

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

Truckee, California

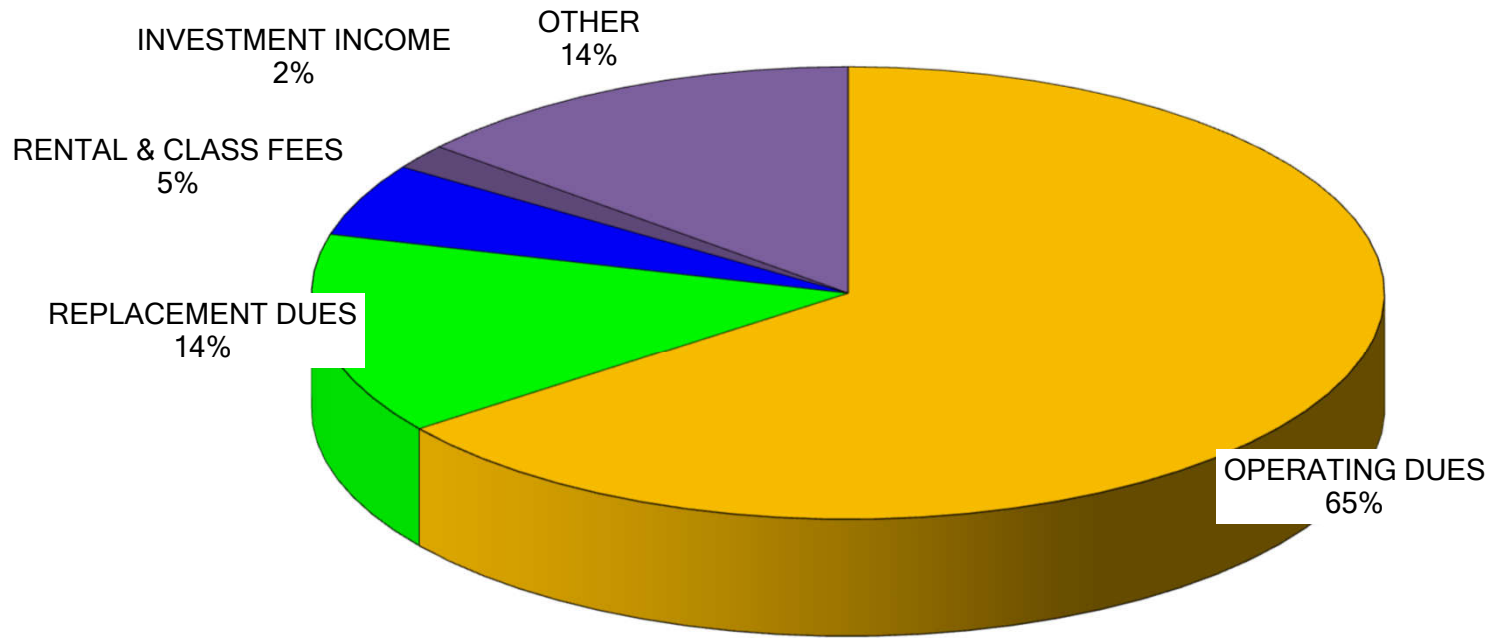
FINANCIAL STATEMENTS

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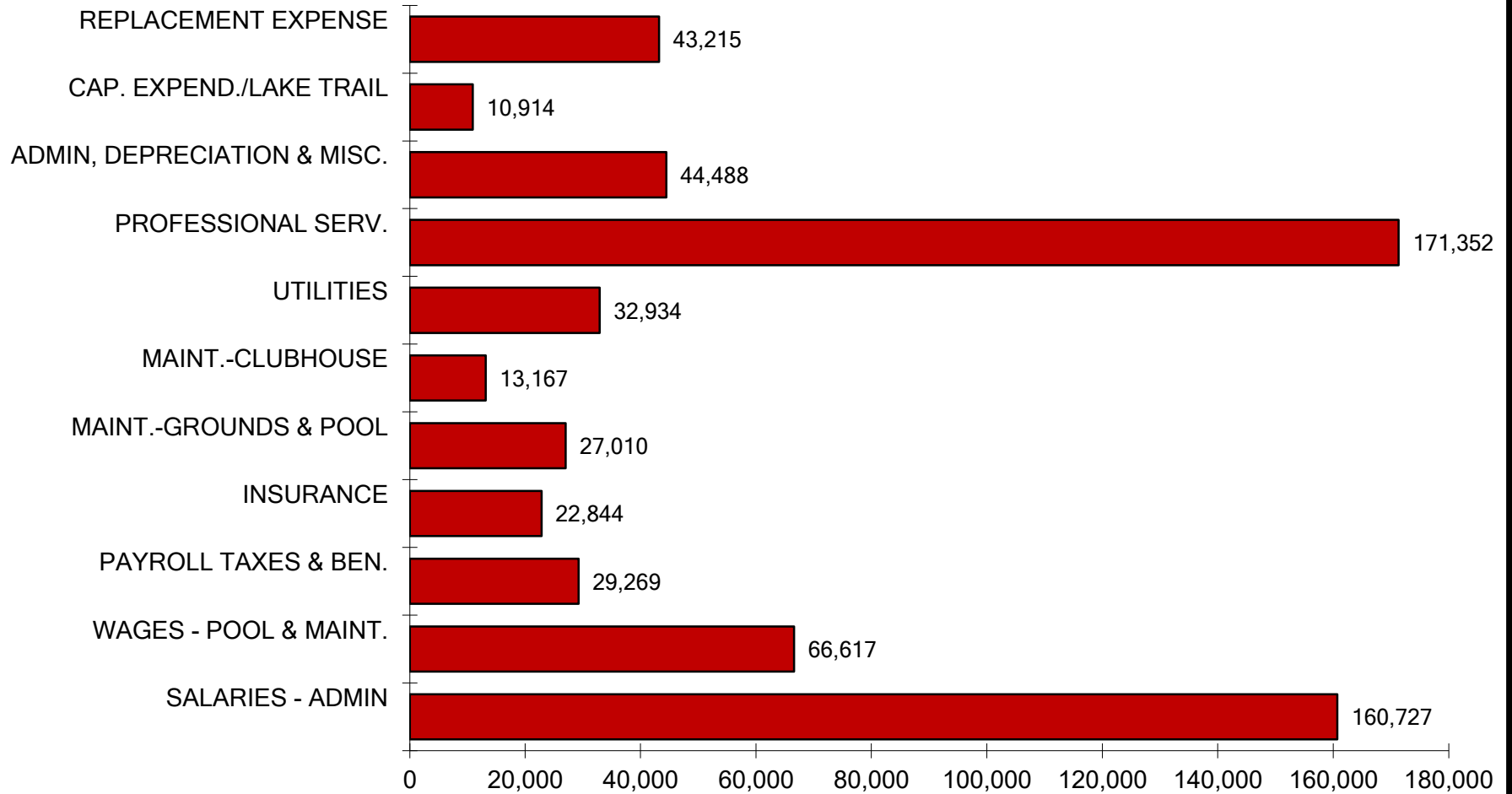
INDEPENDENT ACCOUNTANTS' REVIEW REPORT

