

DOLLAR POINT ASSOCIATION, INC.

Tahoe City, California

FINANCIAL STATEMENTS

AND

INDEPENDENTS ACCOUNTANTS' REVIEW REPORT

December 31, 2020 and 2019

DOLLAR POINT ASSOCIATION, INC.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Dollar Point Association, Inc.

We have reviewed the accompanying financial statements of Dollar Point Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenue and expenses and changes in fund balances 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.

Supplementary Information

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The schedule of operating fund expenses is presented only for supplementary analysis purposes. This information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of the Association, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the operating fund expenses.

Summarized Comparative Information

We previously reviewed Dollar Point Association, Inc.'s 2019 financial statements and in our conclusion dated April 3, 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
July 6, 2021

DOLLAR POINT ASSOCIATION, INC.

Exhibit A

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

(See Independent Accountants' Review Report)

	2020			2019	
	Operating Fund	Replacement Fund	Capital Projects Fund	Total	Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 196,514	\$ 619,335	\$ 279,791	\$ 1,095,640	\$ 1,114,564
Investments	-	252,365	-	252,365	252,365
Accounts receivable	8,900	-	-	8,900	17,210
Prepaid expenses	14,042	-	-	14,042	7,608
Due (to) from other funds	(58,490)	60,256	(1,766)	-	-
Inventory	2,334	-	-	2,334	1,353
Total Current Assets	163,300	931,956	278,025	1,373,281	1,393,100
Property and equipment - net (Note 5)	707,618	-	-	707,618	737,186
Total Assets	<u>\$ 870,918</u>	<u>\$ 931,956</u>	<u>\$ 278,025</u>	<u>\$ 2,080,899</u>	<u>\$ 2,130,286</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities					
Accrued liabilities	\$ 9,325	\$ -	\$ -	\$ 9,325	\$ 2,522
Dues paid in advance	2,190	-	-	2,190	-
Total Current Liabilities	11,515	-	-	11,515	2,522
Fund Balances	859,403	931,956	278,025	2,069,384	2,127,764
Total Liabilities and Fund Balances	<u>\$ 870,918</u>	<u>\$ 931,956</u>	<u>\$ 278,025</u>	<u>\$ 2,080,899</u>	<u>\$ 2,130,286</u>

DOLLAR POINT ASSOCIATION, INC.

Exhibit B

STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2020 (with comparative totals for 2019)

(See Independent Accountants' Review Report)

	2020				2019
	Operating Fund	Replacement Fund	Capital Projects Fund	Total	Total
REVENUE					
Dues	\$ 376,678	\$ 133,301	\$ 12,600	\$ 522,579	\$ 522,340
Initiation fees	25,000	-0-	-0-	25,000	25,000
Transfer fees	62,700	-0-	-0-	62,700	36,800
Late fees	1,000	-0-	-0-	1,000	250
Buoy fees	113,578	-0-	-0-	113,578	78,341
Beach rack fees	32,080	-0-	-0-	32,080	17,600
Interest income	-0-	30	109	139	102
Short-term renter use fees	42,488	-0-	-0-	42,488	16,435
Other	4,885	-0-	-0-	4,885	1,463
Total Revenue	<u>658,409</u>	<u>133,331</u>	<u>12,709</u>	<u>804,449</u>	<u>698,331</u>
EXPENSES					
Payroll	302,740	-0-	-0-	302,740	278,130
Maintenance	122,491	-0-	-0-	122,491	104,483
Administration	199,040	-0-	-0-	199,040	136,388
Utilities	53,513	-0-	-0-	53,513	43,777
Insurance	63,123	-0-	-0-	63,123	25,011
Tennis pro	8,000	-0-	-0-	8,000	8,000
Security	1,793	-0-	-0-	1,793	2,166
Pier/beach	-0-	102	-0-	102	-0-
BMPs	-0-	19,900	-0-	19,900	-0-
Membership book/website	-0-	194	-0-	194	-0-
Common area replacements	-0-	6,564	-0-	6,564	11,735
Capital improvement projects	-0-	-0-	1,000	1,000	289
Total Expenses Before Depreciation	<u>750,700</u>	<u>26,760</u>	<u>1,000</u>	<u>778,460</u>	<u>609,979</u>
Revenue Over (Under) Expenses Before Depreciation	(92,291)	106,571	11,709	25,989	88,352
Depreciation	<u>84,369</u>	<u>-0-</u>	<u>-0-</u>	<u>84,369</u>	<u>89,077</u>
Revenue Over (Under) Expenses	(176,660)	106,571	11,709	(58,380)	(725)
Capitalized capital project expenses	25,300	-0-	(25,300)	-0-	-0-
Fund Balances, Beginning of Year	<u>1,010,763</u>	<u>825,385</u>	<u>291,616</u>	<u>2,127,764</u>	<u>2,128,489</u>
Fund Balances, End of Year	<u>\$ 859,403</u>	<u>\$ 931,956</u>	<u>\$ 278,025</u>	<u>\$ 2,069,384</u>	<u>\$ 2,127,764</u>

