GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

Truckee, California

FINANCIAL STATEMENTS

AND

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

December 31, 2020 and 2019

McCLINTOCK ACCOUNTANCY CORPORATION

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

TABLE OF CONTENTS

McCLINTOCK ACCOUNTANCY CORPORATION

ROBERT J. McCLINTOCK, CPA
KENDALL GALKA, CPA
ALICE HAHN

JAIME GIGNOUX, CPA
KELLEY ALTICK, CPA

305 WEST LAKE BOULEVARD
P.O. BOX 6179
TAHOE CITY, CA 96145
TELEPHONE: 530-583-6994
FAX: 530-583-5405

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, 2020, 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 2019 financial statements and in our conclusion dated March 4, 2020, stated that based on our review, we were not aware of any material modifications that should be made to the 2019 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, 2019, 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 19, 2021

Exhibit A

BALANCE SHEETS
December 31, 2020 (with comparative totals for 2019)

(See Independent Accountants' Review Report)

	2020			2019
	Operating Fund	Replacement Fund	Total	Total
ASSETS				
Cash and equivalents including certificates of deposit, including $47,890 and $45,590 held as security deposits in 2020 and 2019 (Note 5)	$ 457,649	$ -0-	$ 457,649	$ 382,076
Cash equivalents including certificates of deposit, designated for future major repairs and replacements (Note 6)	-0-	408,410	408,410	411,286
Dues receivable, less allowance for doubtful accounts of $1,172 in 2020 and $809 in 2019	524,898	-0-	524,898	429,952
Special assessment receivable, less allowance for doubtful accounts of $1,090 in 2020 and $1,193 in 2019 (Note 10)	-0-	6,373	6,373	85,705
Due (to) / from other funds (Note 8)	(20,286)	20,286	-0-	-0-
Prepaid expenses and other assets, net	35,316	-0-	35,316	24,742
	997,577	435,069	1,432,646	1,333,761
Property and equipment	104,003	-0-	104,003	95,435
Less: accumulated depreciation	(82,015)	-0-	(82,015)	(77,529)
Net property and equipment	21,988	-0-	21,988	17,906
Total Assets	$ 1,019,565	$ 435,069	$ 1,454,634	$ 1,351,667
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 53,577	$ -0-	$ 53,577	$ 54,903
Accrued liabilities	31,657	-0-	31,657	30,512
Note payable (Note 9)	6,000	-0-	6,000	-0-
Design review committee and other deposits (Note 5)	50,480	-0-	50,480	48,130
Deferred income	618,176	-0-	618,176	556,494
Total Liabilities	759,890	-0-	759,890	690,039
Fund Balances				
Operating fund	259,675	-0-	259,675	214,172
Replacement fund	-0-	435,069	435,069	447,456
Total Fund Balances	259,675	435,069	694,744	661,628
Total Liabilities and Fund Balances	$ 1,019,565	$ 435,069	$ 1,454,634	$ 1,351,667

Exhibit B

STATEMENTS OF OPERATING REVENUE, EXPENSES AND CHANGES IN FUND BALANCE

For the Years Ended December 31, 2020 and 2019

(See Independent Accountants' Review Report)

	2020	2019
Revenue and Members' Dues		
Members' dues	$ 537,372	$ 508,875
Less: dues allocated to replacement fund	(120,587)	(92,983)
	416,785	415,892
Design review committee fees	3,400	5,740
Transfer fees	35,350	17,375
Late charges	3,682	3,795
Rental and class fees	21,677	33,468
Concessions sales, net of costs of goods sold of $165 and $3,690 in 2020 and 2019, respectively	517	2,460
Interest income	2,678	5,322
Gain on debt forgiveness - PPP (Note 9)	45,748	-0-
Non-compliance fees	-0-	11,690
Miscellaneous revenue	9,987	46,431
	539,824	542,173
Expenses		
Salaries - admin/pool/maintenance	219,026	227,344
Benefits, payroll taxes and workers compensation	29,254	29,269
Grounds/pools maintenance and supplies	27,196	27,010
Insurance	40,145	22,844
Clubhouse maintenance and supplies	10,240	13,167
Utilities	35,049	32,934
Professional services	68,032	38,475
Legal dispute (Note 11)	553	132,876
Administrative services and supplies	15,345	30,146
Miscellaneous	2,513	3,824
Capital expenditures, lake trail and open space	37,360	10,914
Bad debt expense	37	71
Depreciation expense	9,183	10,262
Provision for income taxes (Note 4)	388	1,186
	494,321	580,322
Revenue Over (Under) Expenses	45,503	(38,149)
Fund Balance, Beginning of Year	214,172	252,321
Fund Balance, End of Year	$ 259,675	$ 214,172

The accompanying notes are an integral part of these statements.

