

CRYSTAL FALLS ASSOCIATION  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2014 AND 2013

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Craig W. Fleming  
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Crystal Falls Association  
Sonora, California

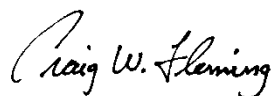
I have reviewed the accompanying statements of financial position of Crystal Falls Association (a nonprofit corporation) as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association 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, I do not express such an opinion.

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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

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

My review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information on future major repairs and replacements on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but has been compiled from information that is the representation of management. I have not audited or reviewed the supplementary information, and accordingly, I do not express an opinion or provide any form of assurance on it.



April 30, 2015

CRYSTAL FALLS ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2014 AND 2013

ASSETS

CURRENT ASSETS	2014	2013
Cash	\$ 15,622	\$ 17,131
Accounts receivable less \$0 and \$0 allowance for doubtful accounts	32,730	36,795
Prepaid insurance	6,651	9,849
Total Current Assets	55,003	63,775
 PROPERTY AND EQUIPMENT at cost, less accumulated depreciation	 520,251	 508,779
Total Assets	<u>\$ 575,254</u>	<u>\$ 572,554</u>

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 7,759	\$ 8,533
Payroll taxes payable	937	860
Prepaid dues	5,160	6,056
Income tax payable	10	10
Credit card payable	365	775
Current portion of long-term debt	4,172	4,172
Total Current Liabilities	18,403	20,406
LONG-TERM LIABILITIES		
Note payable less current portion	9,041	13,213
Total Liabilities	27,444	33,619
MEMBERS' EQUITY		
Members' equity	27,559	30,156
Investment in fixed assets	520,251	508,779
Total Members' Equity	547,810	538,935
Total Liabilities and Members' Equity	<u>\$ 575,254</u>	<u>\$ 572,554</u>

See accompanying notes and independent accountant's review report

CRYSTAL FALLS ASSOCIATION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

REVENUE	2014	2013
Dues	\$ 239,154	\$ 239,844
Horse boarding	250	1,762
Finance charges	2,707	3,295
Hall rental	1,725	1,375
Transfer fees	9,300	10,875
Lien fees	415	1,785
Miscellaneous	938	967
Gain (loss) on sale of assets	168	(1,000)
Interest	14	-
Total Revenue	254,671	258,903
EXPENSES		
Wages and payroll taxes	95,886	96,510
Workers' compensation insurance	4,910	8,100
Advertising	256	151
Auto and tractor	3,213	2,426
Bad debt	5,139	3,517
Barbecue and dance	3,852	5,665
Depreciation	35,134	29,878
Disposal	1,368	1,328
Dues and subscriptions	390	255
Gas, electricity and sewer	9,759	9,529
Horses	10,830	8,518
Income tax	10	10
Insurance	23,148	18,465
Lien charges	1,884	700
License and permits	1,440	100
Maintenance and repairs	21,517	18,440
Miscellaneous	1,987	872
Office	9,532	13,383
Outside services	1,100	8,025
Professional services	6,662	10,217
Supplies	1,166	282
Telephone	3,639	3,636
Water	2,974	3,414
Total Expenses	245,796	243,421
CHANGE IN NET EQUITY increase (decrease)	8,875	15,482
NET EQUITY AT BEGINNING OF PERIOD	538,935	523,453
NET EQUITY AT END OF PERIOD	\$ 547,810	\$ 538,935

See accompanying notes and independent accountant's review report

CRYSTAL FALLS ASSOCIATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

CASH FLOWS FROM OPERATING ACTIVITIES	2014	2013
Change in net equity increase(decrease)	\$ 8,875	\$ 15,482
Adjustments to reconcile change in net equity provided by operating activities:		
Depreciation	35,134	29,878
(Gain) Loss on sale of assets	(168)	1,000
(Increase) Decrease in accounts receivable	4,065	(1,445)
(Increase) Decrease in prepaid insurance	3,198	1,443
Increase (Decrease) in payroll tax payable	77	(550)
Increase (Decrease) in accounts payable	( 774)	(3,121)
Increase (Decrease) in prepaid dues	(896)	608
Increase (Decrease) in credit card payable	(410)	731
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>49,101</u>	<u>44,026</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(47,138)	(93,938)
Proceeds from sale of assets	700	100
Foreclosed property	-	10,951
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(46,438)</u>	<u>(82,887)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Equipment loan	(4,172)	17,385
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(4,172)</u>	<u>17,385</u>
 NET INCREASE (DECREASE) IN CASH	(1,509)	(21,476)
 CASH BALANCE, BEGINNING OF YEAR	<u>17,131</u>	<u>38,607</u>
 CASH BALANCE, END OF YEAR	<u>\$ 15,622</u>	<u>\$ 17,131</u>

See accompanying notes and independent accountant's review report

CRYSTAL FALLS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING ENTITY

Crystal Falls Association, a nonprofit corporation, is organized pursuant to the general nonprofit corporation law of the State of California. The Association, located in Tuolumne County, is a social and recreation club with 786 members that operates and maintains facilities which include a club house, lake, tennis courts, barn and horses on approximately 11 acres for the benefit of homeowners.

