

Mt. Baker Rim Community Club, Inc.

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

Year Ended December 31, 2021 with
Summarized Comparative Totals for the
Year Ended December 31, 2020

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, 2021, 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.

We are required to be independent of Mt. Baker Rim Community Club, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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 2020 financial statements and in our conclusion dated April 15, 2021, stated that based on our review, we were not aware of any material modifications that should be made to the 2020 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, 2020, 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

February 22, 2022

Mt. Baker Rim Community Club, Inc.

Balance Sheet

December 31, 2021

(With Summarized Comparative Totals for December 31, 2020)

(See Independent Accountant's Review Report)

	2021			2020
	Operating Fund	Reserve Fund	Total	
Assets				
Assets				
Cash and cash equivalents	\$ 231,513	\$ 367,986	\$ 599,499	\$ 475,912
Dues and assessments receivable, net	5,092	-	5,092	7,022
Prepaid expenses	18,484	-	18,484	9,421
Property and equipment, net	239,214	-	239,214	261,660
Investment in cooperative	-	-	-	4,788
Federal income tax receivable	71	-	71	-
Interfund receivable (payable)	8,284	(8,284)	-	-
Total assets	\$ 502,658	\$ 359,702	\$ 862,360	\$ 758,803
Liabilities and Fund Balances				
Liabilities				
Accrued expenses	\$ 10,015	\$ -	\$ 10,015	\$ 12,540
Contractor deposits	26,000	-	26,000	22,204
Prepaid dues and assessments	113,450	-	113,450	82,295
Federal income tax payable	-	-	-	763
Total liabilities	149,465	-	149,465	117,802
Fund balances	353,193	359,702	712,895	641,001
Total liabilities and fund balances	\$ 502,658	\$ 359,702	\$ 862,360	\$ 758,803

Mt. Baker Rim Community Club, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balances

Year Ended December 31, 2021

(With Summarized Comparative Totals for December 31, 2020)

(See Independent Accountant's Review Report)

	2021			2020 Total
	Operating Fund	Reserve Fund	Total	
Revenues				
Dues and capital assessments	\$ 298,037	11,013	\$ 309,050	\$ 309,050
Rental income	37,600	-	37,600	24,450
Other income	13,343	-	13,343	10,951
Gate cards	3,210	-	3,210	2,625
Interest income	863	1,521	2,384	3,370
Fines and penalties	1,475	-	1,475	7,725
Total revenues	354,528	12,534	367,062	358,171
Expenses				
Labor, taxes, and benefits	124,148	-	124,148	144,115
Utilities	45,383	-	45,383	44,853
Repairs, maintenance, and replacement	20,025	7,737	27,762	20,578
Professional services	26,167	-	26,167	14,161
Depreciation	22,446	-	22,446	22,446
Insurance	19,453	-	19,453	17,881
Supplies	11,716	-	11,716	10,743
Office expense	9,295	-	9,295	10,446
Miscellaneous	5,189	-	5,189	3,244
Loss on disposal of investment in cooperative	4,788	-	4,788	-
Federal income tax expense	702	-	702	775
General meeting expenses	570	-	570	1,526
Social functions	-	-	-	6
Bad debt expense (recovery)	(2,451)	-	(2,451)	2,240
Total expenses	287,431	7,737	295,168	293,014
Excess of revenues over expenses	67,097	4,797	71,894	65,157
Fund balances – beginning of year	336,505	304,496	641,001	575,844
Interfund transfers	(50,409)	50,409	-	-
Fund balances – end of year	\$ 353,193	\$ 359,702	\$ 712,895	\$ 641,001

Mt. Baker Rim Community Club, Inc.

Statement of Cash Flows

Year Ended December 31, 2021

(With Summarized Comparative Totals for December 31, 2020)

(See Independent Accountant's Review Report)

	2021			2020
	Operating Fund	Reserve Fund	Total	
Cash flows from operating activities				
Excess of revenues over expenses	\$ 67,097	\$ 4,797	\$ 71,894	\$ 65,157
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
Depreciation	22,446	-	22,446	22,446
Loss on disposal of investment in cooperative	4,788	-	4,788	-
(Increase) decrease in assets:				
Dues and assessments receivable	1,930	-	1,930	1,908
Prepaid expenses	(10,139)	1,076	(9,063)	(1,161)
Federal income tax receivable	(71)	-	(71)	588
Increase (decrease) in liabilities:				
Accrued expenses	(2,525)	-	(2,525)	1,571
Contractor deposits	3,796	-	3,796	8,204
Prepaid dues and assessments	31,155	-	31,155	61,630
Federal income tax payable	(763)	-	(763)	763
Net cash provided by operating activities	117,714	5,873	123,587	161,106
Cash flows from financing activities				
Interfund transfers	(57,071)	57,071	-	-
Net cash provided (used) by financing activities	(57,071)	57,071	-	-
Net increase in cash and cash equivalents	60,643	62,944	123,587	161,106
Cash and cash equivalents – beginning of year	170,870	305,042	475,912	314,806
Cash and cash equivalents – end of year	\$ 231,513	\$ 367,986	\$ 599,499	\$ 475,912
Supplemental Disclosure of Cash Flow Information				
Cash paid for federal income tax			<u>\$ 773</u>	<u>\$ 12</u>

Notes to the Financial Statements

December 31, 2021

(With Summarized Comparative Totals for December 31, 2020)

(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 437 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 53 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, 2020, 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 \$2,529 and \$4,980 at December 31, 2021 and 2020, respectively.

