

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

Truckee, California

FINANCIAL STATEMENTS

AND

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

December 31, 2021 and 2020

# GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

## TABLE OF CONTENTS

		Page
	INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
Exhibit A	BALANCE SHEETS	2
Exhibit B	STATEMENTS OF OPERATING REVENUE, EXPENSES AND CHANGES IN FUND BALANCE	3
Exhibit C	STATEMENTS OF REPLACEMENT REVENUE, EXPENSES AND CHANGES IN FUND BALANCE	4
Exhibit D	STATEMENTS OF CASH FLOWS	5
	NOTES TO FINANCIAL STATEMENTS	6-9
Schedule 1	REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS	10

**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, 2021, 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.

We are required to be independent of Glenshire/Devonshire Residents Association, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

**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 2020 financial statements and in our conclusion dated March 19, 2021, stated that based on our review, we were not aware of any material modifications that should be made to the 2020 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, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.

McCLINTOCK ACCOUNTANCY CORPORATION  
Tahoe City, California  
March 9, 2022

BALANCE SHEETS

December 31, 2021 (with comparative totals for 2020)

(See Independent Accountants' Review Report)

	2021			2020
	Operating Fund	Replacement Fund	Total	Total
<b>ASSETS</b>				
Cash and equivalents including certificates of deposit, including \$49,056 and \$47,890 held as security deposits in 2021 and 2020 (Note 5)	\$ 493,528	\$ -0-	\$ 493,528	\$ 457,649
Cash equivalents including certificates of deposit, designated for future major repairs and replacements (Note 6)	-0-	502,931	502,931	408,410
Dues receivable, less allowance for doubtful accounts of \$1,047 in 2021 and \$1,172 in 2020	575,145	-0-	575,145	524,898
Special assessment receivable, less allowance for doubtful accounts of \$1,084 in 2021 and \$1,090 in 2020 (Note 10)	-0-	870	870	6,373
Due (to) / from other funds (Note 8)	(15,973)	15,973	-0-	-0-
Prepaid expenses and other assets, net	31,721	-0-	31,721	35,316
	<u>1,084,421</u>	<u>519,774</u>	<u>1,604,195</u>	<u>1,432,646</u>
Property and equipment	109,950	-0-	109,950	104,003
Less: accumulated depreciation	(87,365)	-0-	(87,365)	(82,015)
Net property and equipment	<u>22,585</u>	<u>-0-</u>	<u>22,585</u>	<u>21,988</u>
Total Assets	<u>\$ 1,107,006</u>	<u>\$ 519,774</u>	<u>\$ 1,626,780</u>	<u>\$ 1,454,634</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 43,044	\$ -0-	\$ 43,044	\$ 53,577
Accrued liabilities	42,111	-0-	42,111	31,657
Note payable (Note 9)	-0-	-0-	-0-	6,000
Design review committee and other deposits (Note 5)	51,730	-0-	51,730	50,480
Deferred income	673,794	-0-	673,794	618,176
Total Liabilities	<u>810,679</u>	<u>-0-</u>	<u>810,679</u>	<u>759,890</u>
Fund Balances				
Operating fund	296,327	-0-	296,327	259,675
Replacement fund	-0-	519,774	519,774	435,069
Total Fund Balances	<u>296,327</u>	<u>519,774</u>	<u>816,101</u>	<u>694,744</u>
Total Liabilities and Fund Balances	<u>\$ 1,107,006</u>	<u>\$ 519,774</u>	<u>\$ 1,626,780</u>	<u>\$ 1,454,634</u>

STATEMENTS OF OPERATING REVENUE, EXPENSES  
AND CHANGES IN FUND BALANCE

For the Years Ended December 31, 2021 and 2020

(See Independent Accountants' Review Report)