B. ACCOUNTING METHOD

Crystal Falls Association prepares its financial statements using the accrual method of accounting.

C. PROPERTY, EQUIPMENT AND DEPRECIATION

The Association capitalizes all property and equipment to which it has title or other evidence of ownership. The property and equipment are recorded at cost and depreciated over the estimated useful life of the assets using the straight-line method.

D. USE OF ESTIMATES

The preparation of financial statements in conformity 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.

E. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are periodically analyzed and if determined to be uncollectible are charged off to bad debt expense.

F. CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

G. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. Advertising expense for the years ended December 31, 2014 and 2013 was \$256 and \$151, respectively.

NOTE 2 - PROPERTY AND EQUIPMENT

The property and equipment consists of the following:

	2014	2013
Land	\$ 102,841	\$ 102,841
Buildings and Tennis Court	371,593	349,230
Improvements	296,823	293,769
Equipment	173,846	152,125
Truck	4,336	4,336
Horses	2,200	3,100
Total Cost	951,639	905,401
Accumulated Depreciation	(431,388)	(396,622)
Net Book Value	\$ 520,251	\$ 508,779

CRYSTAL FALLS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 3 – NOTES PAYABLE

Long-term notes:	<u>2014</u>	<u>2013</u>
Kubota Credit Corporation, U.S.A., 0.00%, payable \$348 per month principal, due 02/25/18, secured by equipment.	\$ 13,213	\$ 17,385
Less: current portion	<u>(4,172)</u>	<u>(4,172)</u>
Long-term portion	<u>\$ 9,041</u>	<u>\$ 13,213</u>

The following is a summary of principal maturities of long-term debt during the next 5 years.

2015	4,172
2016	4,172
2017	4,172
2018	697
2019	<u>-0-</u>
	<u>13,213</u>

NOTE 4 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for income taxes during the year was:

	<u>2014</u>	<u>2013</u>
Income taxes	<u>\$ 10</u>	<u>\$ 10</u>
Interest	<u>\$ -0-</u>	<u>\$ -0-</u>

NOTE 5 – INCOME TAXES

The Association is recognized as a tax-exempt Social Club under Internal Revenue Code 501(c)(7) and California R&T 23701(g) and as such is subject to restrictions on its activities and operations by specific laws, regulations, and rulings. It can be taxed on its non-exempt activities "Unrelated Business Income" e.g. investment income and nonmember revenue.

The 2011 through 2014 tax years remain subject to examination by the IRS. In addition, the 2010 through 2014 tax years remain subject to examination by the State of California. The Company does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

NOTE 6 – MEMBERSHIP DUES

The Association members' dues in 2014 and 2013 were \$69 per quarter totaling \$276 for the year. There are 867 assessable lots.

CRYSTAL FALLS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 7 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Board of Directors had a study conducted in 2012 to estimate the remaining useful lives and replacement costs of the components of member property. Funds are being accumulated based on estimated cash requirements. The accumulated funds along with regular assessments are being used to fund the major improvements, replacements and repairs. In 2014 \$68,655 was incurred for such costs (\$47,138 in additions to property and equipment and \$21,517 in repairs and maintenance expenses) compared to the study's estimated amount of \$28,152. In 2013, improvements, replacements and repairs totaled \$112,378.

Funds in the long-term maintenance account are \$7,362. Actual expenditures and income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the long-term maintenance account may not be adequate to meet all future needs. If additional funds are needed, the Association may increase regular assessments, pass special assessments, or delay expenditures until funds are available.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 30, 2015, the date on which the financial statements were available to be issued.

NOTE 9 – PAYROLL AND PAYROLL TAXES

A portion of additional payroll in 2014 and 2013 was attributed to major improvements to Association property and therefore was capitalized rather than expensed. For comparative purposes of the 2014 and 2013 year payroll expense the following shows the total payroll and the amounts capitalized versus expensed.

	2014	2013
Total wages & payroll taxes	\$ 115,995	\$ 106,952
Amount capitalized	<u>(20,109)</u>	<u>(10,442)</u>
Wages & payroll tax expense	<u>\$ 95,886</u>	<u>\$ 96,510</u>



## SUPPLEMENTARY INFORMATION

CRYSTAL FALLS ASSOCIATION  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS  
AND REPLACEMENTS (COMPILED)  
DECEMBER 31, 2014 AND 2013

The Association's board of directors had a study conducted in 2012 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed contractors who inspected the property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. They do take into account the effects of inflation at 2.5% between the date of the study and the date that the components will require repair or replacement.

The following is summarized information based on the study and presents significant information about the components of common property. (Amounts are rounded to the nearest thousand dollars).

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost
Buildings, roofing and decks	0 to 17	\$ 196,000
Paving, lake, tennis courts, gates and fences	0 to 24	187,000
Equipment, furnishings and horses	0 to 19	<u>80,000</u>
Totals		<u>\$ 463,000</u>

See independent accountant's review report