Exhibit C

STATEMENTS OF REPLACEMENT REVENUE, EXPENSES AND CHANGES IN FUND BALANCE

For the Years Ended December 31, 2020 and 2019

(See Independent Accountants' Review Report)

	2020	2019
Revenue and Members' Dues		
Members' dues	$ 120,587	$ 92,983
Late charges	680	1,261
Interest income	2,682	6,154
	123,949	100,398
Expenses		
Interest	-0-	7,032
Replacement fund expenses (Note 7)	136,336	35,183
	136,336	42,215
Revenue Over (Under) Expenses	(12,387)	58,183
Fund Balance, Beginning of Year	447,456	389,273
Fund Balance, End of Year	$ 435,069	$ 447,456

Exhibit D

STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2020 (with comparative totals for 2019)

(See Independent Accountants' Review Report)

	2020			2019
	Operating Fund	Replacement Fund	Total	Total
Cash Flows from Operating Activities:				
Revenue Over (Under) Expenses	$ 45,503	$ (12,387)	$ 33,116	$ 20,034
Adjustments:				
Gain on debt forgiveness - PPP (Note 9)	(45,748)	-0-	(45,748)	-0-
Depreciation	9,183	-0-	9,183	10,262
Bad debt expense	37	-0-	37	795
Change in due (to) / from other funds	4,820	(4,820)	-0-	-0-
Change in assets other than cash and property & equipment	(105,556)	79,331	(26,225)	71,594
Change in payables and other liabilities	63,851	-0-	63,851	88,927
Total adjustments	(73,413)	74,511	1,098	171,578
Net Cash Provided by Operating Activities	(27,910)	62,124	34,214	191,612
Cash Flows from Investing Activities:				
Acquisition of equipment	(13,265)	-0-	(13,265)	-0-
Net Cash Used for Investing Activities	(13,265)	-0-	(13,265)	-0-
Cash Flows from Financing Activities:				
Retirement of note payable	-0-	-0-	-0-	(217,101)
Interfund loan repayment	65,000	(65,000)	-0-	-0-
Issuance of notes payable	51,748	-0-	51,748	-0-
Net Cash Provided (Used) by Financing Activities	116,748	(65,000)	51,748	(217,101)
Net Increase (Decrease) in Cash and Equivalents	75,573	(2,876)	72,697	(25,489)
Cash and equivalents - Beginning of Year	382,076	411,286	793,362	818,851
Cash and equivalents - End of Year	$ 457,649	$ 408,410	$ 866,059	$ 793,362
Supplementary Cash Flow Information:				
PPP loan principal forgiven	$ 45,748	$ -0-	$ -0-	$ -0-
Income taxes paid	$ 1,200	$ -0-	$ 1,200	$ 1,800
Interest paid	$ -0-	$ -0-	$ -0-	$ 7,032

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

(See Independent Accountants' Review Report)

1. <u>Form and Nature of Organization</u>
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. <u>Summary of Significant Accounting Policies</u>
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:

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

<u>Replacement Fund</u> - 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. 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 they are assessed, regardless of when they are collected or expended.

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, 2020, therefore the balance of the Association's contract liabilities was $-0- as of December 31, 2020. No significant revenue was recognized in the current year resulting from performance obligations satisfied in previous periods.

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).

M. The COVID-19 outbreak in the United States has caused varying degrees of disruption across substantially all businesses. It is at least possible that the Association may experience adverse effects from the outbreak, including the inability to achieve consistent operational service levels historically available to members. Issues may arise from disruptions in normal supply chains, slower collection of member assessments, reduction in user fees, or other factors. The related financial impact to the Association is unknown at this time, and therefore no provisions have been reflected in the accompanying financial statements.

3. Concentration of Credit Risk

The Association maintains demand and certificate of deposit accounts at various local banks. The aggregate balance of these accounts did not exceed the federally insured limits December 31, 2020 and 2019, 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.

4. Income Taxes

The provision for federal income taxes was $-0- for the years ended December 31, 2020 and 2019. The provision for state income taxes was $388 and $1,186 for the years ended December 31, 2020 and 2019, respectively.

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, 2020 and 2019, approximately $8,589 and $9,397, 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.

7. Replacement Fund Expenses

Replacement fund expenses for the years ending December 31, 2020 and 2019, are as follows:

	2020	2019
Turf replacement	$ -0-	$ 29,600
Parking lot asphalt	130,225	-0-
Pool	6,111	-0-
Other	-0-	5,583
	$ 136,336	$ 35,183

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

(See Independent Accountants' Review Report)

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, 2020 and 2019, the operating fund owed the replacement fund $20,286 and $15,465, 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 was paid off in 2020.