	2021	2020
Revenue and Members' Dues		
Members' dues	\$ 598,437	\$ 537,372
Less: dues allocated to replacement fund	(99,219)	(120,587)
	<u>499,218</u>	<u>416,785</u>
Design review committee fees	3,850	3,400
Transfer fees	28,300	35,350
Late charges	6,301	3,682
Rental and class fees	7,200	21,677
Concessions sales, net of costs of goods sold of \$1,173 and \$165 in 2021 and 2020, respectively	529	517
Interest income	241	2,678
Gain on debt forgiveness (Note 9)	6,000	45,748
Miscellaneous revenue	37,125	9,987
	<u>588,764</u>	<u>539,824</u>
Expenses		
Salaries - admin/pool/maintenance	158,314	219,026
Benefits, payroll taxes and workers compensation	104,966	29,254
Grounds/pools maintenance and supplies	36,250	27,196
Insurance	32,710	40,145
Clubhouse maintenance and supplies	25,479	10,240
Utilities	46,442	35,049
Professional services	69,347	68,032
Legal dispute (Note 11)	-0-	553
Administrative services and supplies	33,357	15,345
Miscellaneous	2,985	2,513
Capital expenditures, lake trail and open space	36,870	37,360
Loss on disposal of property and equipment	202	-0-
Bad debt expense	-0-	37
Depreciation expense	8,535	9,183
Provision for income taxes (Note 4)	-0-	388
	<u>555,457</u>	<u>494,321</u>
Revenue Over Expenses	33,307	45,503
Fund Balance, Beginning of Year	<u>259,675</u>	<u>214,172</u>
Capitalized Replacement Fund Expenditures	<u>3,345</u>	<u>-0-</u>
Fund Balance, End of Year	<u>\$ 296,327</u>	<u>\$ 259,675</u>

The accompanying notes are an integral part of these statements.

STATEMENTS OF REPLACEMENT REVENUE,  
EXPENSES AND CHANGES IN FUND BALANCE

For the Years Ended December 31, 2021 and 2020

(See Independent Accountants' Review Report)

	2021	2020
Revenue and Members' Dues		
Members' dues	\$ 99,219	\$ 120,587
Late charges	(74)	680
Interest income	136	2,682
	<u>99,281</u>	<u>123,949</u>
Expenses		
Interest	-0-	-0-
Replacement fund expenses (Note 7)	14,576	136,336
	<u>14,576</u>	<u>136,336</u>
Revenue Over (Under) Expenses	84,705	(12,387)
Fund Balance, Beginning of Year	<u>435,069</u>	<u>447,456</u>
Fund Balance, End of Year	<u>\$ 519,774</u>	<u>\$ 435,069</u>

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2021 (with comparative totals for 2020)

(See Independent Accountants' Review Report)

	2021			2020
	Operating Fund	Replacement Fund	Total	Total
Cash Flows from Operating Activities:				
Revenue Over Expenses	\$ 33,307	\$ 84,705	\$ 118,012	\$ 33,116
Adjustments:				
Capitalized replacement fund expenditures	3,345	-0-	3,345	-0-
Loss on disposal of property and equipment	202	-0-	202	-0-
Gain on debt forgiveness (Note 9)	(6,000)	-0-	(6,000)	(45,748)
Depreciation	8,535	-0-	8,535	9,183
Bad debt expense	-0-	-0-	-0-	37
Change in due (to) / from other funds	(4,313)	4,313	-0-	-0-
Change in assets other than cash and property & equipment	(46,652)	5,503	(41,149)	(26,225)
Change in payables and other liabilities	56,789	-0-	56,789	63,851
Total adjustments	11,906	9,816	21,722	1,098
Net Cash Provided by Operating Activities	45,213	94,521	139,734	34,214
Cash Flows from Investing Activities:				
Acquisition of equipment	(9,334)	-0-	(9,334)	(13,265)
Net Cash Used for Investing Activities	(9,334)	-0-	(9,334)	(13,265)
Cash Flows from Financing Activities:				
Issuance of notes payable	-0-	-0-	-0-	51,748
Net Cash Provided by Financing Activities	-0-	-0-	-0-	51,748
Net Increase in Cash and Equivalents	35,879	94,521	130,400	72,697
Cash and equivalents - Beginning of Year	457,649	408,410	866,059	793,362
Cash and equivalents - End of Year	\$ 493,528	\$ 502,931	\$ 996,459	\$ 866,059
Supplementary Cash Flow Information:				
Loan principal forgiven	\$ 6,000	\$ -0-	\$ 6,000	\$ 45,748

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

(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. 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 it is assessed, regardless of when it is collected or expended.



NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

(See Independent Accountants' Review Report)

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, 2021, therefore the balance of the Association's contract liabilities was \$-0- as of December 31, 2021. 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

(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 did not exceed the federally insured limits December 31, 2021 and 2020, 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, 2021 and 2020. The provision for state income taxes was \$-0- and \$388 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, approximately \$8,589 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.

GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

(See Independent Accountants' Review Report)

7. Replacement Fund Expenses

Replacement fund expenses for the years ending December 31, 2021 and 2020, are as follows:

	2021	2020
Pool landscape and irrigation	\$ 9,982	\$ -0-
Parking lot asphalt	-0-	130,225
Pool	-0-	6,111
Office equipment	4,594	-0-
	<u>\$ 14,576</u>	<u>\$ 136,336</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, 2021 and 2020, the operating fund owed the replacement fund \$15,973 and \$20,286, respectively.

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 was recorded as a gain on debt forgiveness in Exhibit B. The EIDL loan, was forgiven in February 2021, and is recorded as a gain on debt forgiveness in Exhibit B as of December 31, 2021.

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. Current Member Listing

Pursuant to Civil Code Section 5200 and 5205 members have the right to inspect and copy the association's membership list. A membership list is defined to include a member's name, property address, mailing address and email address. This list is maintained by association staff at 15726 Glenshire Dr, Truckee, CA 96161 and can be made available upon request.

12. Subsequent Events

Subsequent events have been evaluated by management through March 9, 2022, the date that the statements were available for issuance.

**REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS**

(See Independent Accountants' Review Report)

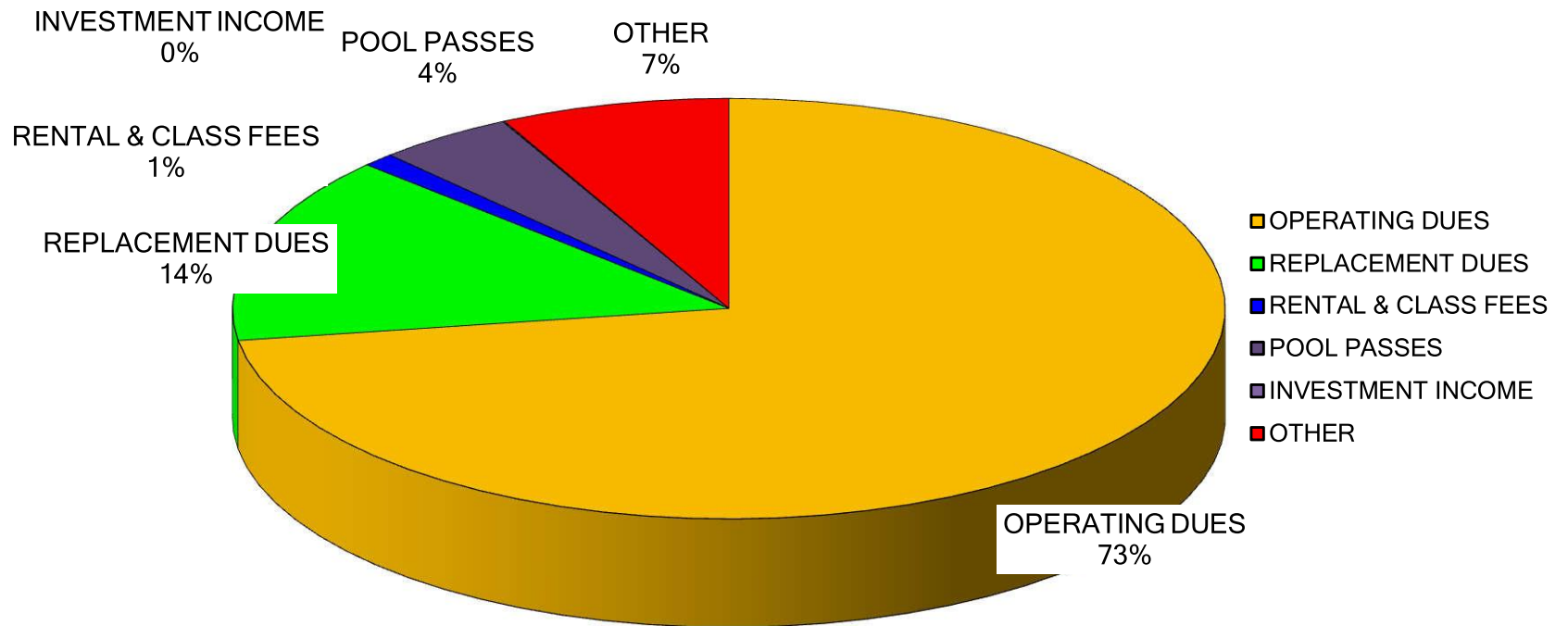
The Association obtained a study in 2021 to estimate the remaining useful lives, the lives after replacement and the replacement costs of the components of common property. The estimates were based on management's and contractors' estimates and historical costs. Estimate replacement costs have been adjusted 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 \$502,931 at December 31, 2021. The 2022 budget includes \$102,196 of dues to be allocated to the replacement fund.