The accompanying notes are an integral part of these statements.

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DOLLAR POINT ASSOCIATION, INC.

Exhibit C

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	Capital Projects Fund	Total	Total
Cash Flows from Operating Activities:					
Revenue Over (Under) Expenses	\$ (176,660)	\$ 106,571	\$ 11,709	\$ (58,380)	\$ (725)
Adjustments to Reconcile Revenue Over (Under) Expenses to Net Cash Provided (Used) by Operating Activities:					
Capitalized replacement and capital project expenses	25,300	-0-	(25,300)	-0-	-0-
Depreciation	84,369	-0-	-0-	84,369	89,077
Change in accounts receivable	8,310	-0-	-0-	8,310	(12,770)
Change in prepaid expenses	(6,433)	-0-	-0-	(6,433)	(208)
Change in inventory	(981)	-0-	-0-	(981)	-0-
Change in due to (from) other funds	104,799	(106,542)	1,743	-0-	(2,365)
Change in accounts payable	6,803	-0-	-0-	6,803	971
Change in dues paid in advance	2,190	-0-	-0-	2,190	-0-
Net Cash Provided (Used) by Operating Activities	<u>47,697</u>	<u>29</u>	<u>(11,848)</u>	<u>35,878</u>	<u>73,980</u>
Cash Flows from Investing Activities:					
Purchase of property and equipment	(54,801)	-0-	-0-	(54,801)	(129,491)
Purchase of certificates of deposit	-0-	-0-	-0-	-0-	(252,365)
Maturity of certificates of deposit	-0-	-0-	-0-	-0-	254,734
Net Cash Used by Investing Activities	<u>(54,801)</u>	<u>-0-</u>	<u>-0-</u>	<u>(54,801)</u>	<u>(127,122)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,104)	29	(11,848)	(18,923)	(53,142)
Cash and Cash Equivalents, Beginning of Year	<u>203,619</u>	<u>619,306</u>	<u>291,639</u>	<u>1,114,564</u>	<u>1,167,706</u>
Cash and Cash Equivalents, End of Year	<u>\$ 196,515</u>	<u>\$ 619,335</u>	<u>\$ 279,791</u>	<u>\$ 1,095,641</u>	<u>\$ 1,114,564</u>

The accompanying notes are an integral part of these statements.

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DOLLAR POINT ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

(See Independent Accountants' Review Report)

1. Form and Nature of Organization

Dollar Point Association, Inc. (Dollar Point Subdivision Homeowners Association, Inc. prior to April, 2000) is an incorporated recreation association organized for the purpose of providing management, administration, maintenance, preservation, repair and operation of the recreational amenities, and certain grounds at Dollar Point in Tahoe City, California. The Association is supported by dues and initiation fees of its members. Membership in the Association is open to lot owners in the Dollar Point subdivision and is voluntary, but is required in order to use the recreational amenities.

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.