December 31, 2019 and 2018

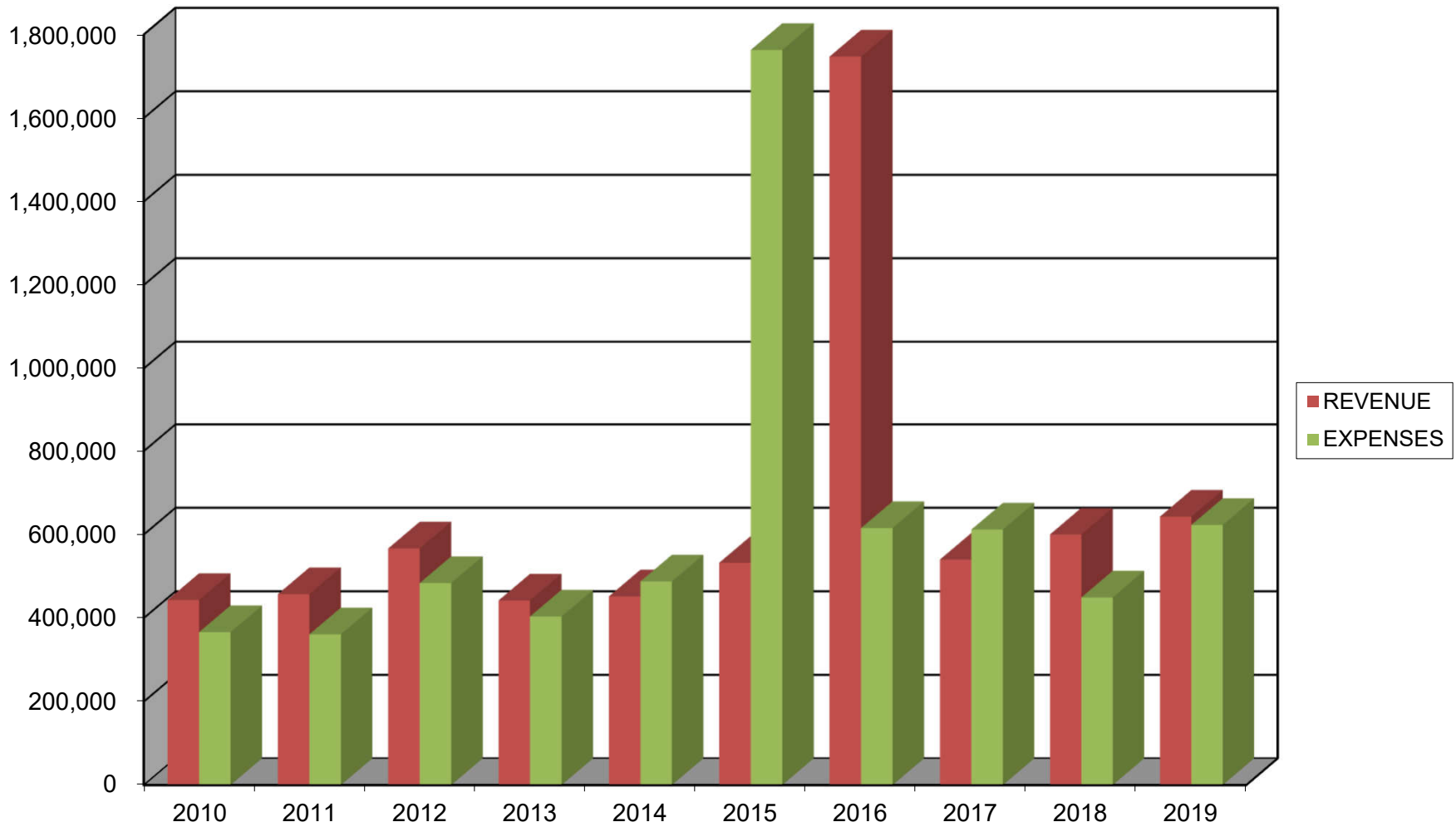
GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION
2019 TOTAL REVENUE \$642,571 (\$600,107 in prior year)



