

LAKE WILDWOOD ASSOCIATION  
Penn Valley, California

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
May 31, 2015 and 2014

# LAKE WILDWOOD ASSOCIATION

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# McCLINTOCK ACCOUNTANCY CORPORATION

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Lake Wildwood Association

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Lake Wildwood Association, which comprise the balance sheet as of May 31, 2015, and the related statements of revenue and expenses – all funds, changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

### ***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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lake Wildwood Association as of May 31, 2015, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on Future Major Repairs and Replacements on page 24 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

The information included on pages 17 to 23 inclusive, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### ***Comparative Information***

Information for the year ended May 31, 2014 is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which we expressed an unmodified opinion on our report dated October 21, 2014.

***McClintock Accountancy Corporation***

McCLINTOCK ACCOUNTANCY CORPORATION

Tahoe City, California

August 24, 2015

LAKE WILDWOOD ASSOCIATION

Exhibit A

BALANCE SHEETS  
May 31, 2015 (with comparative totals for 2014)

	General Operating Fund	Replacement Reserve Fund	Clubhouse Special Assessment Fund	Clubhouse Replacement Reserve Fund	Clubhouse Donation Fund	Facilities Fund	Special Assessment Fund	Capital Improvement Planning Fund	Committee Fund	Property and Equipment Fund	2015 Total	2014 Total
<b>ASSETS</b>												
Cash and cash equivalents, unrestricted (Note 5)	\$ 4,919,687	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	4,919,687	\$ 2,191,674
Cash and cash equivalents, designated and restricted (Note 5)	-0-	3,474,669	321,502	-0-	300	100	-0-	11,050	23,855	-0-	3,831,476	71,745
Investments, unrestricted (Note 5)	224,020	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	224,020	1,705,565
Investments, designated and restricted (Note 5)	-0-	863,120	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	863,120	4,480,708
	5,143,707	4,337,789	321,502	-0-	300	100	-0-	11,050	23,855	-0-	9,838,303	8,449,692
Accounts receivable, less allowance for doubtful of \$101,403 for 2015 and \$132,593 for 2014	283,470	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	283,470	193,021
Interest receivable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Inventory	15,049	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	15,049	14,225
Prepaid expenses and deposits	66,743	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	66,743	76,741
Due to/from between funds	(619,187)	(1,240,244)	1,625,769	224,128	-0-	(100)	-0-	5,877	3,757	-0-	-0-	-0-
Property and equipment, net (Note 6)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	6,866,545	6,866,545	5,582,994
<b>Total Assets</b>	<b>\$ 4,889,782</b>	<b>\$ 3,097,545</b>	<b>\$ 1,947,271</b>	<b>\$ 224,128</b>	<b>\$ 300</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 16,927</b>	<b>\$ 27,612</b>	<b>\$ 6,866,545</b>	<b>\$ 17,070,110</b>	<b>\$ 14,316,674</b>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>Liabilities</b>												
Accounts payable	\$ 183,729	\$ -0-	\$ -0-	\$ 224,128	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	407,857	\$ 107,543
Accrued liabilities	172,686	83,436	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	256,122	187,065
Deferred income	4,152,385	-0-	1,947,269	-0-	-0-	-0-	-0-	-0-	-0-	-0-	6,099,654	4,083,483
Deposits	77,402	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	77,402	75,878
<b>Total Liabilities</b>	<b>4,586,202</b>	<b>\$ 83,436</b>	<b>\$ 1,947,269</b>	<b>\$ 224,128</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>6,841,035</b>	<b>4,453,969</b>
<b>Fund Balances - Exhibit C</b>	<b>303,580</b>	<b>3,014,109</b>	<b>2</b>	<b>-0-</b>	<b>300</b>	<b>-0-</b>	<b>-0-</b>	<b>16,927</b>	<b>27,612</b>	<b>6,866,545</b>	<b>10,229,075</b>	<b>9,862,705</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,889,782</b>	<b>\$ 3,097,545</b>	<b>\$ 1,947,271</b>	<b>\$ 224,128</b>	<b>\$ 300</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 16,927</b>	<b>\$ 27,612</b>	<b>\$ 6,866,545</b>	<b>\$ 17,070,110</b>	<b>\$ 14,316,674</b>

The accompanying notes are an integral part of these statements.