9. Notes Payable and Gain on Debt Forgiveness

During 2020, the Association was granted loans in the aggregate amounts of $45,748 and $6,000, pursuant to the Paycheck Protection Program (the "PPP) and the COVID-19 Economic Injury Disaster Loan (the "EIDL), respectively. The PPP loan, granted under Division A, Title I of the CARES Act was forgiven in December 2020, and is recorded as a gain on debt forgiveness in Exhibit B. The EIDL loan, was forgiven in February 2021, and is recorded as a note payable in Exhibit A as of December 31, 2020.

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 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 19, 2021, the date that the statements were available for issuance.

Schedule 1

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

December 31, 2020

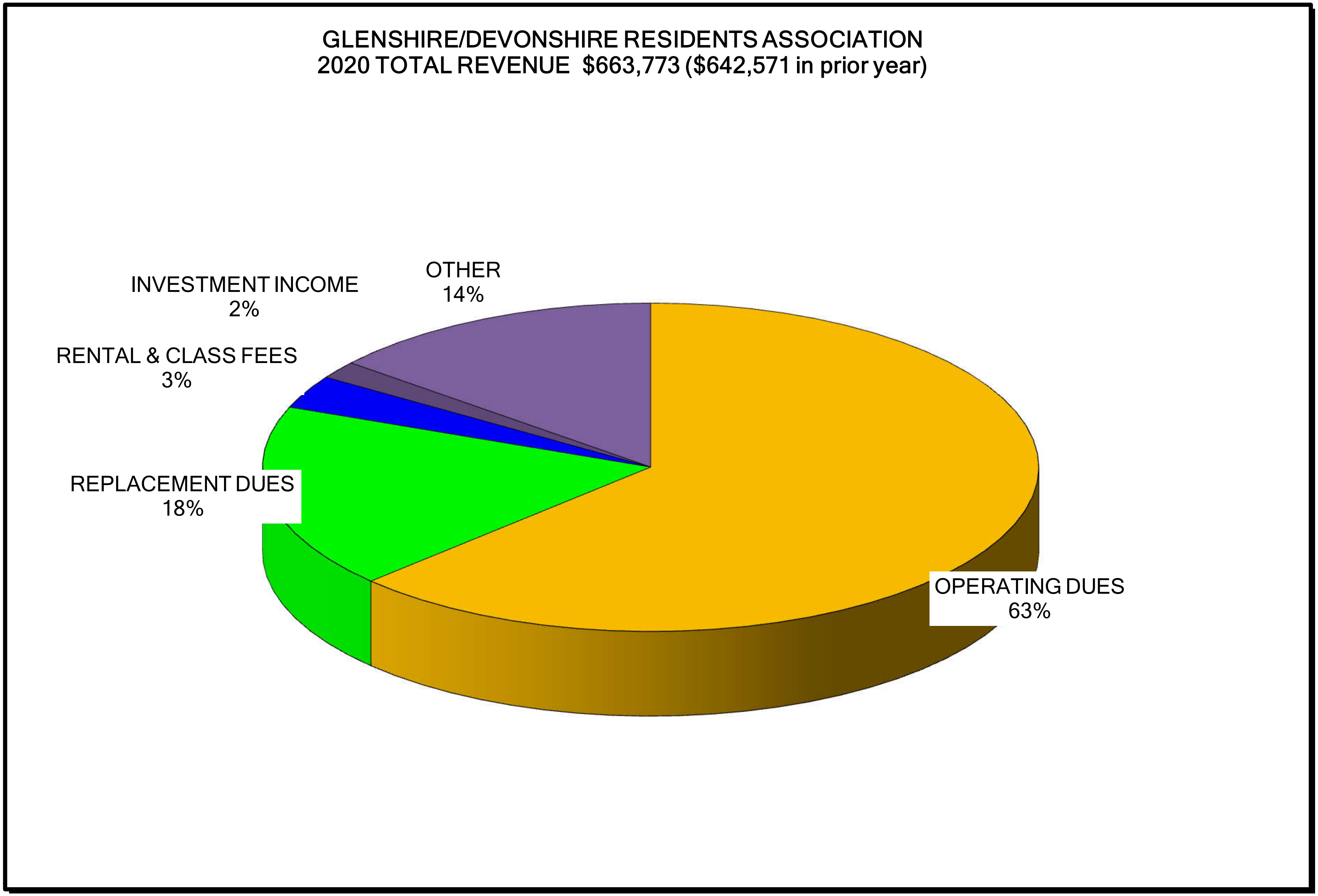
(See Independent Accountants' Review Report)