Notes to the Financial Statements

December 31, 2021

(With Summarized Comparative Totals for December 31, 2020)

(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 \$8,284 at December 31, 2021.

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, 2021 and 2020, the excess membership deduction carryover totaled \$253,187 and \$312,699, respectively. Federal income tax expense for 2021 and 2020 totaled \$702 and \$775, respectively.

As of December 31, 2021, 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, 2021 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 the Financial Statements

December 31, 2021

(With Summarized Comparative Totals for December 31, 2020)

(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 February 22, 2022, 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 \$113,450, \$82,295, and \$20,665 at December 31, 2021, 2020, and 2019 respectively.

Mt. Baker Rim Community Club, Inc.

Notes to the Financial Statements

December 31, 2021

(With Summarized Comparative Totals for December 31, 2020)

(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:

	<u>Shown as %</u>	
	<u>2021</u>	<u>2020</u>
Dues and capital assessments	84	86
Rental income	10	7
Other income	3	3
Gate cards	1	1
Interest income	1	1
Fines and penalties	1	2
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:

	<u>2021</u>			<u>2020</u>
	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>	
Cash on hand (petty cash and undeposited funds)	\$ 706	\$ -	\$ 706	\$ 4,753
Cash in checking	202,818	500	203,318	143,392
Cash in social and ground accounts	1,988	-	1,988	1,214
Construction deposits held	26,001	-	26,001	22,011
Capital reserves, CDs and savings	-	367,486	367,486	304,542
	<u>\$ 231,513</u>	<u>\$ 367,986</u>	<u>\$ 599,499</u>	<u>\$ 475,912</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 the Financial Statements

December 31, 2021

(With Summarized Comparative Totals for December 31, 2020)

(See Independent Accountant's Review Report)

Note 5 – Property and Equipment

Property and equipment include the following at December 31:

	<u>2021</u>	<u>2020</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>(803,209)</u>	<u>(780,763)</u>
	<u>\$ 239,214</u>	<u>\$ 261,660</u>

Depreciation expense totaled \$22,446 for each of the years ended December 31, 2021 and 2020.

Note 6 – Investment in Cooperative

Investment in cooperative is stated at cost plus reinvested cooperative dividends less any stock retirements. The stock of the Club's investment in CHS, Inc. was disposed in 2021. The investment in cooperative totaled \$0 and \$4,788 at December 31, 2021 and 2020, respectively.

Note 7 – Related Party Transactions

Rental income from an employee totaled \$7,200 for the years ended December 31, 2021 and 2020.

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 \$359,702 at December 31, 2021, are held in separate accounts and are generally not available for operating purposes.

A study was done in May 2021 to estimate the remaining useful lives and the replacement costs of the common property components. 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. 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.

Mt. Baker Rim Community Club, Inc.

Notes to the Financial Statements

December 31, 2021

(With Summarized Comparative Totals for December 31, 2020)

(See Independent Accountant's Review Report)

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 \$1,896 and \$1,217 for the year ended December 31, 2021 and 2020, respectively.

Supplementary Information

Mt. Baker Rim Community Club, Inc.

Schedule of Future Major Repair and Replacements

Year Ended December 31, 2021

Pacific Crest Reserves, LLC conducted a study in 2021 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, 2021 and include the effects of inflation at three 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>Year Ended December 31, 2021</u>						<u>Components of Fund Balance at December 31, 2021</u>
		<u>Estimated Replacement Costs at December 31, 2021</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	0-16	\$ 218,917	\$ 125,262	\$ 14,007	\$ 3,061	\$ 1,521	\$ (7,737)	\$ 136,114
Gate House	0-9	124,646	81,901	7,976	1,742	-	-	91,619
Pool/Tennis Court	2-9	308,027	47,954	19,709	4,306	-	-	71,969
Vehicles and equipment	4-10	136,232	49,379	8,717	1,904	-	-	60,000
		<u>\$ 787,822</u>	<u>\$ 304,496</u>	<u>\$ 50,409</u>	<u>\$ 11,013</u>	<u>\$ 1,521</u>	<u>\$ (7,737)</u>	<u>\$ 359,702</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>\$ 136,232</u>
Long lived	<u>\$ 651,590</u>