

**TRI PALM UNIFIED OWNERS ASSOCIATION  
REVIEWED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2019**

TABLE OF CONTENTS

Independent Accountant's Review Report	1
Financial Statements	
Balance Sheet	2
Statement of Revenues and Expenses and Changes in Fund Balances	3
Statement of Cash Flows	4
Notes to Financial Statements	5-6
Required Supplementary Information	
Future Major Repairs and Replacements	7

# 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, 2019, 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 16, 2020

**TRI PALM UNIFIED OWNERS ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2019**

	<b>2019</b>		
	<b>Operating Fund</b>	<b>Savings Funds</b>	<b>Total Funds</b>
<b><u>ASSETS:</u></b>			
Cash	\$ 96,493	\$ 61,502	\$ 157,995
Certificate of Deposit	-	141,628	141,628
Assessments Receivable	215,980	-	215,980
Allowance for Doubtful Accounts	(196,596)	-	(196,596)
Note Receivable	4,089	-	4,089
Prepaid Insurance	21,155	-	21,155
Prepaid Income Taxes	341	-	341
Fixed Assets	65,859	-	65,859
Accumulated Depreciation	(18,383)	-	(18,383)
Land	9,900	-	9,900
<b>TOTAL ASSETS</b>	<b>\$ 198,839</b>	<b>\$ 203,130</b>	<b>\$ 401,969</b>
 <b><u>LIABILITIES:</u></b>			
Accounts Payable	\$ 2,103	\$ -	\$ 2,103
Prepaid Assessments	77,160	-	77,160
Prepaid Advertising	2,430	-	2,430
Assessment Assistance Program	2,537	-	2,537
Payroll Liabilities	1,599	-	1,599
Income Taxes Payable	29	-	29
<b>TOTAL LIABILITIES</b>	<b>85,858</b>	<b>-</b>	<b>85,858</b>
 <b>FUND BALANCES</b>	<b>112,981</b>	<b>203,130</b>	<b>316,111</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 198,839</b>	<b>\$ 203,130</b>	<b>\$ 401,969</b>

**TRI PALM UNIFIED OWNERS ASSOCIATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2019**

	<b>2019</b>		
	<b>Operating Fund</b>	<b>Savings Fund</b>	<b>Total Funds</b>
<b><u>REVENUES</u></b>			
Assessments 2019	\$ 154,523	\$ -	\$ 154,523
Returned Check Charges	75	-	75
Misc. Income	210	-	210
Recovery of Bad Debt	5,764	-	5,764
Happenings - Advertising Sales	7,675	-	7,675
Late Fees Assessed	5,880	-	5,880
Fines	34,850	-	34,850
Interest Income	2,553	-	2,553
Other Income	25,440	-	25,440
Reimbursement of Expenditures	57	-	57
Transfer Fees	39,000	-	39,000
<b>TOTAL REVENUES</b>	<b>276,026</b>	<b>-</b>	<b>276,026</b>
<b><u>EXPENSES</u></b>			
Accounting & Bookkeeping	2,200	-	2,200
Bad Debt	36,027	-	36,027
Bank Charges & Transaction Fees	563	-	563
Bank Service Charges	-	-	-
Club Maint. Fees	2,079	-	2,079
Cody Expenses	52	-	52
Collections Expense	1,112	-	1,112
Community Initiatives	1,600	-	1,600
Depreciation Expense	3,959	-	3,959
Happenings Printing & Exps	8,404	-	8,404
Independent Contractor Services	33,145	-	33,145
Insurance, Business	34,566	-	34,566
Legal	2,103	-	2,103
Meetings	507	-	507
Misc Expense	433	-	433
Office	14,136	-	14,136
Payroll	100,757	-	100,757
Postage and Delivery	5,889	-	5,889
Publicity & Public Relations	334	-	334
Repairs & Maintenance	719	-	719
Tax, Federal Corporate	117	-	117
Tax, Property	1,459	-	1,459
Utilities	4,774	-	4,774
Website	1,735	-	1,735
<b>TOTAL OPERATING EXPENSES</b>	<b>256,669</b>	<b>-</b>	<b>256,669</b>
Excess of Revenues over Expenses or (Expenses over Revenue)	19,357	-	19,357
Beginning Fund Balances	146,575	150,178	296,753
Net Interfund Transfers	(52,952)	52,952	-
<b>ENDING FUND BALANCES</b>	<b>\$ 112,981</b>	<b>\$ 203,130</b>	<b>\$ 316,111</b>

See accompanying notes to financial statements

**TRI PALM UNIFIED OWNERS ASSOCIATION  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2019**

	<b>2019</b>		
	<b>Operating Fund</b>	<b>Savings Fund</b>	<b>Total Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess (deficiency) of revenues over expenses	\$ 19,357	\$ -	\$ 19,357
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	(24,466)	-	(24,466)
(Increase) decrease in:			
Assessments Receivable	26,998	-	26,998
Prepaid Insurance	99	-	99
Prepaid Taxes	89	-	89
Increase (decrease) in:			
Accounts Payable	2,103	-	2,103
Assessments Assistance Program	(58)	-	(58)
Prepaid Assessments	(204)	-	(204)
Prepaid Advertising	(525)	-	(525)
Payroll Liabilities	57	-	57
Income Taxes Payable	(21)	-	(21)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>27,388</b>	<b>-</b>	<b>27,388</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Activity with CD's		(141,628)	(141,628)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Note Receivable	11,381		11,381
Interfund transfers	(52,952)	52,952	-
Sub Total	(14,183)	(88,676)	(102,859)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(14,183)</b>	<b>(88,676)</b>	<b>(102,859)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>110,676</b>	<b>150,178</b>	<b>260,854</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 96,493</b>	<b>\$ 61,502</b>	<b>\$ 157,995</b>
<b>SUPPLEMENTAL DISCLOSURE</b>			
Income taxes paid	\$ -	\$ -	\$ -

See accompanying notes to financial statements

**TRI PALM UNIFIED OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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. 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, 2019 the association has a provision for doubtful accounts of \$196,596.

**TRI PALM UNIFIED OWNERS ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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.

**TRI PALM UNIFIED OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 5 – LEGAL ISSUE**

In 2016 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 was remanded to the Superior Court for trial and midyear 2019 the Complainant dismissed the lawsuit they filed against the Association without recovering anything from the Association. As of October 22, 2019, the case is closed. The Association’s insurance carrier reimbursed the Association for legal fees incurred by the Association.

**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, 2019 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. During the year the note payments were accelerated and in the subsequent year 2020 the note has been paid off.