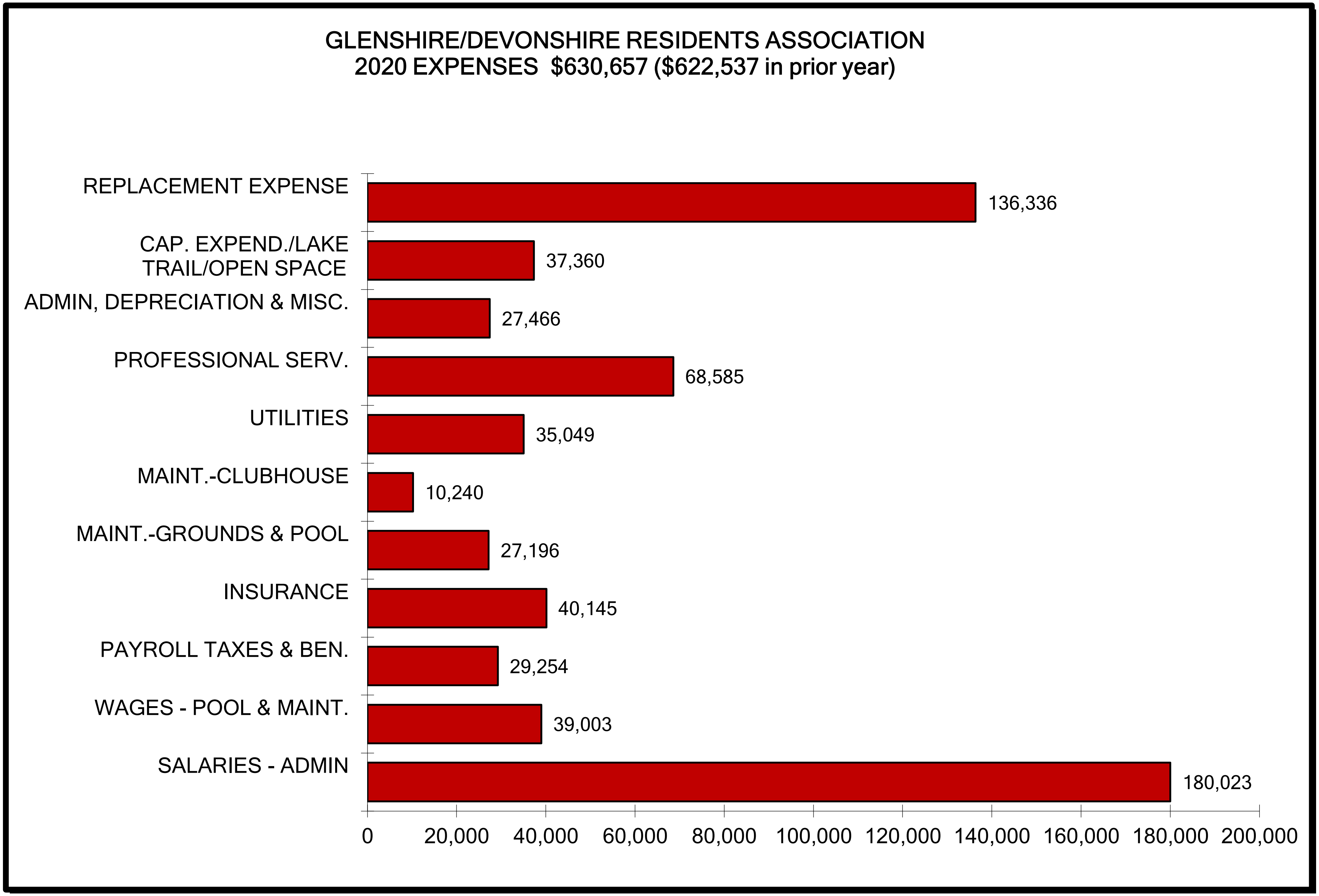
The Association obtained a study in 2020 to estimate the remaining useful lives, the lives after replacement and the replacement costs of the components of common property. The estimates were based on management's and contractors' estimates and historical costs. Estimate replacement costs have been adjusted to reflect a 2.5% inflation factor between the date of the study and the date that the components will require repair and replacement