LAKE WILDWOOD ASSOCIATION

Exhibit B

STATEMENTS OF REVENUE AND EXPENSES - ALL FUNDS  
For the Year Ended May 31, 2015 (with comparative totals for 2014)

	General Operating Fund	Replacement Reserve Fund	Clubhouse Special Assessment Fund	Clubhouse Replacement Reserve Fund	Clubhouse Donation Fund	Facilities Fund	Special Assessment Fund	Capital Improvement Planning Fund	Committee Fund	Property and Equipment Fund	2015 Total	2014 Total
<b>REVENUE</b>												
Members' assessments, less replacement reserve fund provision of \$1,322,635 in 2015 and \$918,000 in 2014	\$ 3,619,684	\$ 1,322,635	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	4,942,319	\$ 4,616,371
Special assessment (Note 11)	192,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	192,000	-0-
Golf course	1,004,815	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,004,815	1,033,804
Clubhouse sales, less cost of sales of \$77,810 in 2015 and \$241,917 in 2014	96,986	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	96,986	273,117
Recreation and pool sales, less cost of sales of \$37,198 in 2015 and \$68,743 in 2014	100,559	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	100,559	79,993
Tennis	21,177	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	21,177	22,798
Environmental management	40,290	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	40,290	31,898
Security	30,979	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	30,979	31,726
Interest income	2,865	9,870	2	-0-	-0-	-0-	-0-	-0-	-0-	-0-	12,737	17,465
Late charges, handling, transfer, and other fees	206,649	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	206,649	192,792
Storage fees	105,011	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	105,011	116,823
Miscellaneous income	271,675	-0-	-0-	-0-	300	-0-	-0-	-0-	43,123	-0-	315,098	230,845
<b>Total Revenue, Net of Cost of Sales</b>	<b>5,692,690</b>	<b>1,332,505</b>	<b>2</b>	<b>-0-</b>	<b>300</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>43,123</b>	<b>-0-</b>	<b>7,068,620</b>	<b>6,647,632</b>
<b>EXPENSES</b>												
Golf course	950,639	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	950,639	987,325
Clubhouse	181,490	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	181,490	543,539
Lake	193,523	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	193,523	196,918
Tennis	17,270	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	17,270	16,723
Environmental management	136,756	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	136,756	105,595
Security	957,101	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	957,101	933,898
Public works	878,231	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	878,231	775,984
Parks	259,739	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	259,739	231,927
Recreation and pool	290,767	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	290,767	226,530
General and administrative	1,639,644	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,639,644	1,429,623
<b>FUND EXPENSES</b>												
Loss on disposal of assets	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	144,930	144,930	71,140
Non-capital CI expenses	10,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	10,000	-0-
Depreciation	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	539,286	539,286	466,866
Fund expenses	-0-	452,566	-0-	-0-	-0-	-0-	-0-	-0-	35,713	-0-	488,279	524,154
State income tax provision	14,595	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	14,595	7,440
<b>Total Expenses</b>	<b>5,529,755</b>	<b>452,566</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>35,713</b>	<b>684,216</b>	<b>6,702,250</b>	<b>6,517,662</b>
Revenue Over (Under) Expenses	\$ 162,935	\$ 879,939	\$ 2	\$ -0-	\$ 300	\$ -0-	\$ -0-	\$ -0-	\$ 7,410	\$ (684,216)	\$ 366,370	\$ 129,970

LAKE WILDWOOD ASSOCIATION

Exhibit C

STATEMENTS OF CHANGES IN FUND BALANCES  
For the Years Ended May 31, 2015 and 2014

	General Operating Fund	Replacement Reserve Fund	Clubhouse Special Assessment Fund	Clubhouse Replacement Reserve Fund	Clubhouse Donation Fund	Facilities Fund	Special Assessment Fund	Capital Improvement Planning Fund	Committee Fund	Property and Equipment Fund	Total Members' Equity
Balance - May 31, 2013	611,086	3,903,327	-0-	-0-	-0-	-0-	(106,214)	22,727	27,331	5,274,478	9,732,735
Revenue over (under) expenses - Exhibit B	219,242	455,372	-0-	-0-	-0-	-0-	491	-0-	(7,129)	(538,006)	129,970
Property fund additions, net	(340,642)	(480,586)	-0-	-0-	-0-	-0-	(19,494)	(5,800)	-0-	846,522	-0-
Transfers between funds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Balance - May 31, 2014	<u>\$ 489,686</u>	<u>\$ 3,878,113</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (125,217)</u>	<u>\$ 16,927</u>	<u>\$ 20,202</u>	<u>\$ 5,582,994</u>	<u>\$ 9,862,705</u>
Revenue over (under) expenses - Exhibit B	162,935	879,939	2	-0-	300	-0-	-0-	-0-	7,410	(684,216)	366,370
Property fund additions, net	(223,824)	(1,186,396)	-0-	(557,547)	-0-	-0-	-0-	-0-	-0-	1,967,767	-0-
Transfers between funds	(125,217)	(557,547)	-0-	557,547	-0-	-0-	125,217	-0-	-0-	-0-	-0-
Balance - May 31, 2015	<u>\$ 303,580</u>	<u>\$ 3,014,109</u>	<u>\$ 2</u>	<u>\$ -0-</u>	<u>\$ 300</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 16,927</u>	<u>\$ 27,612</u>	<u>\$ 6,866,545</u>	<u>\$ 10,229,075</u>

The accompanying notes are an integral part of these statements.