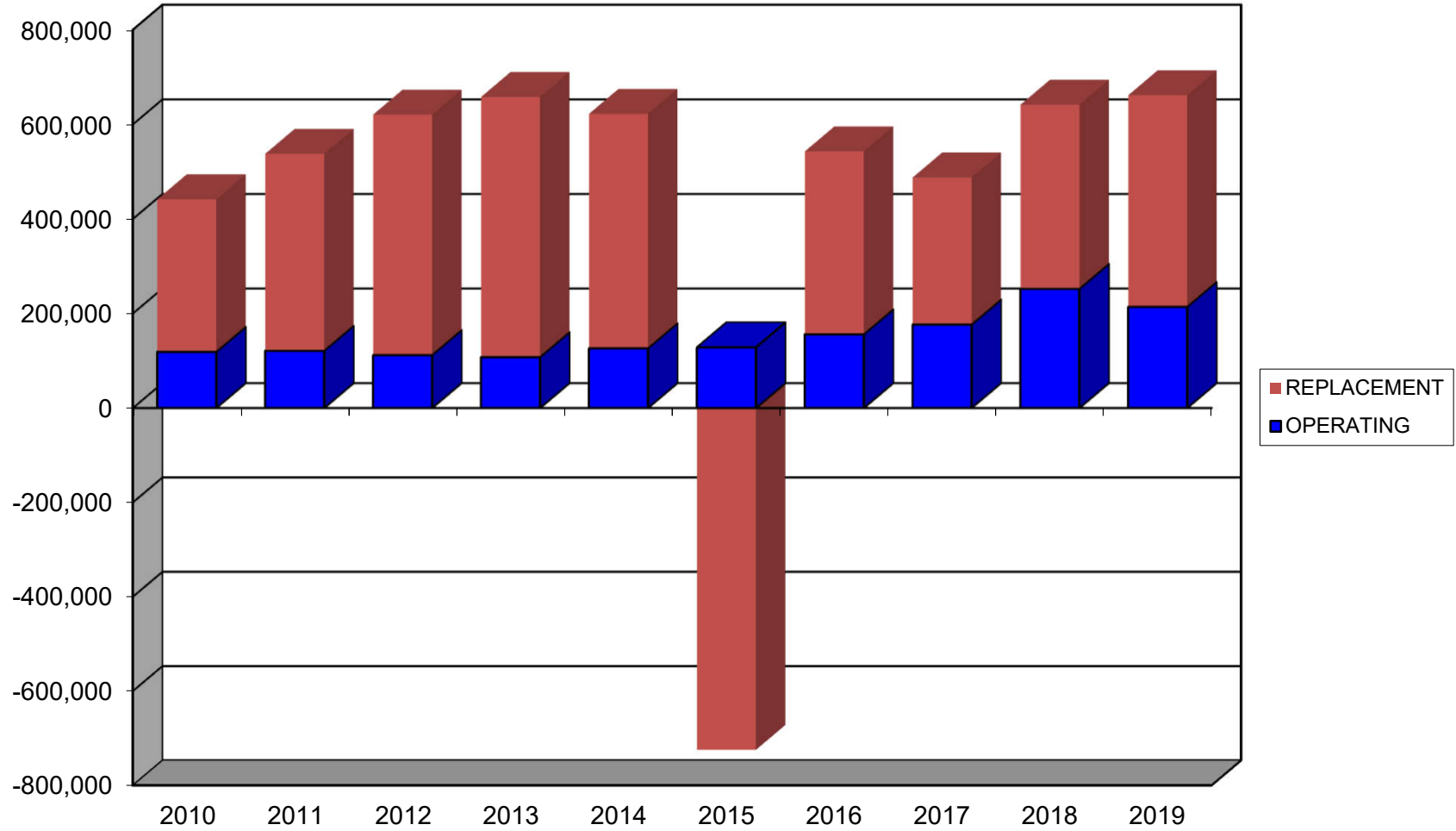
**GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION
2019 EXPENSES \$622,537 (\$449,169 in prior year)**