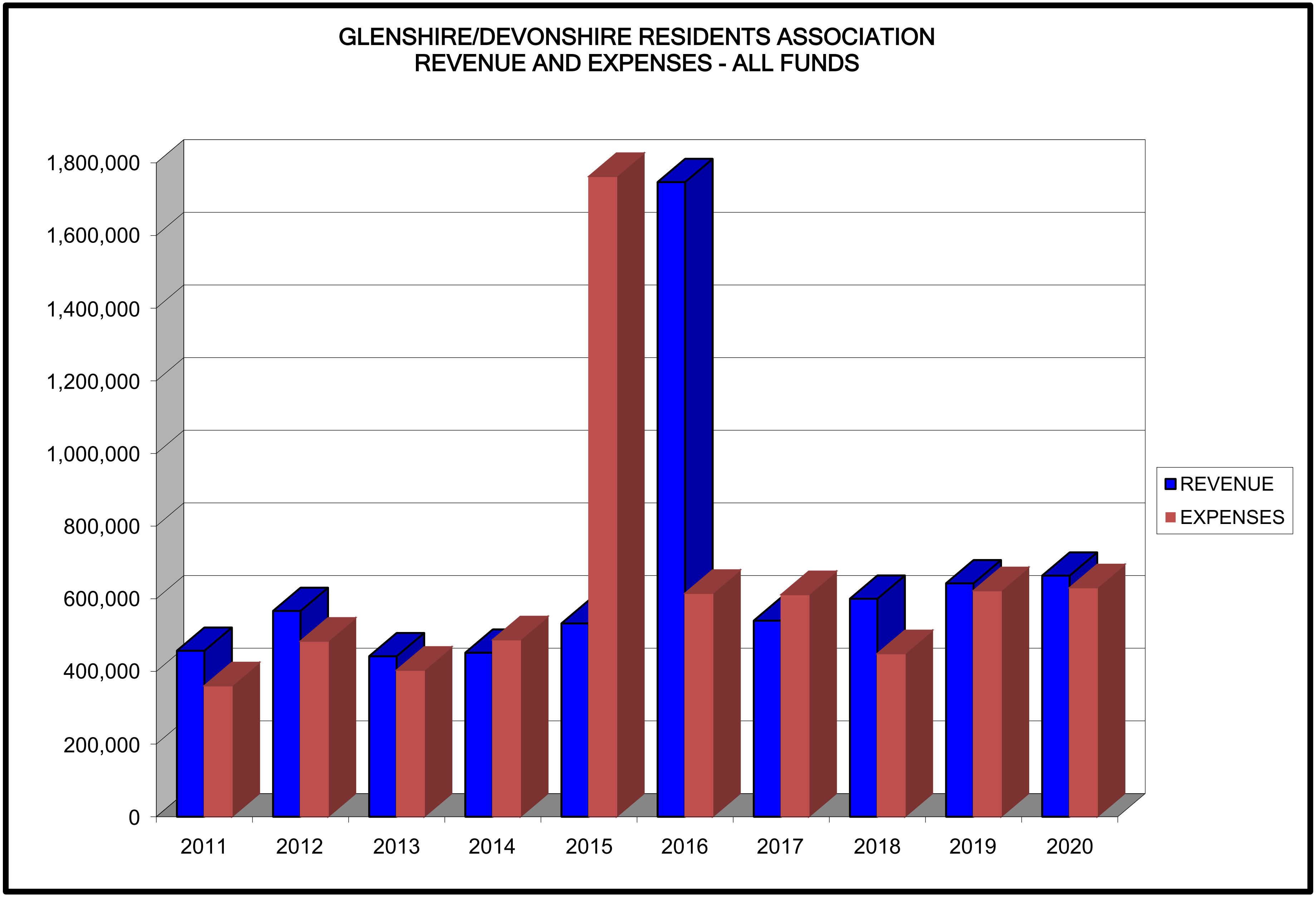
The Association does not designate the balance in the replacement fund by component. The total cash available for major repairs and replacements is $408,410 at December 31, 2020. The 2021 budget includes $99,219 of dues to be allocated to the replacement fund.