LAKE WILDWOOD ASSOCIATION

Exhibit D

STATEMENTS OF CASH FLOWS  
For the Year Ended May 31, 2015 (with comparative totals for 2014)

	General Operating Fund	Replacement Reserve Fund	Clubhouse Special Assessment Fund	Clubhouse Replacement Reserve Fund	Clubhouse Donation Fund	Facilities Fund	Special Assessment Fund	Capital Improvement Planning Fund	Committee Fund	Property and Equipment Fund	2015 Total	2014 Total
<b>Cash Flows from Operating Activities:</b>												
Operating Revenue Over Expenses	\$ 162,935	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	162,935	\$ 219,242
Replacement Revenue Over Expenses	-0-	879,939	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	879,939	453,372
Non-Operating Funds Revenue Over (Under) Expenses	-0-	-0-	2	-0-	300	-0-	-0-	-0-	7,410	(684,216)	(676,504)	(544,644)
Transfers between funds	(125,217)	(557,547)	-0-	557,547	-0-	-0-	125,217	-0-	-0-	-0-	-0-	-0-
<b>Adjustments to Reconcile Operating/Replacement Revenue Over Expenses to Net Cash Provided (Used) by Operating Activities:</b>												
Bad debt expense	4,177	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	4,177	(37,308)
Depreciation expense	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	539,286	539,286	466,866
(Gain)/Loss on disposal of assets	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	144,930	144,930	71,140
Change in assessments receivable	(94,626)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(94,626)	26,549
Change in interest receivable	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	327
Change in inventory	(824)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(824)	27,172
Change in prepaid expenses	9,998	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	9,998	141,003
Change in due to/from between funds	1,568,250	670,373	(1,625,769)	(224,128)	-0-	100	(386,793)	(100)	(1,933)	-0-	-0-	-0-
Change in accounts payable	148,128	(71,942)	-0-	224,128	-0-	-0-	-0-	-0-	-0-	-0-	300,314	51,942
Change in accrued liabilities	(14,379)	83,436	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	69,057	(22,323)
Change in deferred income	68,902	-0-	1,947,269	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,016,171	432,618
Change in deposits	1,524	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,524	16,920
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,728,868</b>	<b>1,004,259</b>	<b>321,502</b>	<b>557,547</b>	<b>300</b>	<b>100</b>	<b>(261,576)</b>	<b>(100)</b>	<b>5,477</b>	<b>-0-</b>	<b>3,356,377</b>	<b>1,304,876</b>
<b>Cash Flows from Investing Activities:</b>												
Acquisition of property and equipment	(223,824)	(1,186,396)	-0-	(557,547)	-0-	-0-	-0-	-0-	-0-	-0-	(1,967,767)	(846,522)
Purchase of investments	(224,020)	(863,120)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(1,087,140)	(4,871,510)
Maturity or redemption of investments	1,446,989	4,480,708	-0-	-0-	-0-	-0-	258,576	-0-	-0-	-0-	6,186,273	5,647,000
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>999,145</b>	<b>2,431,192</b>	<b>-0-</b>	<b>(557,547)</b>	<b>-0-</b>	<b>-0-</b>	<b>258,576</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>3,131,366</b>	<b>(71,032)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2,728,013</b>	<b>3,435,451</b>	<b>321,502</b>	<b>-0-</b>	<b>300</b>	<b>100</b>	<b>(3,000)</b>	<b>(100)</b>	<b>5,477</b>	<b>-0-</b>	<b>6,487,743</b>	<b>1,233,844</b>
Cash and cash equivalents, Beginning of Year	2,191,674	39,218	-0-	-0-	-0-	-0-	3,000	11,150	18,378	-0-	2,263,420	1,029,576
<b>Cash and cash equivalents, End of Year</b>	<b>\$ 4,919,687</b>	<b>\$ 3,474,669</b>	<b>\$ 321,502</b>	<b>\$ -0-</b>	<b>\$ 300</b>	<b>\$ 100</b>	<b>\$ -0-</b>	<b>\$ 11,050</b>	<b>\$ 23,855</b>	<b>\$ -0-</b>	<b>\$ 8,751,163</b>	<b>\$ 2,263,420</b>
<b>Analysis of Cash and Cash Equivalents:</b>												
Cash and cash equivalents, unrestricted	\$ 4,919,687	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	4,919,687	\$ 2,191,674
Cash and cash equivalents, designated and restricted	-0-	3,474,669	321,502	-0-	300	100	-0-	11,050	23,855	-0-	3,831,476	71,746
	\$ 4,919,687	\$ 3,474,669	\$ 321,502	\$ -0-	\$ 300	\$ 100	\$ -0-	\$ 11,050	\$ 23,855	\$ -0-	\$ 8,751,163	\$ 2,263,420
<b>Supplemental Disclosure:</b>												
Income taxes paid	\$ 8,100	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	8,100	\$ 4,600



