

**TRI PALM UNIFIED OWNERS ASSOCIATION
REVIEWED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

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BECK and COMPANY, CPA'S, INC.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members
TRI PALM UNIFIED OWNERS ASSOCIATION

We have reviewed the accompanying financial statements of TRI PALM UNIFIED OWNERS ASSOCIATION which comprise the balance sheet as of DECEMBER 31, 2018, and the related statements of revenues, 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 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, we 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

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.

Accountant's Conclusion on the Financial Statements

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

Beck and Company, CPA's, Inc.

Charles Beck, CPA

April 11, 2019

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**TRI PALM UNIFIED OWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2018**

	2018		
	Operating Fund	Savings Funds	Total Funds
<u>ASSETS:</u>			
Cash	\$ 110,676	\$ 150,178	\$ 260,854
Assessments Receivable	242,978		242,978
Allowance for Doubtful Accounts	(221,061)		(221,061)
Note Receivable	15,470		15,470
Prepaid Insurance	21,254		21,254
Prepaid Income Taxes	429		429
Fixed Assets	65,859		65,859
Accumulated Depreciation	(14,424)		(14,424)
Land	9,900		9,900
TOTAL ASSETS	\$ 231,081	\$ 150,178	\$ 381,259
<u>LIABILITIES:</u>			
Prepaid Assessments	\$ 77,364	\$ -	\$ 77,364
Prepaid Advertising	2,955		2,955
Assessment Assistance Program	2,595		2,595
Payroll Liabilities	1,543		1,543
Income Taxes Payable	49		49
TOTAL LIABILITIES	84,506	-	84,506
FUND BALANCES	146,575	150,178	296,753
TOTAL LIABILITIES AND FUND BALANCES	\$ 231,081	\$ 150,178	\$ 381,259

TRI PALM UNIFIED OWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2018

	2018		
	Operating Fund	Replacement Fund	Total Funds
REVENUES			
Assessments	\$ 154,719	\$ -	\$ 154,719
Returned Check Charges	60		60
Happenings - Advertising Sales	10,155		10,155
Late Fees Assessed	5,497		5,497
Fines	51,348		51,348
Interest Income	1,443		1,443
Other Income	30,228		30,228
Transfer Fee	51,617		51,617
TOTAL REVENUES	305,067	-	305,067
EXPENSES			
Accounting & Bookkeeping	2,350		2,350
Bad Debt	117,302		117,302
Club Maint. Fees	3,123		3,123
Collections Expense	582		582
Depreciation Expense	3,959		3,959
Happenings Expenses	7,598		7,598
Independent Contractors	32,854		32,854
Insurance, Business	33,544		33,544
Office	21,652		21,652
Payroll	93,818		93,818
Postage and Delivery	6,529		6,529
Publicity & Public Relations	249		249
Repairs & Maintenance	224		224
Taxes	960		960
Tax, Property	1,473		1,473
Utilities	5,021		5,021
Website	1,602		1,602
TOTAL EXPENSES	332,839	-	332,839
Excess of Revenues over Expenses or (Expenses over Revenue)	(27,772)	-	(27,772)
Beginning Fund Balances	204,608	119,917	324,525
Net Interfund Transfers	(30,261)	30,261	-
ENDING FUND BALANCES	<u>\$ 146,575</u>	<u>\$ 150,178</u>	<u>\$ 296,753</u>

See accompanying notes to financial statements

**TRI PALM UNIFIED OWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

	2018		
	Operating Fund	Replacement Fund	Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ (27,772)	\$ -	\$ (27,772)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:			
Depreciation	3,959		3,959
Allowance for Doubtful Accounts	96,731		96,731
(Increase) decrease in:			
Assessments Receivable	(19,747)		(19,747)
Prepaid Insurance	(6,334)		(6,334)
Prepaid Taxes	648		648
Increase (decrease) in:			
Accounts Payable	(3,058)		(3,058)
Assessments Assistance Program	(125)		(125)
Prepaid Assessments	1,697		1,697
Prepaid Advertising	(1,075)		(1,075)
Payroll Liabilities	(495)		(495)
Income Taxes Payable	49		49
	<u>44,476</u>	<u>-</u>	<u>44,476</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	44,476	-	44,476
CASH FLOWS FROM FINANCING ACTIVITIES			
Note Receivable	7,749		7,749
Interfund transfers	(30,261)	30,261	-
Sub Total	<u>21,965</u>	<u>30,261</u>	<u>52,226</u>
	<u>21,965</u>	<u>30,261</u>	<u>52,225</u>
NET INCREASE (DECREASE) IN CASH	21,965	30,261	52,225
CASH AT BEGINNING OF YEAR	<u>88,711</u>	<u>119,917</u>	<u>208,629</u>
CASH AT END OF YEAR	<u>\$ 110,676</u>	<u>\$ 150,178</u>	<u>\$ 260,854</u>
SUPPLEMENTAL DISCLOSURE			
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TRI PALM UNIFIED OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 – ORGANIZATION