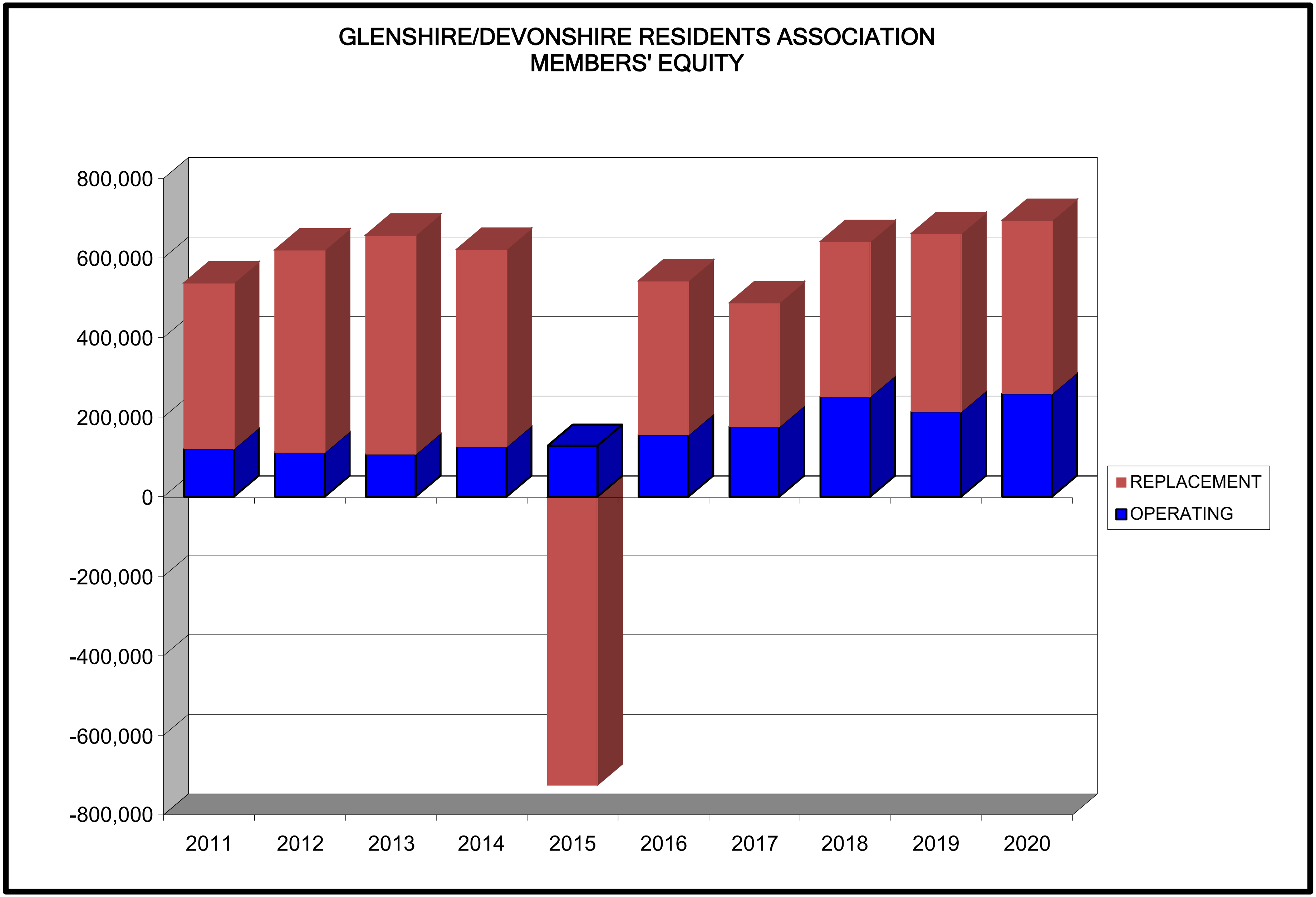
The following table is based on the study and presents significant information about the components of common property.

Component	Remaining Life (Years)	Life After Replacement (Years)	Current Replacement Cost
Paving	0-23	1-25	$ 226,472
Concrete	1-26	5-30	82,007
Structural repairs	1-26	5-30	223,746
Decking/balconies	1-37	40	239,953
Roofing	3-21	10-30	84,938
Rehab	3-21	15-25	37,382
Pool	0-36	1-40	217,597
Tennis court	3-18	4-21	98,181
Basketball/sport court	6	15	1,656
Landscaping	1-19	2-20	177,841
Lakes/ponds	1	30	3,863
Fencing	1-28	18-30	77,259
Lighting	4-11	15	1,849
Signage	2-4	15	16,670
Office equipment	0-5	1-10	23,198
Mechanical equipment	2	10-15	16,778
Furnishings	3-16	5-20	17,393
Audio/visual	3	10	1,325
Flooring	3-16	12-22	44,472
Wallcoverings	21	25	1,514
Outdoor equipment	1-16	5-25	78,289
Appliances	3-8	10-12	8,093
Infrastructure	25	30	5,519
Miscellaneous	3-6	10-15	16,863
			$ 1,702,858