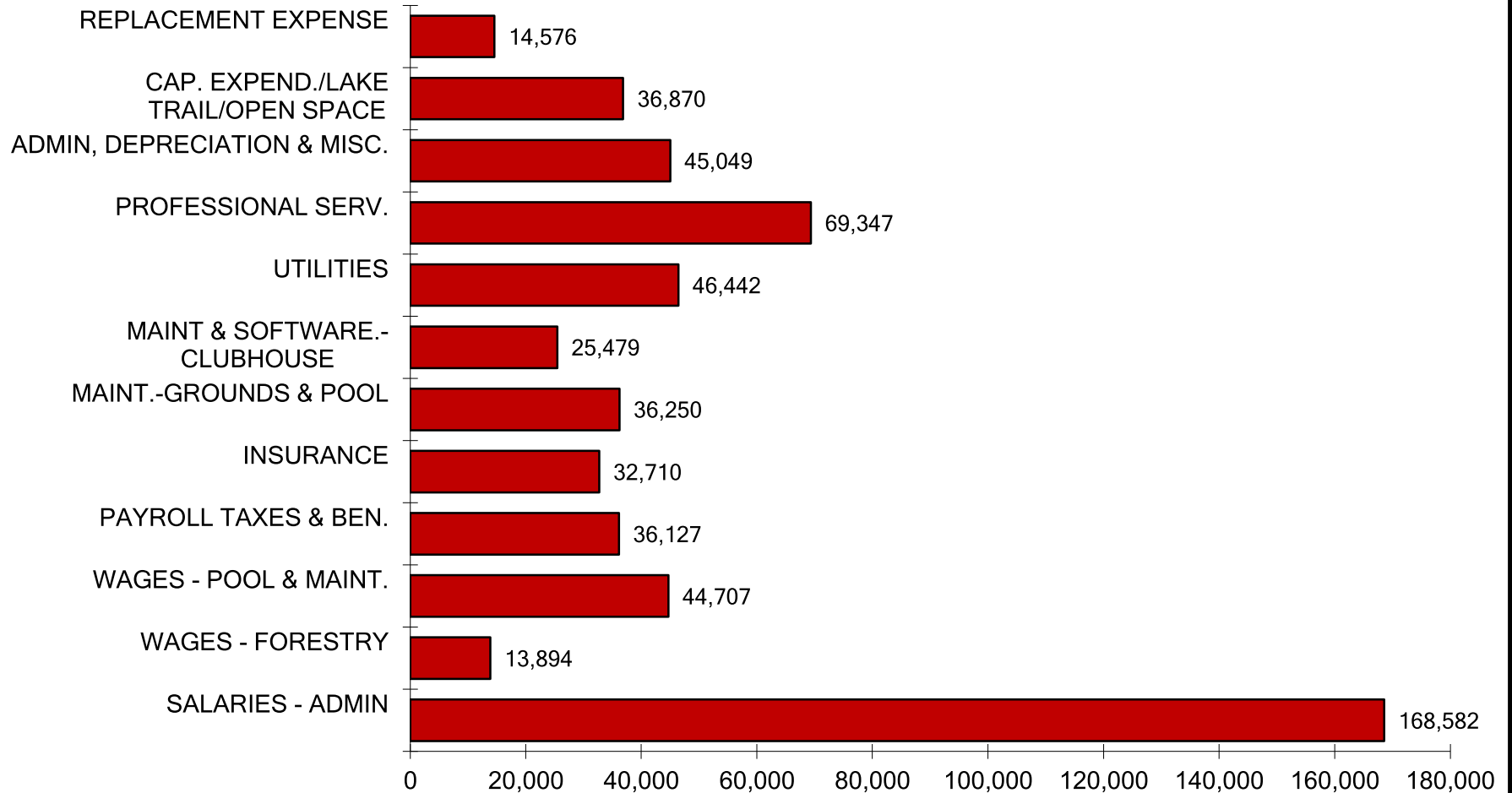
The following table is based on the study and presents significant information about the components of common property.

