

**OASIS VILLA RESORT HOMEOWNERS ASSOCIATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**



NEWMAN
Certified Public Accountant, PC

**OASIS VILLA RESORT HOMEOWNERS ASSOCIATION
FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

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Independent Accountant's Review Report

To the Board of Directors of Oasis Villa Resort Homeowners Association

We have reviewed the accompanying financial statements of Oasis Villa Resort Homeowners Association (the "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 the 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 the 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 accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 8 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have compiled 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. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

Newman Certified Public Accountant, PC

Newman Certified Public Accountant, PC
Carlsbad, California
March 25, 2020

OASIS VILLA RESORT HOMEOWNERS ASSOCIATION
BALANCE SHEET
December 31, 2019

	Operating Fund	Replacement Fund	Total
Assets			
Cash and cash equivalents	\$ 403,589	\$ 763,902	\$ 1,167,491
Assessments receivable	9,498		9,498
Allowance for doubtful accounts	(1,675)		(1,675)
Prepaid expenses	11,580		11,580
Prepaid taxes	518		518
Due from (to) fund	173,912	(173,912)	-
Total Assets	<u>\$ 597,422</u>	<u>\$ 589,990</u>	<u>\$ 1,187,412</u>
Liabilities			
Accounts payable	\$ 151,524	\$ -	\$ 151,524
Deferred insurance settlement income	61,456		61,456
Prepaid assessments	35,142		35,142
Contract liabilities (Assessments received in advance - replacement fund)		589,990	589,990
Total liabilities	<u>248,122</u>	<u>589,990</u>	<u>838,112</u>
Fund balances	<u>349,300</u>	<u>-</u>	<u>349,300</u>
Total liabilities and fund balances	<u>\$ 597,422</u>	<u>\$ 589,990</u>	<u>\$ 1,187,412</u>

The accompanying notes are an integral part of the financial statements
(See Independent Accountant's Review Report)

OASIS VILLA RESORT HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN FUND BALANCES
For the Year Ended December 31, 2019

	Operating Fund	Replacement Fund	Total
Revenues			
Owners' assessments	\$ 991,181	\$ 389,397	\$ 1,380,578
Contribution from Vacation Internationale	9,684		9,684
Interest	132		132
Bad debt recovery	45,468		45,468
Gain on sale of unit	72,512		72,512
Other member income	925		925
Total revenues	<u>1,119,902</u>	<u>389,397</u>	<u>1,509,299</u>
Expenses			
Utilities			
Electricity and gas	159,608		159,608
Water and sewer	124,226		124,226
Trash removal	54,353		54,353
Cable	52,929		52,929
	<u>391,116</u>	<u>-</u>	<u>391,116</u>
Maintenance			
Landscape contract and supplies	78,687		78,687
Landscape salaries payroll taxes	185,020		185,020
Common area repairs and maintenance	28,052		28,052
Pool and spa	75,655		75,655
Security	24,000		24,000
Buildings	3,121		3,121
Pipes and sprinklers	9,144		9,144
Supplies	4,254		4,254
Pest control	1,460		1,460
Fire prevention	802		802
	<u>410,195</u>	<u>-</u>	<u>410,195</u>
Administrative			
Insurance	40,820		40,820
Management	22,200		22,200
Accounting service	16,943		16,943
Administrative expense	1,237		1,237
Legal and professional	6,081		6,081
Licenses and fees	8,945		8,945
Storage space rent	3,000		3,000
Association dues and rent	6,358		6,358
Insurance claim expense	7,075		7,075
Income tax expense	25,843		25,843
	<u>138,502</u>	<u>-</u>	<u>138,502</u>
Major repairs and replacements		389,397	389,397
Total expenses	<u>939,813</u>	<u>389,397</u>	<u>1,329,210</u>
Excess(deficit) of revenues over(under) expenses	180,089	-	180,089
Beginning fund balances	268,467	-	268,467
Transfers to/from contract liabilities	(99,256)		(99,256)
Ending fund balances	<u>\$ 349,300</u>	<u>\$ -</u>	<u>\$ 349,300</u>

The accompanying notes are an integral part of the financial statements
(See Independent Accountant's Review Report)

