

Mt. Baker Rim Community Club 2020, 2021, and 2022 Operating Plan

	2020 Budget (Approved 2019 AGM)	2021 Budget (Approved 2020 AGM)	2022 Budget (Draft 2021 AGM)
Ordinary Income/Expense			
Income			
4010 · Members Dues	297,337.50	297,337.50	309,050.00
4011 · Dues for Reserve Fund	11,013.00	11,013.00	11,037.50
Contributing Lots x Annual Dues Amount	(440.5 x \$700)	(440.5 x \$700)	(441.5 x \$725)
4012 - Credit Card Fee Recovery	-	-	3,000.00
4018 - Rental Income - Apartment	7,200.00	7,200.00	7,200.00
4030 · Members Interest	300.00	300.00	300.00
4050 · Member Lien Fees	400.00	400.00	400.00
4101 · Member Gate Card	1,400.00	1,000.00	1,000.00
4102 · Vendor Gate Card	2,000.00	1,000.00	1,000.00
4140 · Dividend & Interest Income	4,200.00	3,000.00	3,000.00
4168 · Clubhouse Rental Income	350.00	350.00	350.00
4169 · Violations Income	1,000.00	2,000.00	1,000.00
4173 · Renter Fee Income	19,000.00	19,000.00	25,000.00
4175 · Transfer Fees	2,800.00	2,800.00	2,800.00
4176 · Social Function Income	-	-	-
Total Income	347,000.50	345,400.50	365,137.50
Expense			
5000 · ADMINISTRATION			
5005 · Accounting Expense	8,800.00	9,000.00	9,000.00
5010 - Bad Debt Expense	-	-	2,400.00
5011 · Bank Service Charges	60.00	300.00	300.00
5012 · Credit Card Fees	2,800.00	3,000.00	4,000.00
5021 · Gate Card Expense	1,100.00	1,100.00	1,100.00
5024 · Annual General Meeting Expense	1,500.00	1,500.00	1,500.00
5025 · General Admin./Directors	800.00	1,000.00	1,500.00
5028 · Internet Access	1,700.00	1,300.00	1,000.00
5031 · Filing Fees	500.00	500.00	500.00
5032 · Attorney Fees	1,200.00	1,200.00	3,500.00
5035 · Licenses & Permits	650.00	700.00	700.00
5045 · Office Supplies	1,600.00	1,100.00	500.00
5046 · Postage	800.00	500.00	500.00
5047 · Computer Software	900.00	900.00	900.00
5050 - Social Functions/ Supplies	300.00	400.00	400.00
5060 · Training	300.00	300.00	300.00
5061 · Amazon Prime	130.00	150.00	-
5064 · Website Expense	400.00	400.00	1,050.00
Total 5000 · ADMINISTRATION	23,540.00	23,350.00	29,150.00
5120 · General Insurance	17,300.00	19,000.00	19,000.00
5200 · MAINTENANCE & REPAIR			
5210 · Clubhouse-Maintenance	1,200.00	1,200.00	1,200.00
5215 · Gate House-Maintenance	800.00	1,000.00	1,000.00
5216 · Office Maintenance	300.00	-	-
5220 · Gate/Security-Maintenance	1,500.00	1,500.00	1,500.00
5225 · Pool-Maintenance & Repair	1,200.00	1,000.00	1,000.00
5230 · Grounds-Maintenance	2,500.00	2,500.00	2,500.00
5231 · Roads-Maintenance/Paving	18,000.00	18,000.00	18,000.00
5235 - Compactor Maintenance	500.00	500.00	500.00
5240 · Tree Removal	1,500.00	2,000.00	7,500.00
Total 5200 · MAINTENANCE & REPAIR	27,500.00	27,700.00	33,200.00
5300 · SUPPLIES			
5310 - Other Supplies	200.00	200.00	200.00
5311 · Clubhouse Supplies	1,500.00	2,000.00	1,000.00
5320 · Pool Supplies	9,200.00	12,000.00	12,000.00