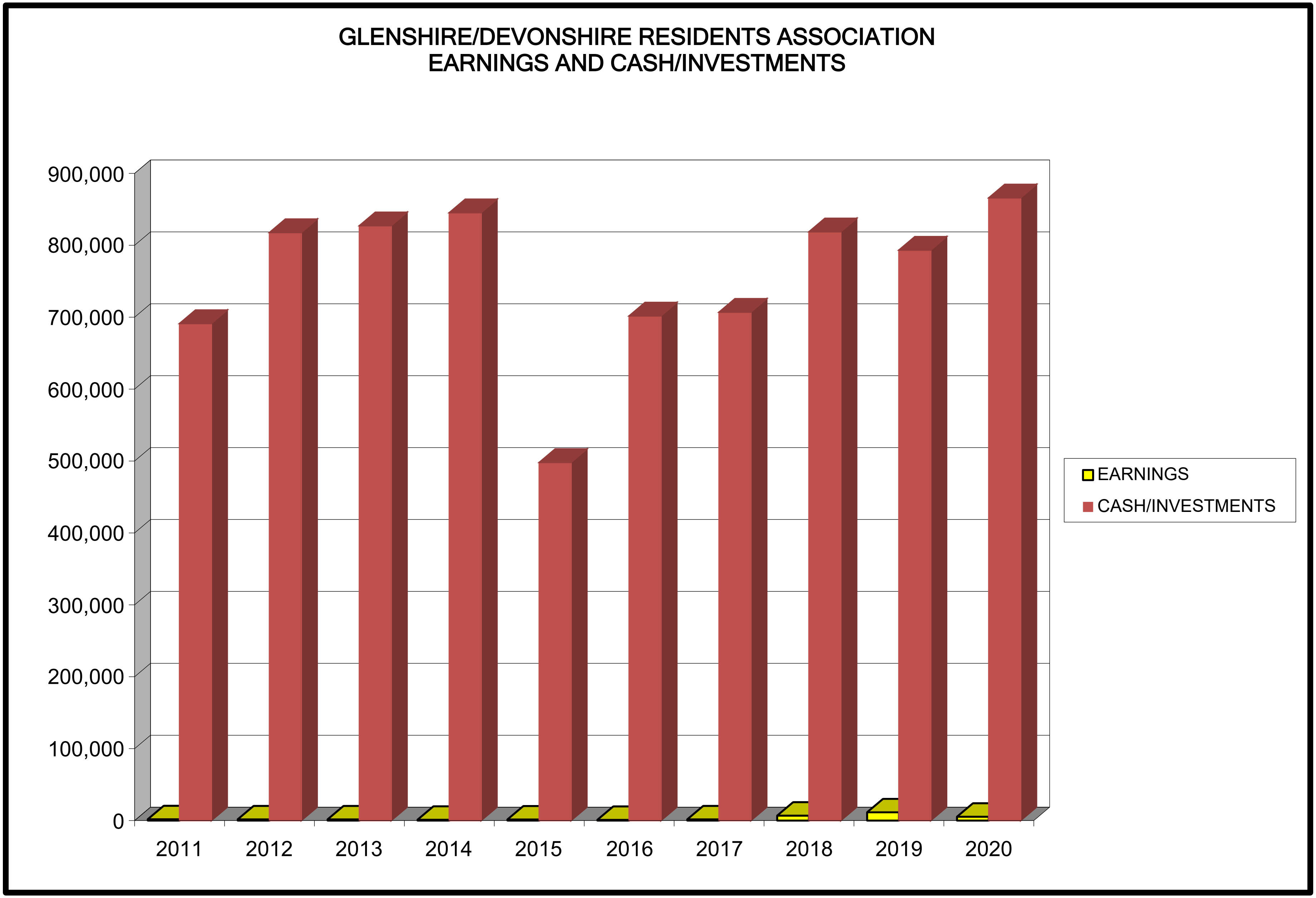

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION
2020 TOTAL REVENUE $663,773 ($642,571 in prior year)
INVESTMENT INCOME
2%
OTHER
14%
RENTAL & CLASS FEES
3%
REPLACEMENT DUES
18%
OPERATING DUES
63%


GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION
2020 EXPENSES $630,657 ($622,537 in prior year)
REPLACEMENT EXPENSE
136,336
CAP. EXPEND./LAKE TRAIL/OPEN SPACE
37,360
ADMIN, DEPRECIATION & MISC.
27,466
PROFESSIONAL SERV.
68,585
UTILITIES
35,049
MAINT.-CLUBHOUSE
10,240
MAINT.-GROUNDS & POOL
27,196
INSURANCE
40,145
PAYROLL TAXES & BEN.
29,254
WAGES - POOL & MAINT.
39,003
SALARIES - ADMIN
180,023
0
20,000
40,000
60,000
80,000
100,000
120,000
140,000
160,000
180,000
200,000