# LAKE WILDWOOD ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

May 31, 2015 and 2014

### 1. Form of Organization

Lake Wildwood Association (the "Association") is a non-profit, mutual benefit corporation organized under the laws of California. The Association's members consist of those persons or entities owning the 2,841 lots within the Lake Wildwood subdivision in Penn Valley, California. The Association was organized to provide management services and maintenance of certain common use areas within the subdivision.

The Association operates and maintains facilities that include a golf course, clubhouse with a restaurant and bar, recreation center, swimming pool, marina, lake, storage facilities, parks and greenbelts, and tennis courts. Revenues are derived from the use of a majority of these facilities. Assessments are levied annually against each member's lot in the development. The Association derives a significant portion of its revenue from assessments levied equally against each member's lot.

The Association's Board of Directors is comprised of seven members elected by Association members. Each director is elected to serve a three year term. The Board of Directors, among other things, establishes assessments of members of the Association and establishes user fees for Association amenities.

### 2. Summary of Significant Accounting Policies

A. The Association's governing documents provide certain guidelines for managing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

General Operating Fund - Used to account for financial resources available for the general operations of the Association.

Replacement Reserve Fund - Used to account for financial resources designated for future major repairs and major maintenance and replacements.

Clubhouse Special Assessment Fund - Used to capture funding and expenses for clubhouse special assessment as addressed at Note 11.

LAKE WILDWOOD ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

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Clubhouse Replacement Reserve Fund - Used to account for financial resources from the replacement reserve fund designated for replacement of the clubhouse. Board has approved up to \$1,482,409 of replacement reserve fund balance to be transferred to the Clubhouse Replacement Reserve Fund. \$557,547 has been transferred as of May 31, 2015.

Clubhouse Donation Fund - Used to capture donations received to fund the replacement of the clubhouse.

Facilities Fund - Used to capture sale of Association owned lots and funding of clubhouse replacement.

Special Assessment Fund - Used to capture funding and expenses for large projects directed toward replacing or improving Community Facilities. Fund closed out during 2015.

Capital Improvement Planning Fund - Used only for preliminary expenditures to determine the scope and probable cost for proposed large capital projects prior to Board of Director approval and funding.

Committee Fund - Used to account for financial activities of committees which are granted charters by the Board of Directors and who report directly to them.

Property and Equipment Fund - Used to account for the Association's investment in its common property and equipment.

- B. Property of the Association includes certain facilities turned over to the Association by the developer in prior years. These facilities include a golf course, tennis courts, a lake and dam, pool, parks and greenbelts, a recreation center and clubhouse, roads, and certain common land. The Association has not reflected these assets on the books since the original cost of the assets is not determinable. Subsequent real property improvements and equipment purchases are recorded at cost. Depreciation is calculated on the straight line method over the estimated useful lives of the related assets ranging from 3 to 30 years and is recorded directly in the property and equipment fund.

The Association owns certain lots that it received from the developer in the settlement of disputes. The lots are recorded as assets of the property and

# LAKE WILDWOOD ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

May 31, 2015 and 2014

equipment fund. Subject to limitations set forth in Article VIII Section 2(c) of the restated by-laws, the lots could be sold upon action by the Board of Directors. The lots are located within the Association's boundaries.

- C. It is the Association's policy to account for funding and replacement of common area property and equipment, and major maintenance, through a replacement reserve fund. Included in the annual lot assessments is a provision, as determined by the Board of Directors, for replacement of these items. The funds are designated for replacements and major maintenance. When replacements or major maintenance occur, the expenditures are charged against the fund balance and, if certain conditions are met, capitalized in the property and equipment fund.

