIATION

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SEPTEMBER 30, 2023 AND 2022

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, 2023, 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, 2023, 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 14 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

We have previously audited the financial statements of Eldorado Property Owners Association for the year ended September 30, 2022, in our report dated January 17, 2023, we expressed an unmodified opinion. In our opinion, the comparative information presented herein for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Coachella Valley
Accounting & Auditing

January 30, 2024
La Quinta, CA

ELDORADO PROPERTY OWNERS ASSOCIATION
BALANCE SHEET
SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2022)

ASSETS

	2023 Operating Fund	2023 Replacement Fund	2023 Total	2022 (Memorandum Only) Total
CURRENT ASSETS				
Cash	$ 494,574	$ 253,704	$ 748,278	$ 674,022
Investments	477,955	3,089,928	3,567,883	2,967,502
Investment in Eldorado ROFR	400,000	-	400,000	300,000
Accounts receivable	21,898	-	21,898	6,162
Accounts receivable - other	9,426	-	9,426	12,557
Due from related parties	13,414	-	13,414	1,642
Prepaid expenses	11,004	-	11,004	7,376
Prepaid income tax	-	16,343	16,343	-
Interfund receivables (payable)	(2,814)	2,814	-	-
Total current assets	1,425,457	3,362,789	4,788,246	3,969,261
Property and equipment				
Operating equipment	33,094	-	33,094	33,094
Security equipment	37,437	-	37,437	37,437
Street lights	-	-	-	33,280
	70,531	-	70,531	103,811
Less accumulated depreciation	(56,890)	-	(56,890)	(77,414)
Total property and equipment	13,641	-	13,641	26,397
TOTAL ASSETS	$ 1,439,098	$ 3,362,789	$ 4,801,887	$ 3,995,658

LIABILITIES AND FUND BALANCES

	2023 Operating Fund	2023 Replacement Fund	2023 Total	2022 (Memorandum Only) Total
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 4,699	$ 480	$ 5,179	$ 17,710
Income tax payable	-	-	-	85,426
Due to related party, net - ECC	106,969	-	106,969	77,080
Deferred dues and maintenance	319,228	119,790	439,018	320,746
Deferred cable charges	39,044	-	39,044	38,348
Refundable construction deposits	70,000	-	70,000	7,500
Total current liabilities	539,940	120,270	660,210	546,810
Commitments				
FUND BALANCES	899,158	3,242,519	4,141,677	3,448,848
TOTAL LIABILITIES AND FUND BALANCE	$ 1,439,098	$ 3,362,789	$ 4,801,887	$ 3,995,658

(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, 2023
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2022)

	2023			2022
	Operating Fund	Replacement Fund	Total	(Memorandum Only) Total
REVENUES				
Annual lot dues	$ 514,250	$ 413,820	$ 928,070	$ 677,600
Rental income and commission income	-	259,163	259,163	399,402
Escrow transfer fees	-	5,000	5,000	9,000
Construction, permit, and plan check fees	12,000	18,805	30,805	25,205
Lot maintenance	10,260	-	10,260	10,260
Investment income	23,365	117,557	140,922	(1,294)
Security dues	626,764	-	626,764	609,031
Cable television fees	151,764	-	151,764	149,791
ECC shared maintenance costs	125,823	-	125,823	121,155
ECOA shared maintenance costs	19,229	-	19,229	16,153
Total revenues	1,483,455	814,345	2,297,800	2,016,303
EXPENSES				
Maintenance				
ECC gardening services	271,642	-	271,642	247,150
Equipment		3,442	3,442	-
Repairs and maintenance - landscaping	64,836	-	64,836	52,835
Repairs and maintenance - other	742	16,428	17,170	25,783
Repairs and maintenance - streets	23,988	15,797	39,785	18,470
Storm damage	-	-	-	2,350
Services				
ECC accounting and payroll	59,592	-	59,592	58,640
ECC management service	39,912	-	39,912	39,081
HOA director	96,181	-	96,181	
Professional fees	13,791	-	13,791	10,892
Insurance	18,675	-	18,675	17,901
Contract services	12,198	-	12,198	11,060
Other				
Utilitites	54,755	-	54,755	52,555
Maintenance facility rental	11,628	-	11,628	11,628
Office supplies cable television fees	12,602	-	12,602	9,313
Supplies and small tools	3,048	-	3,048	1,844
Equipment rental	1,465	-	1,465	3,120
Uniforms	4,592	-	4,592	4,183
Total expenses	689,647	35,667	725,314	566,805
OTHER EXPENSES				
Depreciation	12,756	-	12,756	17,066
Security services	626,764	-	626,764	609,031
Cable television expense	157,933	-	157,933	149,281
Administrative bonus	1,400	-	1,400	5,485
Miscellaneous expense	896	2,071	2,967	587
Income taxes	-	77,837	77,837	110,805
Total other expenses	799,749	79,908	879,657	892,255
(DEFICIT) EXCESS OF REVENUES OVER EXPENSES	(5,941)	698,770	692,829	557,243
FUND BALANCES BEGINNING OF THE YEAR	905,099	2,543,749	3,448,848	2,891,605
FUND BALANCE END OF THE YEAR	$ 899,158	$ 3,242,519	$ 4,141,677	$ 3,448,848