OASIS VILLA RESORT HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

	Operating Fund	Replacement Fund	Total
Excess(deficit) of revenues over(under) expenses	\$ 180,089	\$ -	\$ 180,089
Adjustments to reconcile excess(deficit) of revenues over(under) expenses to net cash provided(used) by operating activities			
Assessments receivable	(2,665)	1,326	(1,339)
Allowance for doubtful accounts	700	-	700
Prepaid expenses	(11,580)	-	(11,580)
Prepaid insurance	11,579	-	11,579
Prepaid taxes	(518)	-	(518)
Accounts payable	139,923	-	139,923
Prepaid assessments	26,496	(9,752)	16,744
Deferred insurance settlement income	61,456	-	61,456
Contract liabilities (Assessments received in advance - replacement fund)		(43,596)	(43,596)
Net cash provided(used) by operating activities	225,391	(52,022)	173,369
Cash provided(used) by investing activities:			
Net cash flows from investing activities	-	-	-
Cash provided(used) by financing activities:			
Transfers to/from contract liabilities	(99,256)	-	-
Interfund borrowings	(194,220)	194,220	-
Net cash flows from financing activities	(293,476)	194,220	-
Net increase(decrease) in cash and cash equivalents	112,004	142,198	254,202
Cash and cash equivalents at beginning of year	291,585	621,704	913,289
Cash and cash equivalents at end of year	\$ 403,589	\$ 763,902	\$ 1,167,491
SUPPLEMENTAL DISCLOSURE			
Income taxes paid			\$ 20,700
Interest paid			\$ -

The accompanying notes are an integral part of the financial statements
(See Independent Accountant's Review Report)

OASIS VILLA RESORT HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

1. Organization

Oasis Villa Resort Homeowners Association (the "Association") was incorporated on December 18, 1989 as a California nonprofit mutual benefit corporation under the laws of California, for the purposes of maintaining and preserving common property. The Association consists of 116 units and is located in Palm Springs, California. The Oasis Villa Resort Homeowners Association (the Master Association) was incorporated on December 18, 1989, as a California nonprofit mutual benefit corporation. The Master Association was established to own and maintain the overall resort community of Oasis Resort, encompassing 27 acres on which 180 condominiums, rental condominiums, and timeshare interests have been constructed. Two incorporated homeowners associations comprise the Master Association and are referred to as the sub-associations: The Village at Oasis Homeowners Association, Inc., and Vacation Internationale, Inc. (a Washington State Corporation). Village at Oasis Homeowners Association, Inc. manages and operates common areas pertaining to 82 residential condominium units at the Oasis Resort. Vacation Internationale, Inc., manages and operates the remaining 98 units, which were subdivided to become currently 116 units.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the board of directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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 significantly from those estimates.

Fund Accounting

The Association's governing documents provide certain guidelines for governing 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:

Operating Fund – The fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund – The fund is used to accumulate financial resources designated for future major repairs and replacements.

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. After the Board of Directors has exhausted all efforts to collect delinquent accounts, the Board of Directors may elect to write off uncollectible balances.

The Association recorded an allowance of doubtful account \$1,675 to reflect an estimate of accounts that may not be collectible, which includes accounts receivable greater than 90 days old.

OASIS VILLA RESORT HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

Contract Liabilities (Assessments received in advance – replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance – replacement fund) is recorded when the Association has the right to receive payment in advance of satisfaction of performance obligations related to replacement reserve assessments.

Income Tax

The Association's policy is to record interest expense or penalties related to income tax in operating expenses.

Capital Assets and Depreciation Policy

The Association has not capitalized real and personal common area property contributed by the developer. Replacements and improvements to real property are also not capitalized; rather, they are charged to the respective fund in the period the cost is incurred. Significant personal property assets are capitalized and depreciated over their estimated lives using straight-line depreciation.

Cash and Cash Equivalents

Cash and cash equivalents include the Association's cash, checking accounts, money market funds and investments in certificates of deposit with original maturities of 90 days or less.

Investments

Investments consist of certificates of deposit and other securities and investment accounts with original maturities of more than 90 days.

Subsequent Events

Subsequent events have been evaluated through March 25, 2020, which is the date the financial statements were available to be issued.

3. Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate bank accounts and are generally not available for expenditures for normal operations.

The board of directors conducted a reserve study to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on this study.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to its governing documents, to increase regular assessments or to levy special assessments, or it may delay major repairs and replacements until funds are available
Replacement fund expenditures were as follows:

OASIS VILLA RESORT HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

Pool and spa	\$ 90,706
Concrete repairs	35,035
Tree removal	10,700
Signage	9,958
Landscape	154,171
Lake pumpset	54,393
Equipment	11,795
Golf cart	22,489
Reserve study	150
	<u>\$ 389,397</u>

4. FASB ASC 606 New Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate – Common Interest Realty Associations, Revenue Recognition, and requires the recognition of revenue when promised goods and services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods and services.

The Association adopted the requirements of new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires the cumulative effect of the changes related to the adoption be charged to the beginning balance. The Association applied the new guidance using the practical expedient in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to the Association's accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described.