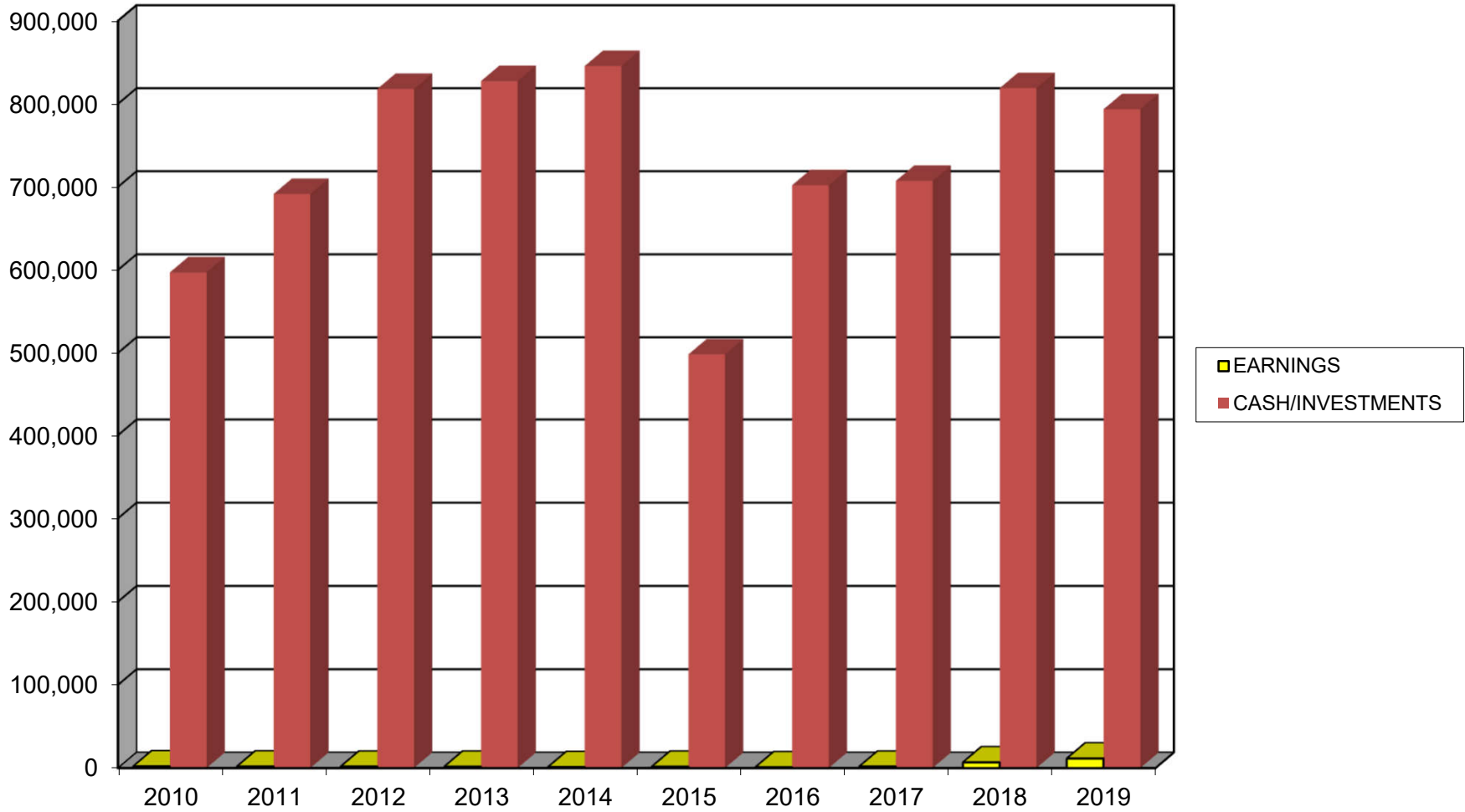
**GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION
REVENUE AND EXPENSES - ALL FUNDS**



