

CRYSTAL FALLS ASSOCIATION
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015 AND 2014

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Craig W. Fleming
Certified Public Accountant

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Crystal Falls Association
Sonora, California

I have reviewed the accompanying financial statements of Crystal Falls Association (a nonprofit organization) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years 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, I do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

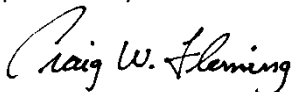
My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

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 accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements of common property on page 9 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. This information is the representation of management. I have performed a compilation engagement of the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, conclusion, nor provide any assurance on such information.



Sonora, CA

April 29, 2016

CRYSTAL FALLS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash	\$ 13,387	\$ 15,622
Accounts receivable less \$0 and \$0 allowance for doubtful accounts	33,354	32,730
Prepaid insurance	8,968	6,651
Total Current Assets	55,709	55,003
 PROPERTY AND EQUIPMENT at cost, less accumulated depreciation		
	551,933	520,251
Total Assets	\$ 607,642	\$ 575,254

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 738	\$ 7,759
Payroll taxes payable	2,294	937
Prepaid dues	5,335	5,160
Income tax payable	10	10
Credit card payable	-	365
Current portion of long-term debt	4,172	4,172
Total Current Liabilities	12,549	18,403
 LONG-TERM LIABILITIES		
Deposits	630	-
Note payable less current portion	4,868	9,041
Total Liabilities	5,498	27,444
 MEMBERS' EQUITY		
Members' equity	37,662	27,559
Investment in fixed assets	551,933	520,251
Total Members' Equity	589,595	547,810
Total Liabilities and Members' Equity	\$ 607,642	\$ 575,254

See accompanying notes and independent accountant's review report

CRYSTAL FALLS ASSOCIATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

REVENUE	2015	2014
Dues	\$ 260,094	\$ 239,154
Horse boarding	10,073	250
Finance charges	2,049	2,707
Hall rental	1,525	1,725
Transfer fees	9,000	9,300
Lien fees	555	415
Fundraiser receipts	7,007	-
Miscellaneous	7,391	938
Gain (loss) on sale of assets	-	168
Interest	10	14
Total Revenue	297,704	254,671
EXPENSES		
Wages and payroll taxes	105,678	95,886
Workers' compensation insurance	5,899	4,910
Advertising	21	256
Auto and tractor	4,032	3,213
Bad debt	75	5,139
Barbecue and dance	3,680	3,852
Depreciation	37,788	35,134
Disposal	1,594	1,368
Dues and subscriptions	330	390
Fundraiser costs	4,407	-
Gas, electricity and sewer	10,775	9,759
Horses	11,812	10,830
Income tax	10	10
Insurance	16,416	23,148
Interest	114	72
Lien charges	540	1,884
License and permits	1,423	1,440
Maintenance and repairs	22,911	21,517
Miscellaneous	2,024	1,915
Office	8,453	9,532
Outside services	1,530	1,100
Professional services	7,643	6,662
Supplies	2,008	1,166
Telephone	3,496	3,639
Water	3,260	2,974
Total Expenses	255,919	245,796
CHANGE IN NET EQUITY increase (decrease)	41,785	8,875
NET EQUITY AT BEGINNING OF PERIOD	547,810	538,935
NET EQUITY AT END OF PERIOD	\$ 589,595	\$ 547,810

See accompanying notes and independent accountant's review report

CRYSTAL FALLS ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

CASH FLOWS FROM OPERATING ACTIVITIES	2015	2014
Change in net equity increase(decrease)	\$ 41,785	\$ 8,875
Adjustments to reconcile change in net equity provided by operating activities:		
Depreciation	37,788	35,134
(Gain) Loss on sale of assets	-	(168)
(Increase) Decrease in accounts receivable	(624)	4,065
(Increase) Decrease in prepaid insurance	(2,317)	3,198
Increase (Decrease) in payroll tax payable	1,357	77
Increase (Decrease) in accounts payable	(7,021)	(774)
Increase (Decrease) in prepaid dues	175	(896)
Increase (Decrease) in credit card payable	(365)	(410)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	70,778	49,101
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(69,470)	(47,138)
Proceeds from sale of assets	-	700
Deposit proceeds	630	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(68,840)	(46,438)
CASH FLOWS FROM FINANCING ACTIVITIES		
Equipment loan	(4,173)	(4,172)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(4,173)	(4,172)
NET INCREASE (DECREASE) IN CASH	(2,235)	(1,509)
CASH BALANCE, BEGINNING OF YEAR	15,622	17,131
CASH BALANCE, END OF YEAR	\$ 13,387	\$ 15,622

See accompanying notes and independent accountant's review report

CRYSTAL FALLS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 with a cost over \$500 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, 2015 and 2014 was \$21 and \$256, respectively.

NOTE 2 - PROPERTY AND EQUIPMENT

The property and equipment consists of the following:

	2015	2014
Land	\$ 102,841	\$ 102,841
Buildings and Tennis Court	393,873	371,593
Improvements	329,730	296,823
Equipment	187,479	173,846
Truck	4,336	4,336
Horses	2,850	2,200
Total Cost	1,021,109	951,639
Accumulated Depreciation	(469,176)	(431,388)
Net Book Value	\$ 551,933	\$ 520,251

CRYSTAL FALLS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 3 – NOTES PAYABLE

Long-term notes:	<u>2015</u>	<u>2014</u>
Kubota Credit Corporation, U.S.A., 0.00%, payable \$348 per month principal, due 02/25/18, secured by equipment.	\$ 9,040	\$ 13,213
Less: current portion	<u>(4,172)</u>	<u>(4,172)</u>
Long-term portion	<u>\$ 4,868</u>	<u>\$ 9,041</u>

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

2016	4,172
2017	4,172
2018	696
2019	-0-
2020	<u>-0-</u>
	<u>9,040</u>

NOTE 4 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for income taxes and interest during the year was:

	<u>2015</u>	<u>2014</u>
Income taxes	<u>\$ 10</u>	<u>\$ 10</u>
Interest	<u>\$ 114</u>	<u>\$ 72</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 2012 through 2015 tax years remain subject to examination by the IRS. In addition, the 2011 through 2015 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 2015 were \$75 per quarter totaling \$300 for the year. In 2014 they were \$69 per quarter totaling \$276 for the year. There are 867 assessable lots.

CRYSTAL FALLS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

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 2015 \$92,381 was incurred for such costs (\$69,470 in additions to property and equipment and \$22,911 in repairs and maintenance expenses) compared to the study's estimated amount of \$29,854. In 2014, improvements, replacements and repairs totaled \$68,655.

Funds in the long-term maintenance account are \$5,316. 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 29, 2016, the date on which the financial statements were available to be issued.

NOTE 9 – PAYROLL AND PAYROLL TAXES

A portion of additional payroll in 2015 and 2014 was attributed to major improvements to Association property and therefore was capitalized rather than expensed. For comparative purposes of the 2015 and 2014 year payroll expense the following shows the total payroll and the amounts capitalized versus expensed.

	<u>2015</u>	<u>2014</u>
Total wages & payroll taxes	\$ 120,994	\$ 115,995
Amount capitalized	<u>(15,316)</u>	<u>(20,109)</u>
Wages & payroll tax expense	<u>\$ 105,678</u>	<u>\$ 95,886</u>

SUPPLEMENTARY INFORMATION

CRYSTAL FALLS ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
 AND REPLACEMENTS (COMPILED)
 DECEMBER 31, 2015 AND 2014

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