

CRYSTAL FALLS ASSOCIATION
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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

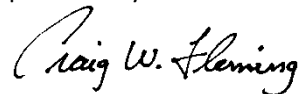
My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting 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 28, 2017

CRYSTAL FALLS ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

CURRENT ASSETS	2016	2015
Cash	\$ 18,931	\$ 13,387
Accounts receivable less \$0 and \$0 allowance for doubtful accounts	32,381	33,354
Prepaid insurance	7,103	8,968
Total Current Assets	58,415	55,709
 PROPERTY AND EQUIPMENT at cost, less accumulated depreciation	 548,991	 551,933
 Total Assets	 \$ 607,406	 \$ 607,642

LIABILITIES AND MEMBERS' EQUITY

 CURRENT LIABILITIES		
Accounts payable	\$ 2,457	\$ 738
Payroll taxes payable	2,915	2,294
Prepaid dues	6,503	5,335
Income tax payable	10	10
Current portion of long-term debt	4,172	4,172
Total Current Liabilities	16,057	12,549
 LONG-TERM LIABILITIES		
Deposits	315	630
Note payable less current portion	696	4,868
Total Liabilities	1,011	5,498
 MEMBERS' EQUITY		
Members' equity	41,347	37,662
Investment in fixed assets	548,991	551,933
Total Members' Equity	590,338	589,595
 Total Liabilities and Members' Equity	 \$ 607,406	 \$ 607,642

See accompanying notes and independent accountant's review report

CRYSTAL FALLS ASSOCIATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

REVENUE	2016	2015
Dues	\$ 260,025	\$ 260,094
Horse boarding	12,366	10,073
Finance charges	2,216	2,049
Hall rental	2,900	1,525
Transfer fees	9,300	9,000
Lien fees	800	555
Fundraiser receipts	-	7,007
Miscellaneous	1,239	7,391
Gain (loss) on sale of assets	(390)	-
Interest	13	10
Total Revenue	288,469	297,704
EXPENSES		
Wages and payroll taxes	116,191	105,678
Workers' compensation insurance	15,076	5,899
Advertising	503	21
Auto and tractor	3,926	4,032
Bad debt	4,048	75
Barbecue and dance	2,769	3,680
Depreciation	35,176	37,788
Disposal	2,029	1,594
Dues and subscriptions	330	330
Fundraiser costs	-	4,407
Gas, electricity and sewer	11,598	10,775
Horses	5,245	11,812
Income tax	10	10
Insurance	20,039	16,416
Interest	6	114
Lien charges	648	540
License and permits	-	1,423
Maintenance and repairs	22,517	22,911
Miscellaneous	1,972	2,024
Office	10,726	8,453
Outside services	1,493	1,530
Professional services	24,945	7,643
Supplies	952	2,008
Telephone	4,111	3,496
Water	3,416	3,260
Total Expenses	287,726	255,919
CHANGE IN NET EQUITY increase (decrease)	743	41,785
NET EQUITY AT BEGINNING OF PERIOD	589,595	547,810
NET EQUITY AT END OF PERIOD	\$ 590,338	\$ 589,595

See accompanying notes and independent accountant's review report

CRYSTAL FALLS ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

CASH FLOWS FROM OPERATING ACTIVITIES	2016	2015
Change in net equity increase(decrease)	\$ 743	\$ 41,785
Adjustments to reconcile change in net equity provided by operating activities:		
Depreciation	35,176	37,788
(Gain) Loss on sale of assets	390	-
(Increase) Decrease in accounts receivable	973	(624)
(Increase) Decrease in prepaid insurance	1,865	(2,317)
Increase (Decrease) in payroll tax payable	621	1,357
Increase (Decrease) in accounts payable	1,719	(7,021)
Increase (Decrease) in prepaid dues	1,168	175
Increase (Decrease) in credit card payable	-	(365)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	42,655	70,778
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(32,824)	(69,470)
Proceeds from sale of assets	200	-
Deposit proceeds	(315)	630
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(32,939)	(68,840)
CASH FLOWS FROM FINANCING ACTIVITIES		
Equipment loan	(4,172)	(4,173)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(4,172)	(4,173)
NET INCREASE (DECREASE) IN CASH	5,544	(2,235)
CASH BALANCE, BEGINNING OF YEAR	13,387	15,622
CASH BALANCE, END OF YEAR	\$ 18,931	\$ 13,387

See accompanying notes and independent accountant's review report

CRYSTAL FALLS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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, 2016 and 2015 was \$503 and \$21, respectively.

NOTE 2 - PROPERTY AND EQUIPMENT

The property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 102,841	\$ 102,841
Buildings and Tennis Court	421,814	393,873
Improvements	330,619	329,730
Equipment	191,473	187,479
Truck	4,336	4,336
Horses	2,200	2,850
Total Cost	<u>1,053,283</u>	<u>1,021,109</u>
Accumulated Depreciation	<u>(504,292)</u>	<u>(469,176)</u>
Net Book Value	<u>\$ 548,991</u>	<u>\$ 551,933</u>

CRYSTAL FALLS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 – NOTES PAYABLE

Long-term notes:	2016	2015
Kubota Credit Corporation, U.S.A., 0.00%, payable \$348 per month principal, due 02/25/18, secured by equipment.	\$ 4,868	\$ 9,040
Less: current portion	(4,172)	(4,172)
Long-term portion	\$ 696	\$ 4,868

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

2017	4,172
2018	696
2019	-0-
2020	-0-
2021	-0-
	4,868

NOTE 4 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

	2016	2015
Income taxes	\$ 10	\$ 10
Interest	\$ 6	\$ 114

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 2013 through 2016 tax years remain subject to examination by the IRS. In addition, the 2012 through 2016 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 2016 and 2015 were \$75 per quarter totaling \$300 for the year. There are 867 assessable lots.

CRYSTAL FALLS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Board of Directors had a study conducted in 2016 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 2016 \$55,341 was incurred for such costs (\$32,824 in additions to property and equipment and \$22,517 in repairs and maintenance expenses) compared to the study's estimated amount of \$31,750. In 2015, improvements, replacements and repairs totaled \$92,381.

Funds in the long-term maintenance account are \$9,274. 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 28, 2017, the date on which the financial statements were available to be issued.

NOTE 9 – PAYROLL AND PAYROLL TAXES

A portion of additional payroll in 2016 and 2015 was attributed to major improvements to Association property and therefore was capitalized rather than expensed. For comparative purposes of the 2016 and 2015 year payroll expense the following shows the total payroll and the amounts capitalized versus expensed.

	<u>2016</u>	<u>2015</u>
Total wages & payroll taxes	\$ 122,225	\$ 120,994
Amount capitalized	<u>(6,034)</u>	<u>(15,316)</u>
Wages & payroll tax expense	<u>\$ 116,191</u>	<u>\$ 105,678</u>

SUPPLEMENTARY INFORMATION

CRYSTAL FALLS ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
 AND REPLACEMENTS (COMPILED)
 DECEMBER 31, 2016 AND 2015

The Association’s board of directors had a study conducted in 2016 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	\$ 250,500
Paving, lake, tennis courts, gates and fences	0 to 24	262,400
Equipment, furnishings and horses	0 to 19	<u>105,400</u>
Totals		<u>\$ 618,300</u>

See independent accountant’s review report