The Association determines the required amount of funding for replacement of common areas, in part, using the cash flow method. This method requires preparation of a cash flow forecast. The Association has scheduled estimates for future major repairs and replacements over a 30 year period and has determined the required amount of funding by using the amount of assessments that will keep the replacement fund solvent over a 30 year period.

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement reserve fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right, subject to any necessary member approval, to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

- D. Inventories are stated at the lower of cost (first-in, first-out method) or market.
- E. Association members are subject to annual assessments to provide funds for the Association's operating expenses, community improvements, and major repairs and replacements. Accounts receivable at the balance sheet date represent amounts due primarily from members. The Association's collection policy includes, among other things, assessing a late charge and interest, filing a lien, and assessing a lien fee on payments not received within the allowable time periods. The Association has the right to suspend certain membership rights and pursue collection through foreclosure action. An allowance for doubtful accounts is created when an account's collectability is

## LAKE WILDWOOD ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS

May 31, 2015 and 2014

uncertain. Accounts are written off when the Association is notified that it is a bad debt, such as after a bankruptcy or foreclosure proceedings.

- F. It is the policy of the Association to require owners and builders to advance security deposits for the construction of homes and for certain other improvements. The deposits are used to ensure that no damage occurs to common property as a result of the construction. The funds are refundable upon completion of construction or modification that has been completed in accordance with the approved plans. Deposits for construction not completed satisfactorily within 12 months, or a longer authorized period, from the date of plan approval may be forfeited to the Association.

The Association also requires deposits from tenants. The deposits are held to ensure that no damage occurs to common property and certain items are returned to the Association. These funds are refundable upon cessation of the rental agreement if certain conditions are met.

- G. Deferred income primarily represents lot assessments and amenity fees received in the current fiscal year, which apply to the subsequent fiscal year.
- H. It is the Association's policy to record interest income directly to the respective fund holding the investments. Related income taxes are charged to the general operating fund.
- I. For state purposes, the Association is taxed as a regular corporation. As a membership organization, the Association is generally taxed only on non-member income, such as investment earnings and gains on sale of assets, at regular state corporate tax rates. The Association operates under federal tax-exempt status as a non-profit organization under Internal Revenue Code 501(c) (4).

The Association's three previous federal tax returns and four previous state tax returns are available for examination by the taxing authorities.

- J. For the purposes of the Statements of Cash Flows, cash and cash equivalents are defined as petty cash and amounts held in checking and savings accounts, and proceeds due from credit and debit card transactions with settlement of up to one week.

## LAKE WILDWOOD ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS

May 31, 2015 and 2014

- K. The carrying amounts of financial instruments, including cash, certificates of deposit, accounts receivable and accounts payable approximate their fair value due to the short term maturities of these instruments.
- L. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### 3. Concentration of Credit Risk

Financial instruments that potentially subject the Association to credit risk consist principally of members' accounts receivable. Accounts receivable at May 31, 2015 and 2014 are primarily from members whose residence is within the Association.

The Association maintains demand accounts at various banks. These accounts exceeded the federally insured limits at May 31, 2015 and 2014 by \$5,358,176 and \$876,714, respectively.

#### 4. Amenity Contracts

During the years ended May 31, 2015 and 2014, the golf pro shop was operated by an outside concessionaire under contract with the Association.

#### 5. Investments

Association investments consist of certificates of deposits. Certificates of deposit are carried at amortized cost as they are classified as held to maturity investments since the Association has the positive intent and ability to hold all securities until maturity. All certificates of deposit investments held at May 31, 2015 and 2014 are valued using Level 2 inputs. Level 2 inputs includes quoted prices in in-active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

LAKE WILDWOOD ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2015 and 2014

The maturities of debt securities and their approximate fair value at May 31, 2015 and 2014 are as follows:

	2015		2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 787,000	\$ 787,020	\$ 6,186,273	\$ 6,184,312
Due in one to five years	300,140	300,201	-0-	-0-
	<u>\$ 1,087,140</u>	<u>\$ 1,087,221</u>	<u>\$ 6,186,273</u>	<u>\$ 6,184,312</u>

The amortized cost, gross unrealized gains and losses and aggregate fair value at May 31, 2015 and 2014 are as follows:

