

VILLAGE AT OASIS HOMEOWNERS ASSOCIATION, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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NEWMAN

Certified Public Accountant, PC

Independent Accountant's Review Report

To the Board of Directors of Village at Oasis Homeowners Association, Inc.

We have reviewed the accompanying financial statements of Village at Oasis Homeowners Association, Inc. (the "Association") which comprise the balance sheet as of December 31, 2020 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 9 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

Carlsbad, California

April 13, 2021

VILLAGE AT OASIS HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
December 31, 2020

	Operating Fund	Replacement Fund	Total
Assets			
Cash and cash equivalents	\$ 12,601	\$ 222,840	\$ 235,441
Assessments receivable	11,190		11,190
Allowance for doubtful accounts	(5,278)		(5,278)
Prepaid insurance	695		695
Prepaid expense	500		500
Due from (to) fund	(10,175)	10,175	-
Total Assets	\$ 9,533	\$ 233,015	\$ 242,548
Liabilities			
Accounts payable	\$ 594		\$ 594
Prepaid assessments	8,323		8,323
Contract liabilities (Assessments received in advance - replacement fund)		233,015	233,015
Total liabilities	8,917	233,015	241,932
Fund balances	616	-	616
Total liabilities and fund balances	\$ 9,533	\$ 233,015	\$ 242,548

VILLAGE AT OASIS HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN FUND BALANCES
For the Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenues			
Owners' assessments	\$ 32,698	17,825	\$ 50,523
Interest	27		27
Other member income	1,119		1,119
Total revenues	<u>33,844</u>	<u>17,825</u>	<u>51,669</u>
Expenses			
Maintenance			
Pest control	4,472		4,472
	<u>4,472</u>	-	<u>4,472</u>
Administrative			
Insurance	1,354		1,354
Management	10,800		10,800
Administrative expense	232		232
Legal, professional and accounting	4,386		4,386
	<u>16,772</u>	-	<u>16,772</u>
Major repairs and replacements		17,825	17,825
Total expenses	<u>21,244</u>	<u>17,825</u>	<u>39,069</u>
Excess(deficit) of revenues over(under) expenses	12,600	-	12,600
Beginning fund balances	-	-	-
Transfers to/from contract liabilities	(11,984)	-	(11,984)
Ending fund balances	<u>\$ 616</u>	<u>\$ -</u>	<u>\$ 616</u>

VILLAGE AT OASIS HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Excess(deficit) of revenues over(under) expenses	\$ 12,600	\$ -	\$ 12,600
Adjustments to reconcile excess(deficit) of revenues over(under) expenses to net cash provided(used) by operating activities			
Assessments receivable	(3,625)	-	(3,625)
Prepaid insurance	(695)	-	(695)
Prepaid expense	75	-	75
Accounts payable	(27,996)	-	(27,996)
Prepaid assessments	(2,202)	-	(2,202)
Contract liabilities (Assessments received in advance - replacement fund)	-	130,610	130,610
Net cash provided(used) by operating activities	<u>(34,443)</u>	<u>130,610</u>	<u>96,167</u>
Cash provided(used) by investing activities:			
Net cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash provided(used) by financing activities:			
Interfund borrowings	19,891	(19,891)	-
Transfers to/from contract liabilities	(11,984)	-	(11,984)
Net cash flows from financing activities	<u>7,907</u>	<u>(19,891)</u>	<u>-</u>
Net increase(decrease) in cash and cash equivalents	(13,936)	110,719	96,783
Cash and cash equivalents at beginning of year	26,537	112,121	138,658
Cash and cash equivalents at end of year	<u>\$ 12,601</u>	<u>\$ 222,840</u>	<u>\$ 235,441</u>
SUPPLEMENTAL DISCLOSURE			
Income taxes paid			<u>\$ -</u>
Interest paid			<u>\$ -</u>

VILLAGE AT OASIS HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

1. Organization

Village at Oasis Homeowners Association, Inc. (the "Association") was incorporated on July 22, 2002 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 82 residential condominium units, and is located in Palm Springs, California. The Association is a sub-association of Oasis Villa Resort Homeowners Association ("Master Association"), which manages the Oasis Resort community which includes 180 condominiums, rental condominiums and timeshare interests, all on 27 acres. The other 98 units were subdivided, resulting in 116 units, which are managed by Vacation Internationale, Inc. (a Washington State Corporation).

2. Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 13, 2021, the date that the financial statements were available to be issued.

3. Summary of Significant Accounting Policies

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 revenue 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.

Members Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses 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 owners 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. The balances of assessments receivable as of the beginning and end of the year are \$7,565 and \$11,190, respectively.

VILLAGE AT OASIS HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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 for doubtful accounts of \$5,278 to reflect an estimate of accounts that may not be collectible.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

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.

