

EDGELAKE BEACH TIMESHARE OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2015

Edgelake Beach Timeshare Owners Association, Inc.
Post Office Box 318
Tahoe Vista, California 96148

ACCOUNTANT'S REPORT

I have reviewed the accompanying balance sheet of Edgelake Beach Timeshare Owners Association, Inc. as of December 31, 2015, and the related statement of revenues, expenses and equity for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Edgelake Beach Timeshare Owners Association, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

FRANK F. MOONEY

Kings Beach, California
April 20, 2016

EDGELAKE BEACH TIMESHARE OWNERS ASSOCIATION, INC.

BALANCE SHEET - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

CASH IN BANK – OPERATING	\$	557,357
CASH IN BANK – RESERVES		<u>539,615</u>
TOTAL ASSETS	\$	<u><u>1,096,972</u></u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES

PROVISION FOR INCOME TAX	\$	1,653
ASSESSMENTS PAID IN ADVANCE		<u>445,644</u>
		<u>447,297</u>

EQUITY

BALANCE – BEGINNING OF THE YEAR		638,674
NET INCOME		<u>11,001</u>
BALANCE – END OF THE YEAR		<u>649,675</u>
TOTAL LIABILITIES AND EQUITY	\$	<u><u>1,096,972</u></u>

See Accompanying Notes and Accountant's Report

EDGELAKE BEACH TIMESHARE OWNERS ASSOCIATION, INC.

STATEMENT OF REVENUE AND EXPENSE - CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2015

INCOME

ASSESSMENTS	\$	809,889
RENTAL		155,377
MISCELLANEOUS		8,073
INTEREST		8,229
TOTAL INCOME		<u>981,568</u>

OPERATING EXPENSES

UTILITIES AND TELEPHONE		131,748
POOL SUPPLIES		2,235
GROUNDS MAINTENANCE		4,993
HOUSEKEEPING		21,150
REPAIRS AND MAINTENANCE		106,380
OPERATING SUPPLIES		11,082
INSURANCE		21,567
TAXES AND FEES		51,156
TOTAL OPERATING EXPENSES		<u>350,311</u>

GENERAL EXPENSES

SALARIES AND PAYROLL TAXES		408,749
EMPLOYEE BENEFITS		3,960
WORKMANS COMP INSURANCE		16,416
ADVERTISING		2,655
MANAGEMENT COSTS		85,099
LEGAL AND PROFESSIONAL		2,112
OFFICE EXPENSES		30,961
RENTAL COMMISSIONS		43,843
SWEETBRIAR ASSESSMENTS		15,756
OTHER EXPENSES		9,052
TOTAL GENERAL EXPENSES		<u>618,603</u>

NET INCOME OR (LOSS) BEFORE INCOME TAXES 12,654

INCOME TAX EXPENSE 1,653

NET INCOME \$ 11,001

See Accompanying Notes and Accountant's Report

EDGELAKE BEACH TIMESHARE OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

ORGANIZATION

Edgelake Beach Timeshare Owners Association, Inc. (the "Association") was incorporated on September 24, 1981, in the State of California. The Association is responsible for the operation and maintenance of the common area property within the development. The development consists of 33 condominium units (1,683 timeshare intervals) located in Tahoe Vista, California. The Association has retained Edgelake Management, Inc. to perform overall management services for the resort. All members of the resort staff at the year-end were employees of the Association.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING METHOD

The Association maintains its books of account on the cash basis of accounting. Under this method of accounting, revenue is recognized when assessments are received and expenses are recognized when goods or services are paid, except a provision has been made for income tax expense. Assessments received in advance for the year 2016 are reflected on the balance sheet as a liability, assessments paid in advance.

CASH IN BANKS

The Company maintains its cash in deposit accounts at various financial institutions. The balances, at times, may exceed federally insured limits. The Company has not experienced any losses in these accounts and the Company's management believes that the Company is not exposed to any significant risk.

FUND ACCOUNTING

The Association has segregated its activities into reserve funds; the operating fund and the replacement reserve funds. The operating fund accounts for all current operating transactions of the Association. The replacement reserve fund accounts for member capital contributions, which are accumulated in separate bank accounts to provide for the future repair and replacement of the Association common areas.

Distributions from the operating and capital reserve accounts are generally at the discretion of the Board of Directors and the Property Manager. Disbursements from the capital reserve accounts generally may be made only for designated purposes.

INTEREST EARNINGS

The Association earns interest on certificates of deposit and money market demand accounts. Certificates of deposit are carried at cost. The Association's Interest Income also includes interest on late Homeowners' dues. Investment income is recorded in the reserve account that holds the investment. Income taxes provided on interest income are allocated to the respective fund.

HOMEOWNERS ASSESSMENTS

Association members are subject to annual assessments that provide funds for the Association's operating expenses and major repairs and replacements.

EDGELAKE BEACH TIMESHARE OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(continued)

INCOME TAXES

The Association is organized as a not-for-profit corporation. Under federal income tax laws, the Association is allowed to deduct the cost of furnishing services to members to the extent of the income derived from member assessments. Any excess of deductions over membership income may be carried over to offset excess membership income in succeeding years. Income not received from members (such as interest earnings) is subject to both federal and state income taxes.

PROPERTY, EQUIPMENT AND DEPRECIATION

Real property common areas and improvements thereto are not capitalized on the Association financial statements, as they are owned by the individual owners and not the Association.

Common areas are restricted to use by Association members, their tenants, and guests. The Association is responsible for the preservation and maintenance of the common areas. Common Area property not capitalized in the Association's financial statements includes; condominium building structural components, roads, fences, pools and spas.

REPLACEMENT FUND AND RESTRICTED CASH

The Association's governing documents require funds to be accumulated for the replacement of its common areas and for general operations. Such funds are intended to provide for the cost of future replacement, repairs and maintenance when it is estimated that such items are needed.

It is the Association's policy to fund its reserves on a monthly basis. The Association annually reviews its reserve funding program. The last review was performed as part of the budget process for the current year. California Civil Code Section 1365 et.seq. mandates certain requirements for disclosure of the reserve funding program by the Association to its members. The Association believes that it has complied in all material respects with these requirements.

Actual expenditures may vary from estimated amounts and variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs.

CONTINGENT LIABILITIES

The Association is not currently involved in any litigation matters and has not retained an attorney for matters that may involve current or potential litigation.