Component	Remaining Life (Years)	Life After Replacement (Years)	Current Replacement Cost
Paving	2-24	5-25	\$ 136,588
Concrete	1-25	20-30	109,662
Structural repairs	1-25	3-30	265,927
Decking/balconies	1-36	9-4	274,705
Roofing	4-20	10-40	86,885
Rehab	1-20	15-25	51,705
Pool	0-35	1-40	222,182
Tennis court	2-18	4-21	110,657
Basketball/sport court	5	15	1,700
Landscaping	5-18	15-20	45,102
Lakes/ponds	0	30	3,960
Fencing	1-27	18-30	85,962
Lighting	3-10	15	1,880
Signage	1-2	15	22,000
Office equipment	0-1	4-10	20,293
Mechanical equipment	1-2	10-15	17,199
Furnishings	2-15	5-20	17,734
Audio/visual	2	10	1,355
Flooring	2-15	12-22	45,288
Wallcoverings	20	25	1,552
Outdoor equipment	0-15	1-25	78,260
Appliances	2-8	10-12	8,891
Infrastructure	24	30	5,655
Miscellaneous	2-5	10-15	17,277
			<u>\$ 1,632,419</u>

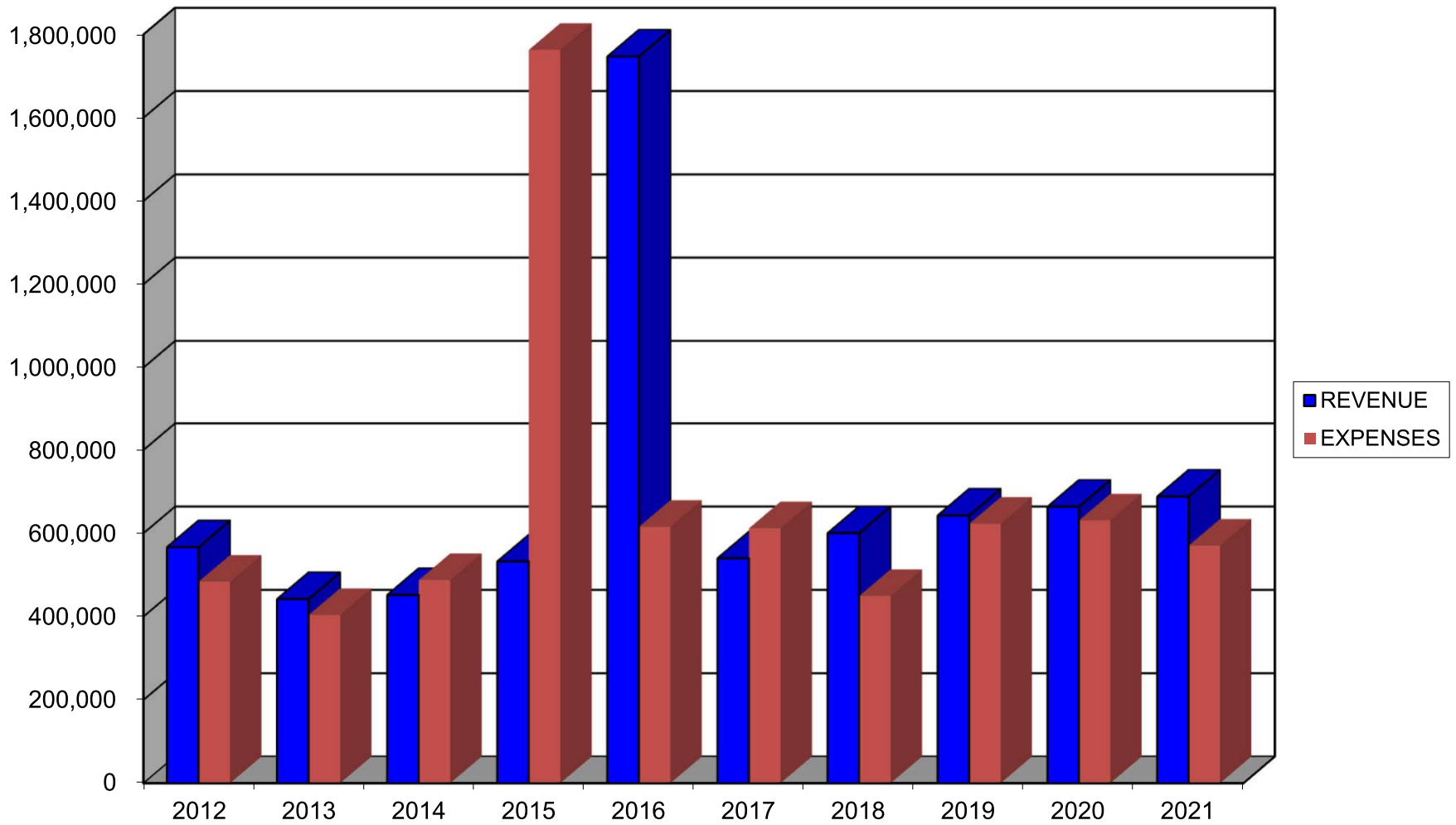
**GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION**  
**2021 TOTAL REVENUE \$688,045 (\$663,733 in prior year)**