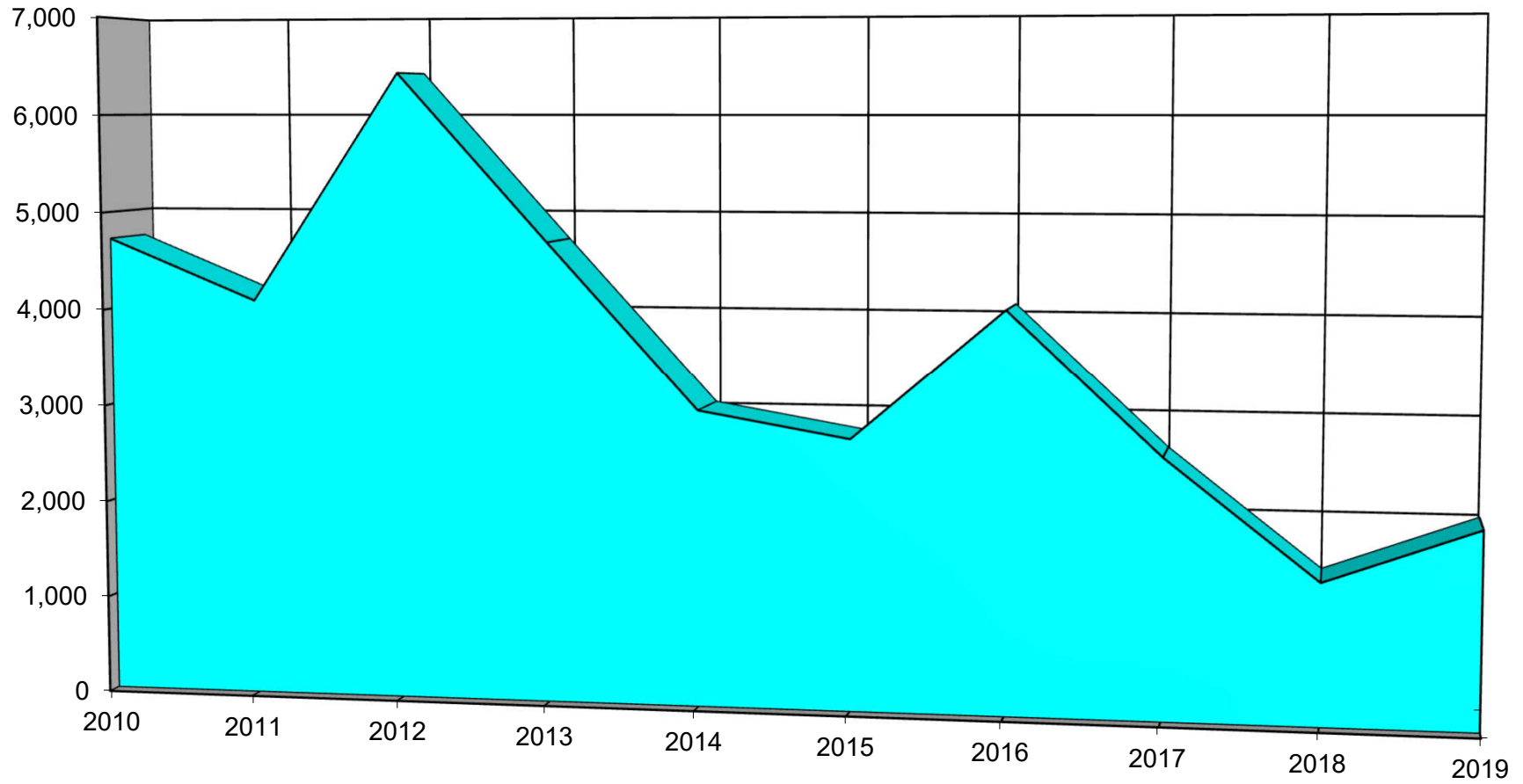
GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION MEMBERS' EQUITY



GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION EARNINGS AND CASH/INVESTMENTS



**GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION
ALLOWANCE FOR DELINQUENT MEMBER ACCOUNTS**



GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Glenshire/Devonshire Residents Association, Inc.

We have reviewed the accompanying financial statements of Glenshire/Devonshire Residents Association, Inc., which comprise the balance sheet as of December 31, 2019, and the related statements of operating revenue, expenses and changes in fund balance, replacement revenue, expenses and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Association's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free of material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on Future Major Repairs and Replacements on page 10 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. The required supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the required supplementary information and, accordingly, we do not express an opinion or provide any assurance on such required supplementary information.

Summarized Comparative Information

We previously reviewed Glenshire/Devonshire Residents Association, Inc.'s 2018 financial statements and in our conclusion dated March 11, 2019, stated that based on our review, we were not aware of any material modifications that should be made to the 2018 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2018, for it to be consistent with the reviewed financial statements from which it has been derived.

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
March 4, 2020

BALANCE SHEETS

December 31, 2019 (with comparative totals for 2018)

(See Independent Accountants' Review Report)

	2019			2018
	Operating Fund	Replacement Fund	Total	Total
ASSETS				
Cash and equivalents including certificates of deposit, including \$45,590 and \$48,190 held as security deposits in 2019 and 2018 (Note 5)	\$ 382,076	\$ -0-	\$ 382,076	\$ 446,194
Cash equivalents including certificates of deposit, designated for future major repairs and replacements (Note 6)	-0-	411,286	411,286	372,657
Dues receivable, less allowance for doubtful accounts of \$809 in 2019 and \$974 in 2018	429,952	-0-	429,952	369,460
Special assessment receivable, less allowance for doubtful accounts of \$1,193 in 2019 and \$470 in 2018 (Note 10)	-0-	85,705	85,705	217,007
Interfund loan (Note 8)	65,000	(65,000)	-0-	-0-
Due (to) / from other funds (Note 8)	(15,465)	15,465	-0-	-0-
Prepaid expenses and other assets, net	24,742	-0-	24,742	26,322
	<u>886,305</u>	<u>447,456</u>	<u>1,333,761</u>	<u>1,431,639</u>
Property and equipment	95,435	-0-	95,435	95,435
Less: accumulated depreciation	(77,529)	-0-	(77,529)	(67,267)
Net property and equipment	<u>17,906</u>	<u>-0-</u>	<u>17,906</u>	<u>28,168</u>
Total Assets	<u>\$ 904,211</u>	<u>\$ 447,456</u>	<u>\$ 1,351,667</u>	<u>\$ 1,459,807</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 54,903	\$ -0-	\$ 54,903	\$ 7,842
Accrued liabilities	30,512	-0-	30,512	18,249
Note payable (Note 9)	-0-	-0-	-0-	217,101
Design review committee and other deposits (Note 5)	48,130	-0-	48,130	49,370
Deferred income	556,494	-0-	556,494	525,651
Total Liabilities	<u>690,039</u>	<u>-0-</u>	<u>690,039</u>	<u>818,213</u>
Fund Balances				
Operating fund	214,172	-0-	214,172	252,321
Replacement fund	-0-	447,456	447,456	389,273
Total Fund Balances	<u>214,172</u>	<u>447,456</u>	<u>661,628</u>	<u>641,594</u>
Total Liabilities and Fund Balances	<u>\$ 904,211</u>	<u>\$ 447,456</u>	<u>\$ 1,351,667</u>	<u>\$ 1,459,807</u>