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.

4. Income Taxes

Common Interest Realty Associations are generally taxed either as a qualifying Internal Revenue Code (IRC) Section 528 homeowners' association or as a regular corporation subject to the special provisions of IRC Section 277 for membership organizations. For the current year, the Association has met IRC Section 528 eligibility requirements and has chosen to file Form 1120-H for its federal income tax return. The income tax filing determination is assessed for each tax year and only pertains to the tax year being evaluated.

IRC Section 528 requires that the Association separates all of its income and expense activity between three categories: exempt function, nonexempt function and capital. Taxable income includes net nonexempt function income, such as interest and other nonmember sourced income. In the determination of net taxable income, certain expenses were allocated to offset a portion of the Association's taxable income. The Form 1120-H tax rate is 30%.

The Association is also required to file California's Form 100 income tax return subject to California Revenue & Taxation Code sections 24405 and 24437 for its state income tax return. The Form 100 tax rate is 8.84%.

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. 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. There are currently no audits in progress for any tax period.

VILLAGE AT OASIS HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

5. 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 operating fund expenses. 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 member approval, to increase regular assessments or to levy special assessments, or it may delay major repairs and replacements until funds are available.

6. FASB ASC 606 New Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued ASC 606 guidance, Revenue from Contracts with Customers, effective January 1, 2019, which superseded the revenue recognition requirements in FASB ASC 972-605, Real Estate - Common Interest Realty Associations (CIRA), Revenue Recognition. The Association has presented the attached financial statements in accordance with FASB ASC 606. Assessments attributed to the Operating Fund are recognized in the period earned. Assessments allocated to the Replacement Fund are recognized as revenue only when there are replacement fund expenditures, and to the extent the replacement fund expenditures exceed replacement fund interest income.

The cumulative balance of Replacement Fund assessments that have not been recognized as income are accumulated as deferred replacement fund assessments and presented as Contract Liabilities (Assessments received in advance - Replacement fund) on the Balance Sheet. Deferred replacement fund assessments are increased by unrecognized replacement fund assessments and decreased as replacement fund assessments are recognized as revenue in the Statement of Revenue and Expenses and Changes in Fund Balances.

Contract liabilities (Assessments received - in advance - replacement fund) as of January 1, 2020	\$ 102,405
Assessments budgeted for Replacement Fund	136,451
Recognized Replacement Fund assessments	(17,825)
Adjustment and transfer to/from contract liabilities	11,984
Contract liabilities (Assessments received - in advance - replacement fund) as of December 31, 2020	<u>\$ 233,015</u>

7. COVID-19

The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. In the United States, the federal and state governments have implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus began causing business disruptions domestically beginning in 2019 that are anticipated to continue for the foreseeable future. The extent of the impact of the COVID-19 pandemic on the Association's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact of the COVID-19 pandemic on overall demand for the Association's services and the ability of owners to pay assessments, all of which are highly uncertain and cannot be predicted.

VILLAGE AT OASIS HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

8. Land Lease

The property on which the Oasis Resort is situated is subject to various long-term ground leases with various allottees of the Agua Caliente Band of Mission Indians expiring in 2046. As of October 31, 2007, the land lease was assigned to Vacation Internationale, Inc. The Master Association's sub-associations, Village at Oasis Homeowners Association, Inc. and Vacation Internationale act as pass-through entities for the land lease payments of \$194.28 per month for 2020. Unpaid lease dues pertaining to delinquent homeowners are advanced by Vacation Internationale to the allottees. As of December 31, 2020 Indian land lease liability was advanced and paid by Vacation Internationale to the allottees.

9. Related Parties in Interest

The Oasis Resort is managed by Vacation Internationale, 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 Association management and accounting fees and other miscellaneous services provided.

10. Due from (to) fund

The balance of the Due from (to) fund accounts as of December 31, 2020 totaled \$10,175. The balance comprised primarily of reserve accounts receivable dues deposited into the operating account.

11. Subsequent Event

In 2021, the Board of Directors approved a special assessment of \$1,500 per unit to fund a painting project and to fund the reserve account.

VILLAGE AT OASIS HOMEOWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
For the Year Ended December 31, 2020
(Unaudited)

The Association's board of directors, in conjunction with a reserve study expert, conducted a reserve study dated November 18, 2020 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 at 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
Decks	0-21	\$ 654,086
Domestic water	0-0	2,163
Landscape	0-0	23,800
Mailboxes	10-10	9,600
Paint	0-0	109,880
Roof, flat	0-38	280,170
Roof, slope	24-25	420,420
Stucco repair	4-4	8,100
		\$ 1,508,219
Other Assumptions:		
Interest rate		1.00%
Inflation rate		3.00%