	2020 Budget (Approved 2019 AGM)	2021 Budget (Approved 2020 AGM)	2022 Budget (Draft 2021 AGM)
5325 · Tools	1,500.00	1,000.00	1,000.00
Total 5300 · SUPPLIES	12,400.00	15,200.00	14,200.00
5400 · TAXES			
5411 · Federal Unemployment Tax	300.00	300.00	400.00
5412 · FICA/Medicare	11,000.00	11,000.00	11,000.00
5414 · State Unemployment Tax	200.00	500.00	950.00
5415 · Labor & Industries	3,750.00	3,000.00	4,800.00
5120 - Income Tax Federal	450.00	-	-
5430 · Property Tax - Gatehouse	220.00	220.00	76.00
5435 · Property Tax - MBR Lots	20.00	20.00	18.00
Total 5400 · TAXES	15,940.00	15,040.00	17,244.00
5500 · UTILITIES			
5510 · Telephone	1,800.00	2,400.00	4,000.00
5515 · Garbage	16,250.00	17,000.00	17,000.00
5516 · Recycling	8,000.00	8,500.00	15,000.00
5520 · Gate House-Power	3,000.00	3,000.00	3,000.00
5525 · Clubhouse-Power	5,500.00	5,500.00	5,500.00
5530 · Storage Shed-Power	200.00	300.00	300.00
5535 · Gate House-Water	350.00	350.00	350.00
5537 · Propane	9,000.00	7,500.00	7,500.00
5540 · Clubhouse-Water	800.00	800.00	800.00
5545 · Clubhouse-Wi-Fi Internet	2,450.00	2,000.00	1,000.00
Total 5500 · UTILITIES	47,350.00	47,350.00	54,450.00
5600 · VEHICLE/EQUIPMENT			
5610 · Fuel	4,000.00	4,000.00	4,000.00
5615 · Maintenance & Repair-Vehicles	3,000.00	3,000.00	2,500.00
Total 5600 · VEHICLE/EQUIPMENT	7,000.00	7,000.00	6,500.00
5700 · WAGES & BENEFITS			
5710 · Employee Medical	-	-	-
5715 · Wages - Caretaker	52,000.00	52,000.00	-
5716 · Wages - Community Manager	-	-	60,000.00
5720 · Wages-Bookkeeper	23,000.00	23,000.00	21,000.00
5721 · Wages-Office Manager	28,000.00	28,000.00	10,600.00
5725 · Wages - Asst. Caretaker	39,500.00	39,500.00	41,800.00
5726. Wages PT Caretaker's	11,000.00	8,000.00	6,800.00
5727 · IRA Contribution	4,000.00	2,500.00	1,500.00
Total 5700 · WAGES & BENEFITS	157,500.00	153,000.00	141,700.00
6560 · Payroll Expenses	2,100.00	2,100.00	2,100.00
Operating Contingency	-	-	11,000.00
Total Expense	310,630.00	309,740.00	328,544.00
Net Ordinary Income	36,370.50	35,660.50	36,593.50
Other Income/Expense			
Other Expense			
8065 · Charitable Contributions	-	-	500.00
8070 - Operating Reserves	36,000.00	36,000.00	36,000.00
8600 · Depreciation Expense	Depreciation will appear after end of year.	Depreciation will appear after end of year.	Depreciation will appear after end of year.
8515 · CAPITAL EXP. C.H. Improvements			
Total Other Expense	36,000.00	36,000.00	36,500.00
Net Other Income/Expense	(36,000.00)	(36,000.00)	(36,500.00)
Net Income	370.50	(339.50)	93.50
Reserve Fund Sources:			
Reserve Fund Dues	11,013.00	11,013.00	11,037.50
Budgeted Operating Surplus	24,987.00	24,987.00	24,962.50
	36,000.00	36,000.00	36,000.00