Capital Projects Fund - Used to account for financial resources designated for capital projects.

B. Real and personal property and related improvements to such property are reflected on the Association's financial statements at cost. Depreciation is computed using the straight-line and accelerated methods over the estimated useful lives of the assets.

C. Association members are subject to annual dues and an initiation fee to provide funds for the Association's operating expenses and future major repairs and replacements. Dues receivable at the balance sheet date represent fees due from members. The Association's policy includes, among other things, prohibiting the use of the recreational amenities until dues are paid in full.

D. 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

DOLLAR POINT ASSOCIATION, INC.

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(See Independent Accountants' Review Report)

identify a contract with a customer, among other things, and recognize revenue as the Association satisfies a performance obligation.

As described in Note 2. C., Association members are subject to annual dues that provide funds for the Association's operating expenses and major repairs and replacements and capital projects. 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 and capital project fund, is recognized in the period in which it is assessed, regardless of when it is collected or expended.

- E. Contract revenue consists of buoy fees, beach rack fees, and short-term renter use fees 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.

- F. The Association operates as a tax-exempt organization under section 501 (c) 7 of the Internal Revenue Code and a similar exemption for California purposes. Non-exempt income earned by the Association, such as investment income, is taxed net of related expenses for federal and state purposes at regular corporate income tax rates. The Association's three previous federal tax returns and four state tax returns are available for examination by the taxing authorities.
- G. It is the policy of the Association to include in the annual budget a provision for the cost of future replacement of recreation areas. The annual provision for future replacements is included in a designated investment account and is based on a forecast of replacement costs of each of the Association's recreation area components, giving effect to inflation forecasts. The Association is funding for such future major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously designated for future major repairs and replacements. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the

DOLLAR POINT ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

(See Independent Accountants' Review Report)

replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right, subject to member approval, to increase regular dues in future years. It may also delay major repairs and replacements until funds are available.

- H. For purposes of the Statements of Cash Flows, cash and cash equivalents are defined as amounts held in all checking and money market accounts.
- I. The carrying amounts of financial instruments, including cash, accounts receivable and accounts payable approximate their fair value due to the short-term maturities of these instruments.
- J. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- K. The Association maintains an operating fund, a replacement fund, and a capital projects fund. The replacement fund and capital projects fund allocations are collected by the operating fund and periodically transferred to the replacement fund and the capital projects fund. At various times during the year there is a receivable/payable (due to/from) among the funds. At December 31, 2020, the operating fund and the capital projects fund owed the replacement fund \$58,490 and \$1,766, respectively. At December 31, 2019, the replacement fund and the capital projects fund owed the operating fund \$46,286 and \$23, respectively.
- L. The certificates of deposits held are classified as held-to-maturity investments as the management has no intention to sell the investments before their maturity date. The investments are valued at their amortized costs basis, which approximates their fair value due to the short-term maturities of these investments.
- 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.

DOLLAR POINT ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

(See Independent Accountants' Review Report)

3. Service Contracts

Certain functions are contracted for with independent contractors on an annual basis, including the tennis pro, security and landscape maintenance. The tennis pro and security contracts are subject to renewal annually, while the terms of the landscape maintenance contract runs through the 2022 season.

4. Income Taxes

The federal and state provision for taxes on non-exempt income (principally short-term rental fees) for the year ended December 31, 2020 is \$944 and \$1,553, respectively, after utilizing available income tax credits described below. The income tax provision for the year ended December 31, 2019 was zero.

Certain projects undertaken in previous years were eligible for federal and state disabled access tax credits. The expenditures for these projects are subject to maximum annual limits. Additionally, the Association was eligible for and claimed a state new jobs credit in a previous year. As of December 31, 2020, and 2019, approximately \$-0- and \$5,000 of unused federal tax credits were available for use in future years to offset tax expense, respectively. Approximately \$-0- and \$1,000 of unused state tax credits were available to offset future year's tax expense as of December 31, 2020 and 2019, respectively.