	2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
<u>Held to Maturity</u>				
Certificate of Deposit	<u>\$ 1,087,140</u>	<u>\$ 87</u>	<u>\$ (6)</u>	<u>\$ 1,087,221</u>
Carrying Value	<u>\$ 1,087,140</u>			
	2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Aggregate Fair Value
<u>Held to Maturity</u>				
Certificate of Deposit	<u>\$ 6,147,000</u>	<u>\$ 629</u>	<u>\$ (2,590)</u>	<u>\$ 6,145,039</u>
<u>Available for Sale</u>				
Money Market	<u>\$ 39,273</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 39,273</u>
Carrying Value	<u>\$ 6,186,273</u>			

LAKE WILDWOOD ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2015 and 2014

6. Property and Equipment

A summary of Association property and equipment at May 31, 2015 and 2014 is as follows:

	2015	2014
Land	\$ 174,773	\$ 174,773
Land improvements	4,391,656	3,374,127
Buildings and improvements	3,398,383	4,036,237
Equipment	3,483,658	3,321,211
	11,448,470	10,906,348
Less accumulated depreciation	(5,357,711)	(5,484,558)
	6,090,759	5,421,790
Construction in progress	775,786	161,204
	\$ 6,866,545	\$ 5,582,994

7. Community Improvements

The Association's governing documents permit enhancements to existing common areas or additions to the Association's equipment without the levy of a special assessment if the aggregate cost does not exceed 1.5% of the previous year's budgeted gross expenses. For the years ended May 31, 2015 and 2014, the allowable costs were \$114,000 and \$101,507, respectively, and actual costs (before any related donation revenue and including reimbursements to other funds) were \$114,475 and \$100,653, respectively.

Community improvement expenditures for the years ended May 31, 2015 and 2014 are as follows:

	2015	2014
<u>Department</u>		
Parks	\$ -0-	\$ 26,109
Administrative	3,426	-0-
Community Center	36,364	-0-
Pool Building	9,297	16,000
Tennis	-0-	3,107
Restaurant	44,709	20,056
Recreation	10,679	20,376
Golf Pro & Golf Maintenance	10,000	15,005
	\$ 114,475	\$ 100,653

LAKE WILDWOOD ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2015 and 2014

8. Retirement Benefit Plan

The Association maintains a defined contribution benefit plan under Section 401(k) of the Internal Revenue Code. The plan covers full-time and certain part-time employees over 21 years of age having at least one year of eligible service. Currently under the plan, eligible employees may elect to defer up to \$17,500 of their earnings. Employees who have reached the age of fifty may elect to defer an additional \$5,500 of their earnings. The Association matches 100% of employee contributions up to 3% of the employee's earnings. For the years ended May 31, 2015 and 2014, employer-matching contributions were \$28,283 and \$25,045, respectively.

9. Members' Assessment 2015/2016

The Association's Board of Directors has approved a regular net assessment of \$2,040 for the year ending May 31, 2016. Net members' assessments total \$5,794,090 of which \$1,646,681 will be allocated to the replacement reserve fund.

10. Non Departmental Reserve

Non departmental reserve expenditures consist of the following capital reserve expenditures:

	2015	2014
Non-cap equipment	\$ 3,200	\$ -0-
Road pavement and rehabilitation	370,366	384,391
Cart path replacement and tee rebuild	49,829	56,529
Dam inspection and repair	-0-	26,585
Reserve Study	12,000	-0-
Lake maintenance	19,421	9,580
	\$ 454,816	\$ 477,085

11. Special Assessment

The approved budget for 2013/14 included an approved special assessment in the amount of \$192,000 for clubhouse planning and transition costs incurred during the year ended May 31, 2015 and May 31, 2014. The special assessments and related activity is accounted for in the operating fund. During the year ended May 31, 2015 and 2014 approximately \$178,000 and \$146,000 of expenditures were incurred on the above project, respectively. All special assessment revenue was recognized during the year ended May 31, 2015.



# LAKE WILDWOOD ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

May 31, 2015 and 2014

During the year ended May 31, 2015, the Board approved a special assessment for 2015/16 in the amount of approximately \$4,261,500 to fund payoff of a construction loan to be entered into in 2015/16 for construction of a new clubhouse. Association members have the option to pay a \$1,500 lump sum payment, \$240/year over seven years or \$20/month over 7 years. Approximately \$1,947,000 had been collected as of May 31, 2015 which has been reflected on the balance sheet at Exhibit A as deferred revenue.

### 12. Interfund Borrowing

The Association maintains various funds as described in Note 2. At various times during the year, there is a receivable/payable between the funds.

### 13. Leases

The Association entered into leases for office space and a modular pro shop that expire in December of 2015 and May of 2016, respectively. Minimum monthly rent payments amount to \$5,287 and rent expense was \$42,216 for the year ended May 31, 2015. The remaining future minimum rental payments for fiscal year ending May 31, 2016 are \$45,582.