STATEMENTS OF OPERATING REVENUE, EXPENSES
AND CHANGES IN FUND BALANCE

For the Years Ended December 31, 2019 and 2018

(See Independent Accountants' Review Report)

	2019	2018
Revenue and Members' Dues		
Members' dues	\$ 508,875	\$ 488,520
Less: dues allocated to replacement fund	(92,983)	(130,538)
	<u>415,892</u>	<u>357,982</u>
Design review committee fees	5,740	6,100
Transfer fees	17,375	13,250
Late charges	3,795	5,617
Rental and class fees	33,468	29,607
Concessions sales, net of costs of goods sold of \$3,690 and \$4,451 in 2019 and 2018, respectively	2,460	2,096
Interest income	5,322	2,619
Non-compliance fees	11,690	800
Miscellaneous revenue	46,431	46,060
	<u>542,173</u>	<u>464,131</u>
Expenses		
Salaries - admin/pool/maintenance	227,344	212,783
Benefits, payroll taxes and workers compensation	29,269	38,039
Grounds/pools maintenance and supplies	27,010	19,861
Insurance	22,844	20,686
Clubhouse maintenance and supplies	13,167	13,895
Utilities	32,934	27,854
Professional services	38,475	14,779
Legal dispute (Note 11)	132,876	-0-
Administrative services and supplies	30,146	21,714
Miscellaneous	3,824	3,433
Capital expenditures and lake trail	10,914	6,710
Bad debt expense (recovery)	71	(476)
Depreciation expense	10,262	11,282
Provision for income taxes (Note 4)	1,186	811
	<u>580,322</u>	<u>391,371</u>
Revenue Over (Under) Expenses	(38,149)	72,760
Equity transfer - capitalized equipment	-0-	2,908
Fund Balance, Beginning of Year	<u>252,321</u>	<u>176,653</u>
Fund Balance, End of Year	<u>\$ 214,172</u>	<u>\$ 252,321</u>

STATEMENTS OF REPLACEMENT REVENUE,
EXPENSES AND CHANGES IN FUND BALANCE

For the Years Ended December 31, 2019 and 2018

(See Independent Accountants' Review Report)

	<u>2019</u>	<u>2018</u>
Revenue and Members' Dues		
Members' dues	\$ 92,983	\$ 130,538
Late charges	1,261	1,188
Interest income	6,154	4,250
	<u>100,398</u>	<u>135,976</u>
Expenses		
Interest	7,032	12,798
Replacement fund expenses (Note 7)	35,183	45,000
	<u>42,215</u>	<u>57,798</u>
Revenue Over Expenses	58,183	78,178
Fund Balance, Beginning of Year	<u>389,273</u>	<u>311,095</u>
Fund Balance, End of Year	<u><u>\$ 447,456</u></u>	<u><u>\$ 389,273</u></u>

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2019 (with comparative totals for 2018)

(See Independent Accountants' Review Report)

	2019			2018
	Operating Fund	Replacement Fund	Total	Total
Cash Flows from Operating Activities:				
Revenue Over (Under) Expenses	\$ (38,149)	\$ 58,183	\$ 20,034	\$ 150,938
Adjustments:				
Capitalized replacement fund expenditures	-0-	-0-	-0-	2,908
Depreciation	10,262	-0-	10,262	11,282
Bad debt expense (recovery)	71	724	795	(1,203)
Change in due (to) / from other funds	(62,959)	62,959	-0-	-0-
Change in assets other than cash and property & equipment	(63,123)	134,717	71,594	56,477
Change in payables and other liabilities	89,780	(853)	88,927	(1,922)
Total adjustments	(25,969)	197,547	171,578	67,542
Net Cash Provided (Used) by Operating Activities	(64,118)	255,730	191,612	218,480
Cash Flows from Investing Activities:				
Acquisition of equipment	-0-	-0-	-0-	(2,908)
Proceeds from refund of equipment purchase	-0-	-0-	-0-	1,400
Net Cash Used for Investing Activities	-0-	-0-	-0-	(1,508)
Cash Flows from Financing Activities:				
Retirement of note payable	-0-	(217,101)	(217,101)	(105,192)
Net Cash Used by Financing Activities	-0-	(217,101)	(217,101)	(105,192)
Net Increase (Decrease) in Cash and Equivalents	(64,118)	38,629	(25,489)	111,780
Cash and equivalents - Beginning of Year	446,194	372,657	818,851	707,071
Cash and equivalents - End of Year	\$ 382,076	\$ 411,286	\$ 793,362	\$ 818,851
Supplementary Cash Flow Information:				
Income taxes paid	\$ 1,800	\$ -0-	\$ 1,800	\$ -0-
Interest paid	\$ -0-	\$ 7,032	\$ 7,032	\$ 13,265

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(See Independent Accountants' Review Report)

1. Form and Nature of Organization

Glenshire/Devonshire Residents Association, Inc. is a non-stock, non-profit corporation organized in February 1969 under the laws of the State of California. The Association is a homeowners association supported by annual assessments of the 1,357 lots within the Glenshire/Devonshire subdivisions in Truckee, California. The Association was organized to provide the management services and maintenance of certain common use areas within the subdivision. The Association derives a significant portion of its revenue from dues assessments that are levied annually against each lot within the development.