MT. BAKER RIM COMMUNITY CLUB CAPITAL RESERVE FUNDING PLAN

	Actual Jan. 1 2021 Reserves on Hand*	2020 Operating Surplus Transferred	Intra-Fund Transfers	2021 Expenditures	Estimated 2021 Reserve Funding	Est. Jul 1, 2022 Reserves on Hand
CH Structure	\$55,163	\$11,127	-\$1,643		\$6,522	\$71,170
CH Roof	\$9,457	\$1,908	-\$341		\$1,118	\$12,141
CH Deck & Fencing	\$4,925	\$994	-\$178		\$582	\$6,323
CH Exterior Siding	\$10,579	\$2,134	-\$382	-\$13,000	\$1,251	\$582
CH Windows & Doors	\$4,728	\$954	-\$171		\$559	\$6,071
CH Walls & Floors	\$16,663	\$3,361	-\$601		\$1,970	\$21,393
CH Sauna	\$355	\$72	-\$13		\$42	\$455
CH Heating System	\$1,839	\$371	-\$66		\$217	\$2,361
CH Security System	\$3,290	\$664	-\$119		\$389	\$4,223
Pool Pump Room	\$7,033	\$1,419	-\$254		\$832	\$9,030
CH/Pool Electrical Pannel	\$2,246	\$453	-\$81		\$266	\$2,884
CH Showers Mens	\$2,556	\$516	-\$92		\$302	\$3,282
CH Showers Ladies	\$3,940	\$795	-\$142		\$466	\$5,059
CH Appliances	\$1,970	\$397	-\$71		\$233	\$2,529
CH Light Fixtures	\$2,597	\$524	-\$94		\$307	\$3,334
Total Chubhouse	\$127,341	\$25,687	-\$4,246	-\$13,000	\$15,055	\$150,837
Pool	\$40,251	\$8,119	-\$1,452		\$4,759	\$51,678
Pool Fence	\$2,305	\$465	-\$83		\$273	\$2,959
Tennis Court	\$16,549	\$3,338	-\$597		\$1,957	\$21,247
Tennis Court Fence	\$968	\$195	-\$35		\$114	\$1,243
Total Pool/Tennis Courts	\$60,074	\$12,118	-\$2,167	\$0	\$7,102	\$77,127
Gate House Structure	\$15,760	\$3,179	-\$568		\$1,863	\$20,234
Gate House Deck	\$2,955	\$596	-\$107		\$349	\$3,794
Heating System	\$2,627	\$530	-\$95		\$311	\$3,373
Front Gate Security System	\$2,863	\$577	-\$103		\$338	\$3,675
Entry Sign & Access	\$15,875	\$3,202	-\$573		\$1,877	\$20,382
Garage	\$15,213	\$3,069	-\$549		\$1,799	\$19,532
A-Frame	\$8,274	\$1,669	-\$298		\$978	\$10,623
Trash Area Structure	\$3,546	\$715	-\$128		\$419	\$4,553
Information Technology	\$591	\$119	\$6,720	-\$7,500	\$70	\$0
Reserve Study	\$394	\$79	\$3,880	-\$4,400	\$47	\$0
Total Other Structures & IT	\$68,099	\$13,737	\$8,179	-\$11,900	\$8,051	\$86,166
Vehicles 2016 Dodge	\$3,940	\$795	-\$142		\$466	\$5,059
Snowplow	\$4,098	\$827	-\$148		\$484	\$5,261
Sander & Spreader	\$3,602	\$727	-\$130		\$426	\$4,625
1994 Tractor	\$14,901	\$3,006	-\$537		\$1,762	\$19,131
2012 Toyota Tacoma	\$10,507	\$2,119	-\$379		\$1,242	\$13,490
Lawn Mowers	\$4,053	\$818	-\$146		\$479	\$5,203
Trash Compactor	\$5,516	\$1,113	-\$199		\$652	\$7,082
Playground Equipment	\$2,364	\$477	-\$85		\$280	\$3,035
Total Vehicles and Equipment	\$48,982	\$9,881	-\$1,767	\$0	\$5,791	\$62,887
Totals	\$304,496	\$61,422	\$0	-\$24,900	\$36,000	\$377,018

* Allocations will change based on the finalization of a reserve report prepared by an independent consultant

Enter Fund Balance and Funding:

\$304,496	\$61,422	\$10,600	\$36,000
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Mt. Baker Rim Community Club, Inc.