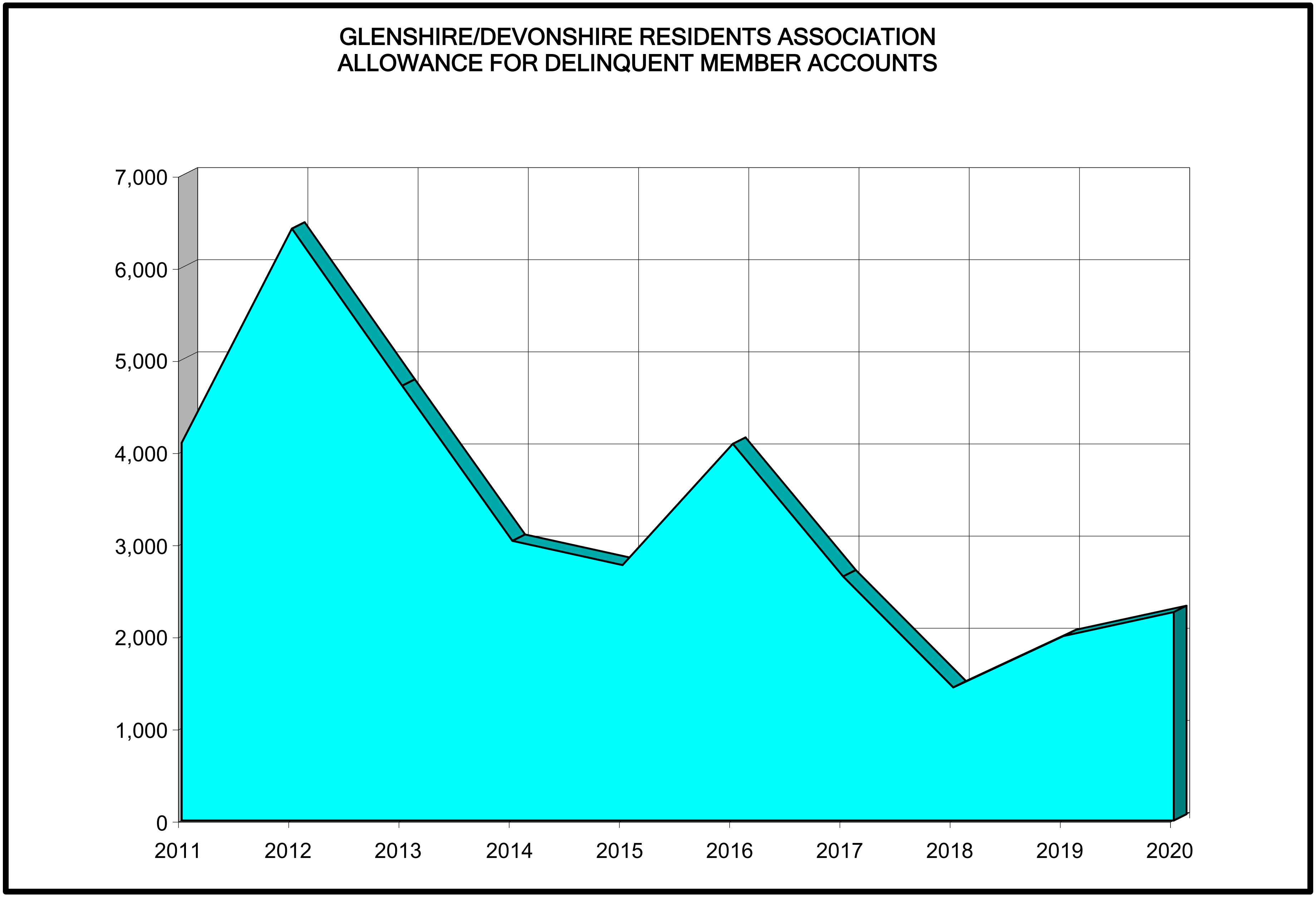

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION
REVENUE AND EXPENSES - ALL FUNDS
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
REVENUE
EXPENSES



GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION
MEMBERS' EQUITY
800,000
600,000
400,000
200,000
0
-200,000
-400,000
-600,000
-800,000
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
REPLACEMENT
OPERATING



GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION
EARNINGS AND CASH/INVESTMENTS
900,000
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
EARNINGS
CASH/INVESTMENTS


GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION
ALLOWANCE FOR DELINQUENT MEMBER ACCOUNTS
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020