2. Summary of Significant Accounting Policies

A. The Association's governing documents provide certain guidelines for controlling its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts on the fund accounting basis. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - Used to account for financial resources available for the general operations of the Association.

Replacement Fund - Used to account for financial resources designated for future major repairs and replacements.

B. Real property and other common property acquired from the developer and related improvements to such property are not reflected on the Association's financial statements. This property includes tennis courts, swimming pool, clubhouse and approximately 200 acres of common land. The Association capitalizes personal property at cost and depreciates it using the straight-line method over its estimated useful life of 3 to 15 years.

C. Deferred income represents dues billed in the current period applicable to the following period.

D. Association members are subject to annual dues to provide funds for the Association's operating expenses and major repairs and replacements. Dues receivable at the balance sheet date represents fees due from property owners. The Association's policy includes, among other things, assessing a late charge on delinquent payments and placing liens on the property of homeowners whose assessments are delinquent, with the right to proceed with non-judicial foreclosure proceedings if necessary. An allowance for doubtful accounts is created when an account's collectability is uncertain. Accounts are written off when the Association is notified that it is a bad debt, such as after a bankruptcy or foreclosure proceedings. Fine income is recognized as revenue when collected due to the uncertainty surrounding the collection of those amounts.

E. For 2019, the Association has adopted the provisions of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, ("Topic 606" in the Accounting Standards Codification (ASC). Topic 606 superseded the revenue recognition requirements in FASB ASC 972-605, *Real Estate—Common Interest Realty Associations, Revenue Recognition*. Under Topic 606, the Association must identify a contract with a customer, among other things, and recognize revenue as the Association satisfies a performance obligation.

As described in Note 2. D., Association members are subject to annual dues that provide funds for the Association's operating expenses and major repairs and replacements. Association management has considered Topic 606 and concluded that Association members are not customers as defined in the ASC. As such, all assessment revenue, including amounts allocated to the replacement fund, is recognized in the period in which

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(See Independent Accountants' Review Report)

they are assessed, regardless of when they are collected or expended. This treatment is substantially consistent with the Association's accounting in previous years.

F. Contract revenue consists of pool passes, guest passes, swim lessons and rental revenue from Association members and non-members. This revenue is recognized as the performance obligations are satisfied, in accordance with Topic 606, at transaction amounts expected to be collected. The Association's performance obligations related to its contract revenue is satisfied on a pro-rata basis over the period for which the income applies. A contract liability (income received in advance) is recorded when the Association has the right to receive payment in advance of the performance obligations related to the income.

Substantially all of the Association's contract revenue pertains to programs that were completed prior to December 31, 2019, therefore the balance of the Association's contract liabilities was \$-0- as of December 31, 2019. No significant revenue was recognized in the current year resulting from performance obligations satisfied in previous periods.

In summary, the adoption of the new revenue recognition guidance mentioned a Note 2 E. did not result in any changes to the fund balances as of January 1, 2019 or the balance sheet or results of operations for the year ended December 31, 2019.

G. Interest earned on replacement fund investments is recorded as income in that fund. Any related income tax is recorded as an expense of the operating fund.

H. The Association has elected to be taxed on net operating income as a regular corporation. However, certain elections are made to substantially reduce or eliminate income taxes on net member income. In general, dues allocated for future major repairs and replacements can be set-aside on a tax-free basis if applicable guidelines are followed. Additionally, all other amounts received by the Association, such as bank interest income, are taxed, net of related expenses, for federal and state purposes. The Association's three previous federal tax returns and four previous state tax returns are available for examination by the taxing authorities.

I. For purposes of the Statements of Cash Flows, cash and cash equivalents are defined as all cash in checking and money market accounts and short-term (one year or less) or highly liquid certificates of deposit.

J. The carrying amounts of financial instruments, including cash, certificates of deposit, accounts receivable and accounts payable approximate their fair value due to the short term maturities of these instruments.

K. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. The certificate of deposit held is classified as held-to-maturity investments as the Association's management has no intention to sell investments before their maturity date. The investments are valued at their amortized cost basis, which approximates their fair value due to the short term maturities of these instruments (which is one year or less).

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(See Independent Accountants' Review Report)

3. Concentration of Credit Risk

The Association maintains demand and certificate of deposit accounts at various local banks. The aggregate balance of these accounts exceeded the federally insured limits by \$-0- at December 31, 2019 and 2018, respectively.

The Association invests a portion of its cash in a money market mutual fund that holds primarily commercial paper, certificates of deposit, and U.S. government backed securities. Money market mutual fund holdings are not federally insured but are subject to SIPC insurance.

Financial instruments that potentially subject the Association to credit risk consist principally of members' dues receivable. Dues receivable at December 31, 2019 and 2018 were primarily from members who live in the Glenshire/Devonshire subdivision or whose primary residence is within the State of California.