Financial Statements and
Supplementary Information with
Independent Accountant's Review Report

Year Ended December 31, 2020 with
Summarized Comparative Totals for the
Year Ended December 31, 2019

Larson Gross 

Mt. Baker Rim Community Club, Inc.

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Independent Accountant's Review Report

To the Board of Directors and Association Members
Mt. Baker Rim Community Club, Inc.
Glacier, Washington

We have reviewed the accompanying financial statements of Mt. Baker Rim Community Club, Inc., (the Club) which comprise the balance sheet as of December 31, 2020, the related statements of revenues, expenses, and changes in fund balances 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 management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. 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

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.

Other Matters

Report on Summarized Comparative Information

We previously reviewed the Club's 2019 financial statements and in our conclusion dated May 1, 2020, stated that based on our review, we were not aware of any material modifications that should be made to the 2019 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2019, for it to be consistent with the reviewed financial statements from which it has been derived.

Required Supplementary Information

The accompanying supplementary information on future major repairs and replacements on page 12 is presented for purposes of additional analysis and is a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Larson Gross PLLC

Bellingham, Washington
April 15, 2021

Mt. Baker Rim Community Club, Inc.

Balance Sheet

December 31, 2020

With Summarized Comparative Totals for December 31, 2019

(See Independent Accountant's Review Report)

	<u>2020</u>			
	<u>Operating</u>	<u>Reserve</u>	<u>Total</u>	<u>2019</u>
	<u>Fund</u>	<u>Fund</u>		<u>Total</u>
Assets				
Assets				
Cash and cash equivalents	\$ 170,870	\$ 305,042	\$ 475,912	\$ 314,806
Dues and assessments receivable, net	7,022	-	7,022	8,930
Prepaid expenses	8,345	1,076	9,421	8,260
Property and equipment, net	261,660	-	261,660	284,106
Investment in cooperative	4,788	-	4,788	4,788
Federal income tax receivable	-	-	-	588
Interfund receivable (payable)	<u>1,622</u>	<u>(1,622)</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 454,307</u>	<u>\$ 304,496</u>	<u>\$ 758,803</u>	<u>\$ 621,478</u>
Liabilities and Fund Balances				
Liabilities				
Accrued expenses	\$ 12,540	\$ -	\$ 12,540	\$ 10,969
Contractor deposits	22,204	-	22,204	14,000
Prepaid dues and assessments	82,295	-	82,295	20,665
Federal income tax payable	<u>763</u>	<u>-</u>	<u>763</u>	<u>-</u>
Total liabilities	117,802	-	117,802	45,634
Fund balances	<u>336,505</u>	<u>304,496</u>	<u>641,001</u>	<u>575,844</u>
Total liabilities and fund balances	<u>\$ 454,307</u>	<u>\$ 304,496</u>	<u>\$ 758,803</u>	<u>\$ 621,478</u>

Mt. Baker Rim Community Club, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balances

Year Ended December 31, 2020

With Summarized Comparative Totals for December 31, 2019

(See Independent Accountant's Review Report)