(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, 2023
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2022)

	2023			2022
	Operating Fund	Replacement Fund	Total	(Memorandum Only) Total
CASH FLOWS FROM OPERATING ACTIVITIES				
(Deficit) excess of revenues over expenses	$ (5,941)	$ 698,770	$ 692,829	$ 557,243
Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operating activities:				
Depreciation	12,756	-	12,756	17,066
Unrealized (gain) loss on investments	(2,428)	(28,905)	(31,333)	9,395
(Increase) decrease in assets				
Accounts receivable	(15,736)	-	(15,736)	1,829
Accounts receivable - other	3,131	-	3,131	30,543
Interfund receivables (payable)	(885)	885	-	-
Due from related parties	(11,772)	-	(11,772)	-
Prepaid expenses	(3,628)	-	(3,628)	199
Prepaid income tax	-	(16,343)	(16,343)	13,695
Increase (decrease) in liabilities				
Accounts payable and accrued expenses	(13,011)	480	(12,531)	9,246
Income tax payable	(85,426)	-	(85,426)	85,426
Due to related parties - ECC	29,889	-	29,889	23,844
Deferred income	53,628	65,340	118,968	24,111
Refundable construction deposits	62,500	-	62,500	(20,000)
Net cash flows provided by operating activities	23,077	720,227	743,304	752,597
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales of investment	860,000	3,100,000	3,960,000	4,645,000
Purchase of investments	(848,403)	(3,680,645)	(4,529,048)	(5,234,046)
Contirbutions to related party - ROFR	(100,000)	-	(100,000)	(100,000)
Net cash flows used by investing activities	(88,403)	(580,645)	(669,048)	(689,046)
NET INCREASE (DECREASE) IN CASH	(65,326)	139,582	74,256	63,551
CASH AT BEGINNING OF THE YEAR	559,900	114,122	674,022	610,471
CASH AT END OF THE YEAR	$ 494,574	$ 253,704	748,278	$ 674,022
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for income taxes			$ 106,000	$ 25,774

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

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The Association uses the allowance method to estimate uncollectible accounts. For the years ended September 30, 2023 and 2022 the Association deemed certain accounts to be uncollectible and recorded an appropriate allowance for doubtful accounts.

Investments

As of September 30, 2023 and 2022, 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. Assessment revenue is recognized when assessments are due. Any amounts received in advance of the due date are deferred until due. The Financial Accounting Standards Board issued Accounting Standard Code 606 (ASC 606) requiring deferral of the recognition of income until the services are rendered. The Association has determined ASC 606 does not apply to the Association as no customer relationship exists as it is defined by the code. The Association does not defer the recognition of any portion of the revenue as a Contract Liability. 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. The Association recognizes the monthly billing as deferred revenue and recognize the revenue in the applicable period, which is typically the following month.