TRI PALM UNIFIED OWNERS ASSOCIATION was incorporated on May 19, 1989 as a nonprofit mutual benefit corporation in the State of California. Its primary purpose is to Monitor the activities of the owner of the recreation facilities in the area known as TRI-PALM SUBDIVISION, located in the County of Riverside, State of California, and (2) To represent the members of this Corporation in grievances with said owner or person or its successors, and (3) To take whatever action is necessary to enforce the Master Declaration of Restrictions and the Declaration of Restrictions of each tract, and There are 1629 units in the senior housing residential development that consists of mobile homes, manufactured housing, and conventional construction homes.

NOTE 2 – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of the review report, which is the date that the financial statements were available to be issued.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association’s accounting records are maintained on a modified accrual basis, however, the accompanying financial statements are presented on the accrual basis in accordance with generally accepted accounting principles generally accepted in the United States of America whereby all revenues are recognized when earned and expenses are recognized when incurred.

Homeowners associations operate on a fund accounting basis whereby current expenses are paid from operating funds and major repairs and replacements are paid from accumulated replacement funds.

Member Assessments

Association members are subject to an annual assessment to provide funds for the Association’s operating expenses, any future capital acquisitions or improvements, and for the use and maintenance of the recreational fees. The annual budget and assessments of owners are determined by the Board of Directors who are elected by the owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

The Association’s policy is to retain legal counsel and place liens on properties of homeowners whose assessments are delinquent. The Association uses a guideline of 100% provision for Allowance for Doubtful Accounts for all accounts delinquent over one year, foreclosed on, in bankruptcy, or abandoned, as well as on a case by case basis of other facts and circumstances. For the year ended DECEMBER 31, 2018 the association has a provision for doubtful accounts of \$221,061.

**TRI PALM UNIFIED OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Property and Equipment

Real property consists of the association's office building, the land accompanying the building, and building improvements, all of which is depreciated under the straight-line method over their respected useful lives and is common area property (see footnote 6 below).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions, if made.

NOTE 4 – INCOME TAXES

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 and State Revenue & Tax Code 23701t whereby the Association incurs corporation income taxes on income from non-member sources only, such as interest. The applicable tax rate is 30% for the federal government and 8.84% for the Franchise Tax Board. Generally, the Association treats income tax expenses as an operating expense regardless of the fund through which the related taxable income was recognized.

The Association's income tax returns are subject to examination by the Internal Revenue Service generally for three years after they are filed, and by the Franchise Tax Board for four years after they are filed. In evaluating the Association's tax positions and accruals, the Association believes that the estimates are appropriate based on the current facts and circumstances.

NOTE 5 – LEGAL ISSUE

In 2015 two Tri Palm property owners ("Complainants") filed suit against the Association claiming the association did not have certain legal rights to settle an issue with the developer of the recreation facility. The Court held that their claim was without merit and dismissed the case. The Complainants requested a reconsideration of the Courts decision. The Court upheld their original ruling. The Complainants then filed an appeal. In 2018 the Appeals Court upheld their appeal which resulted in a change of the legal operating status of TPUOA. As of November 2, 2018, TPUOA is regulated by the California Corporation Code as applicable law instead of the Davis-Sterling Act. TPUOA asked the Supreme Court to review the ruling but was declined. The case has now been remanded to the Superior Court for trial. The extent of any financial impact is unknown at this time.

**TRI PALM UNIFIED OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 – OFFICE PURCHASE

During the year ended DECEMBER 31, 2016 the Association completed the acquisition of the Desert Moon property for use as its new offices. The cost of the purchase and improvements at the year ended DECEMBER 31, 2018 total \$75,759 consisting of a building at \$41,287, \$9,900 allocated to land, and improvements of \$24,572.

NOTE 7 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's fixed assets/common area consists of only an office building, its equipment contents, and the land around the building. The association has set aside contingency and reserve funds which are held in separate interest bearing accounts and are generally not available for operating purposes.

NOTE 8 – NOTE RECEIVABLE

During the year ended DECEMBER 31, 2018 the Association sold a property on Westchester Drive taking back a Note on the property. Terms of the Note are 60 monthly payments of \$744.31 consisting of principle and interest. The Note bears interest at a 6% APR.