The adoption of the new revenue recognition guidance resulted in the following change to the fund balance as of January 1, 2019:

Fund balance, as previously reported, at January 1, 2019	\$ 902,053
Adjustment	(633,586)
Fund balance, adjusted, at January 1, 2019	<u>\$ 268,467</u>

The effect of the adoption is a decrease in 2019 replacement fund assessments and a recording of a contract liability (assessments received in advance – replacement fund) at December 31, 2019. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

	Amounts that would have been reported	Effects of applying new guidance	As Reported
Liabilities:			
Contract liabilities (Assessments received in advance - replacement reserve)	\$ -	\$ 589,990	\$ 589,990
Total liabilities	\$ -	\$ 589,990	
Fund Balance:			
Ending fund balance	\$ 938,772	\$ (589,472)	\$ 349,300

The modified retrospective method requires us to disclose the effect of applying the new guidance on each item included in our 2019 financial statements. Following are the line items from our balance sheet as of December 31, 2019, that were

OASIS VILLA RESORT HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance

	Amounts that would have been reported	Effects of applying new guidance	As reported
Revenue:			
Regular assessments	\$ 1,237,726	\$ 142,852	\$ 1,380,578
Excess of revenues over expenses	\$ 36,719		\$ 180,089
Cash Flows:			
Excess of revenues over expenses	\$ 36,719	\$ 142,852	\$ 180,089
Increase in contract liabilities (Assessments received in advance - replacement reserves)	-	\$ 142,852	\$ 142,852

5. Income Taxes

The Association elected to file its federal income tax returns as a homeowners association under Internal Revenue Code Section 528. For its California income tax return, the Association qualifies for tax exempt status as a homeowners' association under California Revenue and Taxation code section 23701(t). For both Federal and California returns, the Association is generally taxed on income not related to membership dues and assessments, such as interest income and non-member income. The Internal Revenue Service and the California Franchise Tax Board can examine the Association's income tax returns generally up to three years and four years, respectively.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association and has concluded that as of the year end, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

6. Related Parties in Interest

The Oasis Resort is managed by Vacation Internationale, Inc., which is also a sub-association of the Oasis Villa Resort Homeowners Association (Master Association) and operates 116 timeshare units. As the property manager, Vacation Internationale, Inc., charges the Master Association management and accounting fees, security services fees, and other miscellaneous services provided.

7. Land Leases and Remainder Interests

The Oasis Resort is situated on land leased from allottees of the Agua Caliente Band of Mission Indians, as lessors, under two long-term ground leases, which are administered by the Bureau of Indian Affairs ("BIA"). The lessee's interest under the ground leases is held by Vacation Internationale, Inc. ("VI"), and VI is the sublessor on subleases for all of the individual condominium units at the Oasis Resort. VI, as trustee of the Vacation Internationale Trust, also holds sub-subleases for 116 units, which sub-subleases currently expire between 2029 and 2036 (subject to negotiations regarding those expiration dates). Payments under the unit subleases are collected by VI acting in its capacity as the master lessee/ sublessor and paid to the allottee-lessors. VI also advances to the allottee-lessors any unpaid lease payments due from delinquent homeowners/sublessees. The ground leases currently expire in 2046 and the decision whether to seek a renewal of the ground leases or purchase of the allottee-lessors' reversionary fee interest will be made by the parties who will hold the subleases upon expiration of the ground leases.

**OASIS VILLA RESORT HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019**

8. Gain on Sale of Owned Unit

During 2016, the Association foreclosed on a delinquent owner's unit, and continues to hold title to the unit. During the year ended December 31, 2019, the Association sold the unit and received a net gain on the sale of the unit of \$72,512.

**OASIS VILLA RESORT HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
For the Year Ended December 31, 2019
(Unaudited)**

The Association's board of directors, in conjunction with a reserve study expert, conducted a reserve study dated November 20, 2019 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components on the date of the study. Estimated current costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair and replacement.

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

Study Component	Estimated remaining useful lives	Estimated current replacement costs
Access system	0-7	\$ 34,325
Asphalt and concrete	0-28	1,349,372
Domestic water	0-0	15,000
Electrical and lights	4-18	110,125
Fence and gates	0-25	261,584
Grounds equipment	0-18	51,700
Landscape	0-13	111,000
Paint	0-4	34,208
Pool #1	0-11	81,403
Pool #2	0-13	72,778
Pool #3	0-11	73,644
Pool #4	0-25	149,342
Pool #5	0-10	75,438
Pool #6	0-23	72,460
Pool #7	1-12	71,052
Pool #8	0-12	74,190
Pool #9	1-10	33,514
Pool furniture	0-3	46,000
Reserve study	0-0	2,000
Signage	0-26	35,800
Tennis courts	1-4	24,900
Water features	0-1	72,000
Wood, beam repairs	10-10	11,460
		<u>\$ 2,863,295</u>