### 14. Contingent Matters

From time to time, certain claims arising in the ordinary course of business have been filed or threatened against the Association. In the opinion of management, all such matters were without merit or are of such kind, or involve such amounts, which would not have a significant effect on the financial position or results of operations of the Association if disposed of unfavorable. Therefore, currently no provision for loss has been included in the accompanying financial statements.

### 15. Commitments

During the year ended May 31, 2015, the Association entered into architectural and construction management contracts for building of the new clubhouse totaling approximately \$471,000 and \$173,200, respectively. During the year ended May 31, 2015 approximately \$403,200 and \$28,000, respectively of expense had been recognized on the contracts and \$67,400 and \$145,000 remained to be expensed.

During the year ended May 31, 2014, the Association entered into construction contracts for replacement of certain existing culverts and pavement rehabilitation

LAKE WILDWOOD ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2015 and 2014

totaling approximately \$234,740 and \$337,084 respectively. At May 31, 2015 the contracts had been completed. At May 31, 2014, no spending had occurred on either contract.

16. Subsequent Events

Subsequent events have been evaluated by management through August 24, 2015 the date that the statements were available for issuance.

LAKE WILDWOOD ASSOCIATION

Schedule 1

SCHEDULE OF OPERATING REVENUE AND EXPENSES  
BY NATURAL CLASSIFICATION

For the Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue		
Members' assessments, less replacement reserve fund provision of \$1,322,635 in 2015 and \$918,000 in 2014	\$ 3,619,684	\$ 3,698,371
Special assessment	192,000	-0-
Sales, less cost of sales of \$135,008 in 2015 and \$310,660 in 2014	113,708	263,348
User fees	1,287,794	1,310,106
Administration fees	308,446	307,060
Interest income	2,865	2,435
Miscellaneous income	168,193	93,424
	<u>5,692,690</u>	<u>5,674,744</u>
Expenses		
Salaries and benefits	3,541,681	3,612,558
Utilities	352,186	370,408
Repairs and maintenance	535,302	425,126
Insurance	177,861	172,275
Professional services	227,056	155,547
Administrative services	255,752	317,763
Maintenance supplies and rentals	127,391	122,817
Operating supplies	172,494	174,401
Bad debt provision (recovery)	(3,728)	26,806
Miscellaneous	119,165	70,361
Non-capital CI expenses	10,000	-0-
State income tax provision	14,595	7,440
	<u>5,529,755</u>	<u>5,455,502</u>
Revenue Over (Under) Expenses	<u>\$ 162,935</u>	<u>\$ 219,242</u>

The accompanying notes are an integral part of these statements.

LAKE WILDWOOD ASSOCIATION

Schedule 2

GOLF COURSE  
REVENUE AND EXPENDITURE DATA  
For the Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue	\$ 1,004,815	\$ 1,033,804
Expenses		
Salaries and benefits	616,990	643,072
Maintenance and operations	333,649	344,253
	<u>950,639</u>	<u>987,325</u>
	<u>\$ 54,176</u>	<u>\$ 46,479</u>

Schedule 3

CLUBHOUSE  
REVENUE AND EXPENDITURE DATA  
For the Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue, less cost of sales	\$ 96,986	\$ 273,117
Expenses		
Salaries and benefits	134,112	430,662
Maintenance and operations	47,378	112,876
	<u>181,490</u>	<u>543,538</u>
	<u>\$ (84,504)</u>	<u>\$ (270,421)</u>

LAKE WILDWOOD ASSOCIATION

Schedule 4

RECREATION AND POOL  
REVENUE AND EXPENDITURE DATA  
For the Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue, less cost of sales	\$ 100,559	\$ 79,993
Expenses		
Salaries and benefits	210,187	157,626
Maintenance and operations	80,580	68,905
	<u>290,767</u>	<u>226,531</u>
	<u>\$ (190,208)</u>	<u>\$ (146,538)</u>

Schedule 5

TENNIS  
REVENUE AND EXPENDITURE DATA  
For the Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue	\$ 21,177	\$ 22,798
Expenses		
Salaries and benefits	12,463	13,863
Maintenance and operations	4,807	2,860
	<u>17,270</u>	<u>16,723</u>
	<u>\$ 3,907</u>	<u>\$ 6,075</u>

LAKE WILDWOOD ASSOCIATION

Schedule 6

ENVIRONMENTAL MANAGEMENT  
REVENUE AND EXPENDITURE DATA  
For the Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue	\$ 40,290	\$ 31,898
Expenses		
Salaries and benefits	116,414	77,806
Maintenance and operations	20,342	27,789
	<u>136,756</u>	<u>105,595</u>
	<u>\$ (96,466)</u>	<u>\$ (73,697)</u>