	2020			2019 Total
	Operating Fund	Reserve Fund	Total	
Revenues				
Dues and capital assessments	\$ 298,037	\$ 11,013	\$ 309,050	\$ 297,337
Rental income	24,450	-	24,450	19,500
Other income	10,951	-	10,951	21,139
Fines and penalties	7,725	-	7,725	1,800
Interest income	685	2,685	3,370	4,163
Gate cards	2,625	-	2,625	2,195
Total revenues	344,473	13,698	358,171	346,134
Expenses				
Labor and labor-related	144,115	-	144,115	169,745
Utilities	44,853	-	44,853	46,344
Depreciation	22,446	-	22,446	22,469
Repairs, maintenance, and replacement	15,061	5,517	20,578	63,371
Insurance	17,881	-	17,881	16,997
Professional services	14,161	-	14,161	12,027
Office expense	10,446	-	10,446	6,136
Supplies	10,743	-	10,743	18,273
Miscellaneous	3,244	-	3,244	4,056
Bad debt expense	2,240	-	2,240	2,740
General meeting expenses	1,526	-	1,526	1,436
Federal income tax expense	775	-	775	12
Social functions	6	-	6	402
Total expenses	287,497	5,517	293,014	364,008
Excess (deficiency) of revenues over expenses	56,976	8,181	65,157	(17,874)
Fund balances – beginning of year	273,487	302,357	575,844	593,718
Interfund transfers	6,042	(6,042)	-	-
Fund balances – end of year	\$ 336,505	\$ 304,496	\$ 641,001	\$ 575,844

Mt. Baker Rim Community Club, Inc.

Statement of Cash Flows

Year Ended December 31, 2020

With Summarized Comparative Totals for December 31, 2019

(See Independent Accountant's Review Report)

	2020			2019
	Operating Fund	Reserve Fund	Total	
Cash flows from operating activities				
Excess (deficiency) of revenues over expenses	\$ 56,976	\$ 8,181	\$ 65,157	\$ (17,874)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
Depreciation	22,446	-	22,446	22,469
(Increase) decrease in assets:				
Dues and assessments receivable	1,908	-	1,908	(5,975)
Prepaid expenses	(85)	(1,076)	(1,161)	(1,179)
Federal income tax receivable	588	-	588	(588)
Increase (decrease) in liabilities:				
Accrued expenses	1,571	-	1,571	(1,650)
Contractor deposits	8,204	-	8,204	(2,000)
Prepaid dues and assessments	61,630	-	61,630	(68,973)
Federal income tax payable	763	-	763	(151)
	<u>154,001</u>	<u>7,105</u>	<u>161,106</u>	<u>(75,921)</u>
Net cash provided (used) by operating activities				
Cash flows from financing activities				
Interfund transfers	<u>(38,219)</u>	<u>38,219</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>(38,219)</u>	<u>38,219</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	115,782	45,324	161,106	(75,921)
Cash and cash equivalents – beginning of year	<u>55,088</u>	<u>259,718</u>	<u>314,806</u>	<u>390,727</u>
Cash and cash equivalents – end of year	<u>\$ 170,870</u>	<u>\$ 305,042</u>	<u>\$ 475,912</u>	<u>\$ 314,806</u>
Supplemental Disclosure of Cash Flow Information				
Cash paid for federal income tax			<u>\$ 12</u>	<u>\$ 751</u>

Notes to Financial Statements

December 31, 2020

With Summarized Comparative Totals for December 31, 2019

(See Independent Accountant's Review Report)

Note 1 – Organization and Operations

Mt. Baker Rim Community Club, Inc. (the Club) organized in the State of Washington in 1971 as a homeowners' association. The term of the Club is perpetual unless otherwise voted upon by the members. The Club is located near the base of Mt. Baker consisting of 445 individually owned lots with common community facilities, including the clubhouse, swimming pool, tennis courts, gatehouse office and caretaker's residence, roadways and waterfront areas. The Club owns another 45 lots that are undevelopable open space property, or common community facilities.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The Club prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; accordingly, revenue and gains are recognized when earned, and expenses and losses are recognized when incurred.

Fund accounting – The Club uses fund accounting whereby financial resources, such as operating funds and funds designated for future repairs and replacements, are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating fund – This fund is used to account for financial resources available for the general operations of the Club.

Reserve fund – This fund is used to account for financial resources designated for major repairs and replacements and capital improvement. Expenditures from this fund must receive approval by the Board of Directors.