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 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. FAIR VALUE MEASUREMENTS AND INVESTMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

All investments held by the Association are considered Level 1 inputs to the valuation methodology which are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

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, 2023 and 2022 the Association's investments consisted of certificates of deposit and US T-Bills totaling $3,567,883 and $2,967,502, respectively. The investments are stated at fair value, using level 1 inputs, based on quoted market prices. The cost basis of the investments at September 30, 2023 and 2022 were $3,533,525 and $2,973,014, respectively, resulting in an unrealized gain (loss) of $34,358 and ($5,502), respectively, which is included in the statement of revenue, expenses and changes in fund balances, 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).

4. CONCENTRATION OF CREDIT RISK (Continued)

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.

During the year, the Club voted and approved the execution of a capital improvement plan encompassing the redevelopment of the Spa & Fitness Center and surrounding areas to include the real estate building, which was demolished and temporarily ceased the rental income in May 2023 with an expectation to resume upon completion of the redevelopment project.

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, 2023 and 2022 was $259,163 and $399,402, 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.

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, 2023 and 2022, total operating costs related to security services provided by ECC were $626,764 and $609,031 respectively.

7. RELATED PARTY TRANSACTIONS (Continued)

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, 2023 and 2022 were as follows:

	2023	2022
Shared maintenance - ECC	$ 125,823	$ 121,155
Shared maintenance - ECOA	19,229	16,153
	$ 145,052	$ 137,308

As of September 30, 2023 and 2022, the Association had net amounts receivable from ECOA of $13,414 and $1,642, 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 fiscal years ended September 30, 2023 and 2022 were as follows:

	2023	2022
Accounting fees	$ 59,592	$ 58,640
Management fees	39,912	39,081
Golf course maintenance building usage fee	11,628	11,628
	$ 111,132	$ 109,349

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 $367,583 and $247,150, respectively.

7. RELATED PARTY TRANSACTIONS (Continued)

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

	2023	2022
Payroll, benefit, administrative costs–ECC	$ 106,969	$ 77,080
	$ 106,969	$ 77,080

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	EPOA	Total
September 30, 2022	$300,000	$300,000	$600,000
Annual Contirbution	100,000	100,000	200,000
September 30, 2023	$400,000	$400,000	$800,000

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.

8. INCOME TAXES

The Association may be taxed either as a homeowners' association or as a regular corporation. For the years ended September 30, 2023 and 2022, 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 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 years ended September 30, 2023 and 2022, the Federal and California combined income tax expense of $77,837 and $110,805, respectively. For the years ended September 30, 2023 and 2022, the Association had income taxes prepaid of $16,343 and income tax of payable of $85,426, respectively.

8. INCOME TAXES (Continued)

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 August 2023 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.

11. SUBSEQUENT EVENTS

The Association has evaluated all potential subsequent events as of January 30, 2024, when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after September 30, 2023 or as of January 30, 2024 that require disclosure to the financial statements.

SUPPLEMENTAL INFORMATION

ELDORADO PROPERTY OWNERS ASSOCIATION

FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

SEPTEMBER 30, 2023

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. The study is based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 3.00% and a 1.00% return on investments.

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. For the fiscal year ending September 30, 2024, the Association budgeted base and percentage rent, transfer fees and construction permit fees of $142,000. Such revenues and fees collected by the Association will be allocated to the Replacement Fund.

The Replacement Fund as of September 30, 2023 had a fund balance in the amounts of $3,362,789. 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 August 2023. The reserves are approximately 60.15% funded. 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, 2023**
Landscaping Equipment	3-30	0-6	$ 243,740	$ 136,055
Streets	0-28	0-16	3,893,250	1,968,277
Security Department	5-20	1-7	578,872	213,936
Electrical & Lights	4-30	3-29	360,452	75,039
Landscape	10-20	2-15	1,121,150	544,755
Flood Channel	5-30	1-21	588,130	183,687
Total Required Reserves			$ 6,785,594	3,121,750
Reserve fund balance				3,362,789
Reserves Surplus				$ 241,039

* 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.