5. Property and Equipment

Association property and equipment at December 31 consisted of the following:

	2020	2019
Land	\$ 135,000	\$ 135,000
Beach/boat/pier	186,762	175,826
Landscape improvements	278,803	278,803
Office equipment	22,842	12,476
Pool/pool house	865,172	856,973
Tennis	174,285	148,985
	<u>1,662,864</u>	<u>1,608,063</u>
Less: accumulated depreciation	<u>(955,246)</u>	<u>(870,877)</u>
	<u>\$ 707,618</u>	<u>\$ 737,186</u>

6. Concentration of Credit Risk

At December 31, 2020 and 2019, the Association's bank balances exceed the federally insured limits by approximately \$406,000 and \$413,500, respectively.

DOLLAR POINT ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

(See Independent Accountants' Review Report)

7. Commitments

The Association leases the area under its pier and buoy field from the California State Lands Commission under the terms of an operating lease that is renewable from time to time at terms offered by the State.

8. Members' Dues 2021

The Association's dues for 2021 are \$980 per membership.

9. Legal

A complaint was filed in November 2018 in Placer County Superior Court by owners whose land abuts Association land. The complaint alleges Plaintiffs are entitled to adverse possession of a piece of association property that runs along their property line, about 15 feet onto Association property (Lot 62). Plaintiffs claim they have been openly, notoriously and adversely possessing (watering and mowing) said grounds for greater than five years. Plaintiffs have alleged alternative claims of owning a prescriptive easement to said piece of land or are entitled to an equitable license to continue to maintain the piece of land. The Association denies all of Plaintiffs' claims and has retained counsel to defend the action and to obtain a court ruling quieting title to the land. The Association contends the use of its land by Plaintiffs has never been exclusive to Plaintiffs, has not been adverse, and that no equitable remedy is available to Plaintiffs. Plaintiffs have not alleged monetary damages. The case was tried and judgement was entered against the plaintiff on their complaint, and for the Association on its cross-complaint. The judgement entitles the Association to cost recovery of \$7,900, which is expected to be recognized in the year ending December 31, 2021.

10. Subsequent Events

Subsequent events have been evaluated by management through July 6, 2021, the date that the statements were available for issuance.

DOLLAR POINT ASSOCIATION, INC.

Schedule 1

SCHEDULES OF OPERATING EXPENSES
For the Years Ended December 31, 2020 and 2019

(See Independent Accountants' Review Report)

	<u>2020</u>	<u>2019</u>
Payroll		
Wages	\$ 269,624	\$ 243,347
Payroll tax expense	23,464	25,173
Worker's comp insurance	9,652	9,610
	<u>\$ 302,740</u>	<u>\$ 278,130</u>
Maintenance		
Maintenance contract labor	\$ 1,216	\$ 3,060
Maintenance supplies/dump fees	619	5,271
Association property	1,367	280
Tennis	1,316	1,467
Pier/beach/buoy	10,947	7,593
Boat storage	1,052	1,819
Buoy/boat permits/repairs	482	224
Landscaping	64,942	51,258
Pool	40,085	33,066
Fuel tank	466	445
	<u>\$ 122,491</u>	<u>\$ 104,483</u>
Administration		
Meetings	\$ 1,292	\$ 879
Homeowner activities	10,746	11,474
Telephone	4,637	4,927
Legal	133,558	60,686
Accounting	6,800	7,183
Professional fees	1,500	500
Income taxes	2,496	-0-
Postage/copies	9,149	5,559
Office supplies	16,351	22,000
Miscellaneous	5,811	14,889
Website	1,903	119
Property taxes	4,797	4,758
Office rent	-0-	3,414
	<u>\$ 199,040</u>	<u>\$ 136,388</u>
Utilities		
Waste disposal	\$ 16,561	\$ 7,380
Electricity	13,473	6,950
Natural gas	4,435	4,848
Water and sewer	19,044	24,599
	<u>\$ 53,513</u>	<u>\$ 43,777</u>