Comparative information – The financial statements include certain prior-year summarized comparative information. Such information should be read in conjunction with the Club's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Cash and cash equivalents – Cash, checking accounts, and certificates of deposit are considered to be cash equivalents. The Club maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Club has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Dues and assessments receivable – Receivables consist of dues and assessments receivable. Club members are subject to annual assessments to provide funds for the Club's operating expenses, future capital acquisitions, and major repairs and replacements. Dues and assessments receivable are recorded in the Club's balance sheet at their net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for doubtful accounts. On a continuing basis, the Board analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off to bad debt expense. The allowance for bad debts totaled \$4,980 and \$2,740 at December 31, 2020 and 2019, respectively.

Notes to Financial Statements

December 31, 2020

With Summarized Comparative Totals for December 31, 2019

(See Independent Accountant's Review Report)

Note 2 – Summary of Significant Accounting Policies – (Continued)

Property and equipment – The common community assets consisting of the clubhouse, swimming pool, tennis courts, gatehouse office and caretaker's apartment, roadways, and waterfront area were constructed by the developer, Lands West, Inc. and sold to the individual lot owners as a portion of the cost of their lots. The original costs of the common assets are owned jointly by the property owners and are not reflected in these financial statements.

Capitalized improvements to the common assets, property, and equipment are recorded at cost. Additions, improvements, and expenditures that exceed \$2,500 and add materially to the productive capacity or extend the life of an asset are capitalized. Expenditures for repair and maintenance are expensed as incurred. Depreciation is recorded using straight-line and accelerated methods over expected useful lives of 5 to 39 years.

Interfund borrowing – The Operating Fund had an interfund receivable from the Reserve Fund of \$1,622 at December 31, 2020.

Revenue recognition – The Club identifies a contract with a customer when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing services identified in the contract. Revenue is recognized as performance obligations under the terms of the contract with the customer are satisfied. Generally, this recognition occurs with the transfer of control of the good or service to the customer. For further discussion of revenue and related accounting policies, see Note 3.

Federal income tax – The Club is taxed as a regular corporation, subject to the provisions of Internal Revenue Code Section 277. As such, income from members is segregated from income derived from non-members and both are taxed at regular corporate rates. However, taxation of the excess of membership income over membership expenses can be deferred for one year if certain elections are made. Any net membership losses may only be carried forward to offset membership income of future tax periods. At December 31, 2020 and 2019, the excess membership deduction carryover totaled \$312,699 and \$382,611, respectively. Federal income tax expense for 2020 and 2019 totaled \$775 and \$12, respectively.

As of December 31, 2020, tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions. The Club recognized no interest or penalties in the statement of revenues, expenses, and changes in fund balances for the year ended December 31, 2020 related to the filing of the tax return.

Interest income – Interest income is allocated to the operating and reserve funds in proportion to the interest-bearing deposits of each fund.

Notes to Financial Statements

December 31, 2020

With Summarized Comparative Totals for December 31, 2019

(See Independent Accountant's Review Report)

Note 2 – Summary of Significant Accounting Policies – (Continued)

Use of estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management 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 from those estimates.

Subsequent events – In preparing these financial statements, the Club has evaluated events and transactions for potential recognition or disclosure through April 15, 2021, the date the financial statements were available to be issued.

Note 3 – Revenue Recognition

Nature of products – The Club provides social and recreational activities and maintains the community assets of Mt. Baker Rim properties.

Timing – The Club recognizes revenue from members' assessments over time in the applicable assessment time period. Rental income is recognized in the month the facilities are used by the member or member's guest. Revenue from other sources is recognized at the point in time when the product or service is provided, which is when the performance obligation is satisfied.