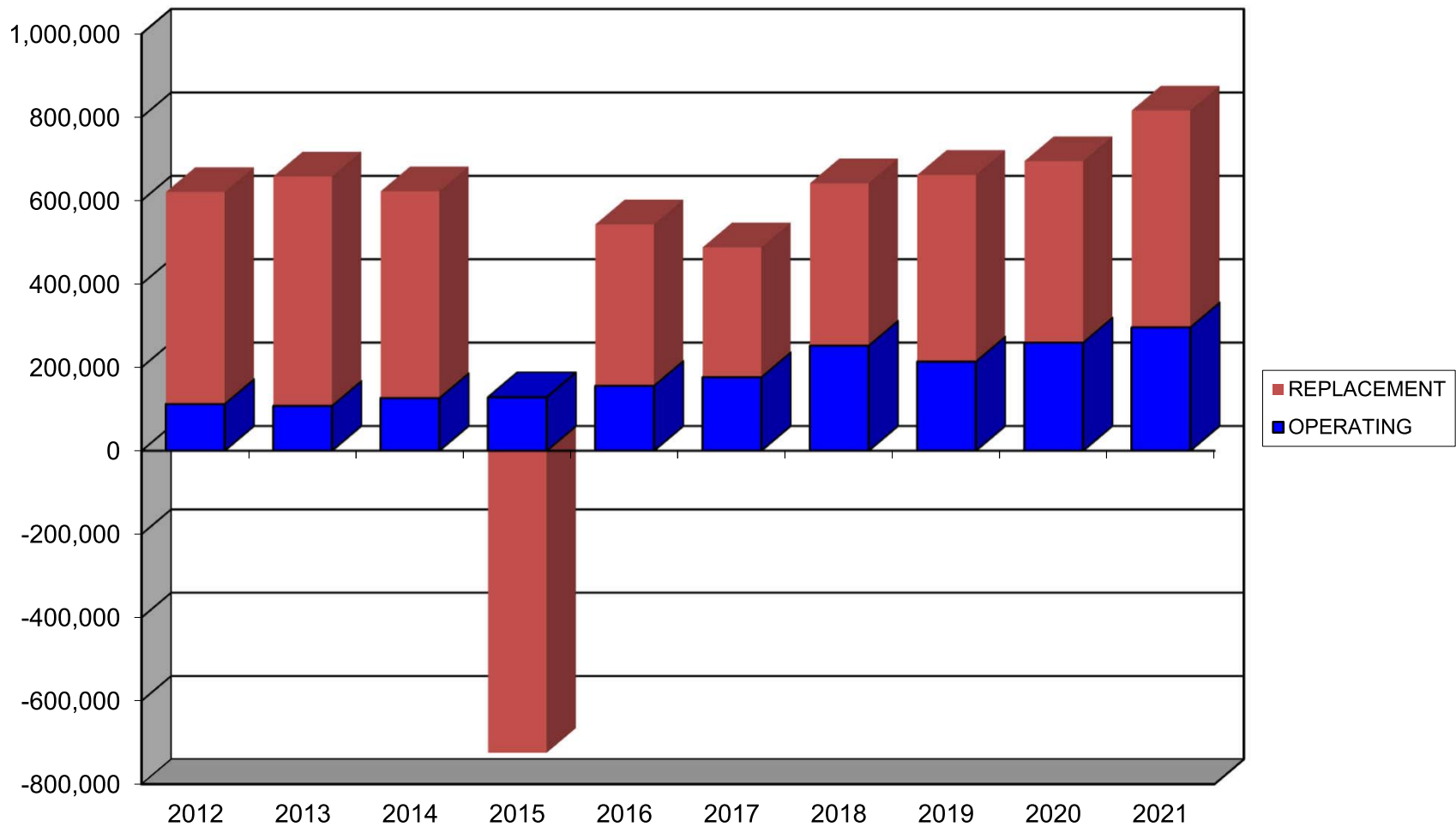
**GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION**  
**2021 EXPENSES \$570,033 (\$630,657 in prior year)**