4. Income Taxes

The provision for income taxes is as follows:

	2019	2018
Federal	\$ -0-	\$ -0-
State	1,186	811
	<u>\$ 1,186</u>	<u>\$ 811</u>

Certain projects undertaken in 2016 and previous years were eligible for a federal disabled access tax credit. The expenditures for these projects are subject to maximum annual limits. As of December 31, 2019, and 2018, approximately \$8,628 and \$11,183, respectively of cumulative unused tax credits are available for use in future years to offset federal tax expense, subject to expiration if not used within certain time frames.

5. Design Review Committee Deposits

Members are required to advance security deposits for construction and pay a fee to the Association to ensure that construction is completed in accordance with the guidelines established by the Association's Design Review Committee. The security deposits are refundable upon satisfactory completion of construction. In addition, the Association retains deposits for clubhouse rentals.

6. Future Major Repairs and Replacements of Common Area

The Association's CC&Rs provide for the Association to assess members for the acquisition, improvement and maintenance of common properties, primarily the clubhouse, tennis courts, swimming pool and surrounding parking area.

The amount of dues allocated to the replacement fund is based on a reserve study prepared by management and approved by the Board of Directors. The Association's policy is to fund for replacements over the estimated lives of the respective assets. Actual replacement costs and timing may vary from these estimates and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right, subject to any necessary member approval, to increase regular dues or levy special assessments. It may also delay major repairs and replacements until funds are available.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

(See Independent Accountants' Review Report)

7. Replacement Fund Expenses

Replacement fund expenses for the year ending December 31, 2019 and 2018 are as follows:

	2019	2018
Turf replacement	\$ 29,600	\$ -0-
Pool furniture	-0-	2,908
N.E. deck replacement	-0-	13,369
Tennis court	-0-	24,565
Office computers	538	-0-
Other	5,045	4,158
	<u>\$ 35,183</u>	<u>\$ 45,000</u>

8. Interfund Activity

The Association maintains an operating fund and replacement fund. At various times during the year, there is a receivable/(payable) between the funds. At December 31, 2019 and 2018, the operating fund owed the replacement fund \$15,465 and \$13,426, respectively.

In November of 2019, the Board approved a temporary loan from the operating fund to the replacement fund to pay off the special assessment note payable (Note 9). The loan was for \$65,000 and is to be paid off within 6 months.

9. Note Payable

In October of 2015, the Association entered into a secured agreement with a bank to fund a pool repair and renovation project which began in 2015. Borrowed funds could not exceed \$1,125,000 and were available to be drawn as a non-revolving line of credit for nine months. In September of 2016, the non-revolving line of credit was converted to a loan for \$447,070 at an interest rate of 4.765% and fully amortizing monthly payments of \$9,871. The loan was to be paid in full no later than November 1, 2020. The note was secured by the assets and future assessments of the Association and is subject to various routine covenants. The loan was paid in full in November of 2019.

10. Special Assessment

In September of 2015, the Board approved an emergency special assessment of \$1,265,961 to fund the pool repair and renovation project. The assessment is \$933 per lot to be paid over five years in equal installments of \$187 beginning in 2016. An early one- time payment option was available for \$830 and required to be paid by March 1, 2016. The special assessment was fully recognized in 2016.

11. Legal

From time to time the Association is subject to legal matters. During 2018 and 2019, the Association was involved in a legal dispute with its former General Manager. This legal dispute is now resolved. The associated costs for this dispute totaled \$132,876.

12. Subsequent Events

Subsequent events have been evaluated by management through March 4, the date that the statements were available for issuance.

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS

December 31, 2019

(Unaudited)

(See Independent Accountants' Review Report)

The Association obtained a study in 2019 to estimate the remaining useful lives, the lives after replacement and the replacement costs of the components of common property. The estimates were based on management's and contractors' estimates and historical costs. Estimate replacement costs have been adjusted to reflect a 2.5% inflation factor between the date of the study and the date that the components will require repair and replacement

The Association does not designate the balance in the replacement fund by component. The total cash available for major repairs and replacements is \$411,286 at December 31, 2019. The 2020 budget includes \$95,587 of dues to be allocated to the replacement fund.

The following table is based on the study and presents significant information about the components of common property.

Component	Remaining Life (Years)	Life After Replacement (Years)	Current Replacement Cost
Paving	1-24	1-25	\$ 225,874
Concrete	2-27	5-30	80,007
Structural repairs	1-27	3-30	218,289
Decking/balconies	1-38	40	234,101
Roofing	4-22	10-30	82,867
Rehab	4-22	15-25	36,470
Pool	1-37	5-40	188,024
Tennis court	6-19	7-21	92,163
Basketball/sport court	7	15	1,615
Landscaping	0-7	2-20	33,016
Lakes/ponds	1	30	3,769
Fencing	1-29	18-30	75,375
Lighting	5-12	15	1,804
Signage	2-5	15	16,264
Office equipment	1-3	4-10	21,646
Mechanical equipment	3	10-15	16,369
Furnishings	1-17	5-20	16,969
Audio/visual	2	10	1,292
Flooring	2-17	12-22	43,387
Wallcoverings	22	25	1,477
Outdoor equipment	2-17	5-25	76,380
Appliances	4-9	10-12	7,895
Infrastructure	26	30	5,384
Miscellaneous	1-7	10-15	16,451
			<u>\$ 1,496,888</u>