Schedule 7

SECURITY  
REVENUE AND EXPENDITURE DATA  
For the Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue	\$ 30,979	\$ 31,726
Expenses		
Salaries and benefits	883,313	853,401
Maintenance and operations	73,788	80,497
	<u>957,101</u>	<u>933,898</u>
	<u>\$ (926,122)</u>	<u>\$ (902,172)</u>

LAKE WILDWOOD ASSOCIATION

Schedule 8

**PUBLIC WORKS**  
**REVENUE AND EXPENDITURE DATA**  
 For the Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue	\$ -0-	\$ -0-
Expenses		
Salaries and benefits	687,378	629,850
Maintenance and operations	190,853	146,134
	<u>878,231</u>	<u>775,984</u>
	<u>\$ (878,231)</u>	<u>\$ (775,984)</u>

Schedule 9

**PARKS**  
**REVENUE AND EXPENDITURE DATA**  
 For the Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue	\$ -0-	\$ -0-
Expenses		
Salaries and benefits	189,415	172,637
Maintenance and operations	70,324	59,290
	<u>259,739</u>	<u>231,927</u>
	<u>\$ (259,739)</u>	<u>\$ (231,927)</u>

LAKE WILDWOOD ASSOCIATION

Schedule 10

LAKE  
REVENUE AND EXPENDITURE DATA  
For the Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue	<u>\$ -0-</u>	<u>\$ -0-</u>
Expenses		
Salaries and benefits	1,744	11,610
Maintenance and operations	<u>191,779</u>	<u>185,308</u>
	<u>193,523</u>	<u>196,918</u>
	<u>\$ (193,523)</u>	<u>\$ (196,918)</u>



## LAKE WILDWOOD ASSOCIATION

Schedule 11

**GENERAL AND ADMINISTRATIVE  
REVENUE AND EXPENDITURE DATA**  
For the Years Ended May 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue		
Interest, late charges, and other fees	\$ 310,656	\$ 290,576
Storage fees	105,011	116,823
Miscellaneous income	170,533	95,638
	<u>586,200</u>	<u>503,037</u>
Expenses		
Salaries and benefits	689,666	621,987
Maintenance and operations		
Insurance	177,861	172,275
Bad debt	(3,728)	26,806
Professional services	145,900	79,246
Taxes and licenses	23,092	24,940
Utilities	43,385	56,757
Sanitation fees	85,460	79,834
Other	478,008	367,778
	<u>1,639,644</u>	<u>1,429,623</u>
	<u>\$ (1,053,444)</u>	<u>\$ (926,586)</u>

The accompanying notes are an integral part of these statements.

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LAKE WILDWOOD ASSOCIATION

Schedule 12

REQUIRED SUPPLEMENTARY INFORMATION ON  
FUTURE MAJOR REPAIRS AND REPLACEMENTS

May 31, 2015  
(Unaudited)

(See Independent Auditors' Report)

The Association's independent consultants conducted a study in 2015 to estimate the remaining useful lives, the lives after replacement, and the replacement costs of the components of common property. The estimates were based on estimates from consultants, management, contractors and historical costs. Estimated current replacement costs have been adjusted to reflect a 2.5% inflation factor between the date of the study and the date that the components will require repair and replacement. Investment earnings are estimated to be 2.5%.

The Association does not designate the balance of the replacement fund by component. The total amount available for major repairs and replacements as of May 31, 2015 is \$3,014,109. The 2015/2016 budget includes \$1,646,681 of dues allocated to the replacement fund.

The following table is based on the study and presents significant information about the components of common property.

Department/Component	Range of Remaining Lives (Years)	Range of Lives After Replacement (Years)	Current Replacement Costs
Administration	1-35	1-40	\$ 306,599
EMO department	4-7	14-15	36,000
New Clubhouse	1-24	15-50	1,468,831
Clubhouse Moveable	2-16	8-30	207,215
Golf Pro	1-9	7-10	101,850
Golf maintenance	1-49	1-50	4,718,045
Recreation	0-24	5-30	464,156
Tennis	1-19	5-40	243,664
Pool	0-28	5-50	239,914
Security	0-17	1-25	378,993
Parks	0-12	8-35	522,425
Lake	1-20	2-50	81,800
Public works	0-38	1-50	11,583,898
Non capital reserve	0-24	1-50	2,799,121
			<u>\$ 23,152,511</u>