Payment terms – Payments for annual dues and capital assessments are due the first month of the corresponding calendar year for which the payment pertains. The Club records revenue from gate cards, rental income, and other sources at the point in time of delivery of the good or service to the member or member's guest. Payment terms are typically within 30 days. The primary purpose of the Club's invoicing terms is to provide members with simplified and predictable ways of purchasing the goods and services and not to receive financing from or provide financing to the member. Additionally, the Club has elected the practical expedient that permits an entity to not recognize a significant financing component if the time between the transfer of a good or service and payment is one year or less.

Transaction price – The transaction price is the amount of consideration to which the Club expects to be entitled in exchange for transferring goods and services to the member. The Club records reductions to net revenue related to future returns based on the Club's expectations and historical experience.

Deferred revenue – Deferred revenue consist of dues and assessments prepaid by members. When consideration is received and revenue has not yet been recognized, prepaid dues and assessments (deferred revenue) represents a contract liability until the service is performed. Prepaid dues and assessments totaled \$82,295, \$20,665, and \$89,638 at December 31, 2020, 2019, and 2018 respectively.

Mt. Baker Rim Community Club, Inc.

Notes to Financial Statements

December 31, 2020

With Summarized Comparative Totals for December 31, 2019

(See Independent Accountant's Review Report)

Note 3 – Revenue Recognition – (Continued)

Disaggregated revenue – The following table presents the Club's revenues, disaggregated by good or service type, for the years ended December 31:

	Shown as %	
	2020	2019
Dues and capital assessments	86	85
Rental income	7	6
Other income	3	6
Fines and penalties	2	1
Interest income	1	1
Gate cards	1	1
Total revenues	<u>100</u>	<u>100</u>

Note 4 – Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31:

	2020			2019 Total
	Operating Fund	Reserve Fund	Total	
Cash on hand (petty cash and undeposited funds)	\$ 4,753	\$ -	\$ 4,753	\$ 7,905
Cash in checking	142,892	500	143,392	31,367
Cash in social and ground accounts	1,214	-	1,214	2,308
Construction deposits held	22,011	-	22,011	14,008
Capital reserves, CDs and savings	-	304,542	304,542	259,218
	<u>\$ 170,870</u>	<u>\$ 305,042</u>	<u>\$ 475,912</u>	<u>\$ 314,806</u>

The Board's policy is that income in excess of operating expenses for the year shall be set aside for future major repairs and replacements and transferred to the reserve fund.

Notes to Financial Statements

December 31, 2020

With Summarized Comparative Totals for December 31, 2019

(See Independent Accountant's Review Report)

Note 5 – Property and Equipment

Property and equipment include the following at December 31:

	<u>2020</u>	<u>2019</u>
Building improvements	\$ 563,161	\$ 563,161
Road improvements	338,792	338,792
Equipment	101,795	101,795
Vehicles	<u>38,675</u>	<u>38,675</u>
	1,042,423	1,042,423
Less accumulated depreciation	<u>(780,763)</u>	<u>(758,317)</u>
	<u>\$ 261,660</u>	<u>\$ 284,106</u>

Depreciation expense totaled \$22,446 and \$22,469 for the years ended December 31, 2020 and 2019, respectively.

Note 6 – Investment in Cooperative

Investment in cooperative is stated at cost plus reinvested cooperative dividends less any stock retirements. The Club's investment in CHS, Inc. totaled \$4,788 at December 31, 2020 and 2019.

Note 7 – Related Party Transactions

Rental income from an employee totaled \$7,200 and \$5,400 for the years ended December 31, 2020 and 2019, respectively.

Note 8 – Future Major Repairs and Replacements

The Club's governing documents require funds to be accumulated for future major repairs and replacements, and for contingencies such as floods. Accumulated funds, which aggregate \$304,496 at December 31, 2020, are held in separate accounts and are generally not available for operating purposes.

The Club prepared an internal study in May of 1999, to estimate the remaining useful lives and the replacement costs of the common property components. In 2017, the Board reevaluated the reserve and agreed that the replacement values used to calculate the reserve would be the actual cost of replaced assets or the current cost of assets anticipated to be replaced in the short-term. The Board believes that the current reserves are adequate to maintain the common assets in the short-term. The Club is funding for 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 reserve fund.