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

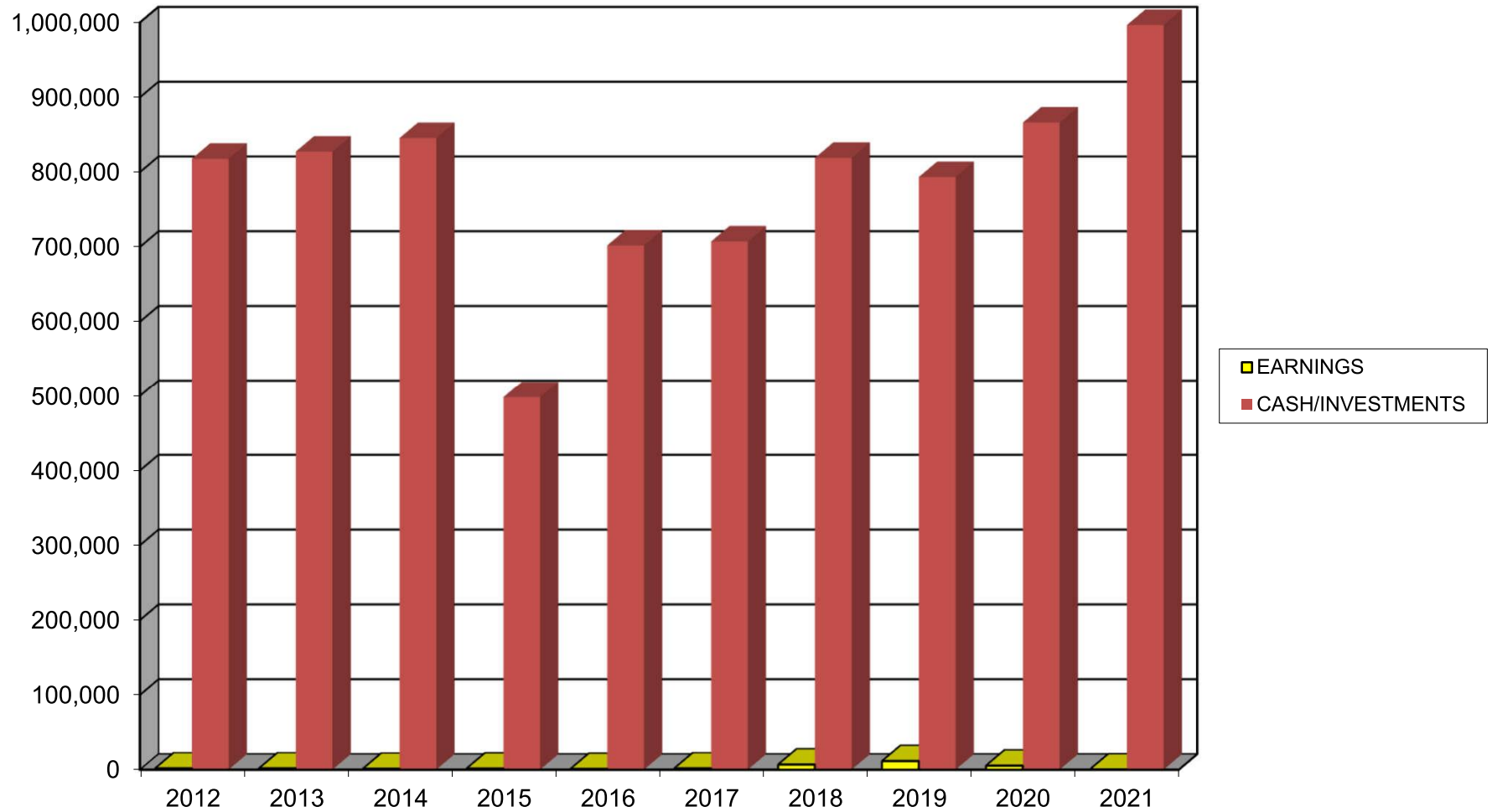


# GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION MEMBERS' EQUITY





# GLENSHIRE/DEVONSHIRE RESIDENTS ASSOCIATION EARNINGS AND CASH/INVESTMENTS



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