Notes to Financial Statements

December 31, 2020

With Summarized Comparative Totals for December 31, 2019

(See Independent Accountant's Review Report)

Note 8 – Future Major Repairs and Replacements – (Continued)

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

Note 9 – Retirement Plan

The Club sponsors a SIMPLE IRA plan that covers employees that are reasonably expected to receive at least \$5,000 in compensation for the calendar year and have received at least \$5,000 in compensation during any two calendar years preceding the current calendar year. The Club has elected to make an annual matching contribution equal to elected deferrals up to 3% of the participant's compensation. Participants are always vested in all of their plan accounts. The Club's matching contribution totaled \$1,217 and \$1,777 for the year ended December 31, 2020 and 2019, respectively.

Note 10 – Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to record most leases with terms greater than 12 months on their balance sheet by recognizing a liability to make lease payments and an asset representing their right to use the asset during the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election, by class of underlying asset, not to recognize the corresponding assets and lease liabilities. Lessee recognition, measurement, and presentation of expenses and cash flows will not change significantly from existing guidance and lessor accounting is largely unchanged. ASU 2016-02 also changes the definition of a lease and requires qualitative and quantitative disclosures that provide information about the amount, timing, and uncertainty of cash flows arising from leases. Application is required for annual periods beginning after December 15, 2021. The Club continues to evaluate the impact of the new accounting guidance on its financial statements.

Note 11 – Risks and Uncertainties

The Club is subject to risks and uncertainties as a result of the COVID-19 pandemic. The extent of the impact of the COVID-19 pandemic on the Club's business is uncertain and difficult to predict. The Club's operational and financial performance will depend on future developments, include the duration of the outbreak, operational limitations imposed by federal, state, and local governments with respect to physical distancing measures, and customer demand for the Club's services. All the effects of the COVID-19 pandemic could have a significant adverse effect on the Club's business.

Supplementary Information

Mt. Baker Rim Community Club, Inc.

Schedule of Future Major Repair and Replacements

Year Ended December 31, 2020

The Club conducted an internal study in 2017 to estimate the remaining useful lives and replacement costs of several property components. The estimated future replacement costs are based on estimated costs at December 31, 2020 and include the effects of inflation at four percent per year between that date and the date the components are estimated to require repair and replacement.

The following table is based on the study and its analysis by the management of the Club and presents significant information about the components of common property.

<u>Components</u>	<u>Remaining Useful Lives</u>	<u>Estimated Replacement Costs at December 31, 2020</u>	<u>Components of Fund Balance at December 31, 2019</u>	<u>Year Ended December 31, 2020</u>				<u>Components of Fund Balance at December 31, 2020</u>
				<u>Transfers and Reconciliation of Fund Balances</u>	<u>Assessments and Other, Net</u>	<u>Interest & Dividend Income</u>	<u>Expenditures</u>	
Clubhouse	2-36	\$ 376,500	\$ 126,344	\$ (2,126)	\$ 3,876	\$ 2,685	\$ (5,517)	\$ 125,262
Gate House	4-35	284,000	80,582	(1,604)	2,923	-	-	81,901
Pool/Tennis Court	30-36	248,400	46,800	(1,403)	2,557	-	-	47,954
Vehicles and equipment	4-21	<u>161,000</u>	<u>48,631</u>	<u>(909)</u>	<u>1,657</u>	<u>-</u>	<u>-</u>	<u>49,379</u>
		<u>\$ 1,069,900</u>	<u>\$ 302,357</u>	<u>\$ (6,042)</u>	<u>\$ 11,013</u>	<u>\$ 2,685</u>	<u>\$ (5,517)</u>	<u>\$ 304,496</u>

Classification by category with long-lived items generally considered to be infrastructure type items not necessarily entirely replaced at one time.

Short lived	<u>\$ 161,000</u>
Long lived	<u>\$ 908,900</u>