

MT. BAKER RIM
COMMUNITY CLUB, INC.

ACCOUNTANT'S REVIEW REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2022

DRAFT

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and 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, 2022, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the years 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 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 financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review 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 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 conformity with accounting principles generally accepted in the United States of America.

continued

Other Matters

Required Supplementary Information

The accompanying supplementary information on future major repairs and replacements on page 11 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.

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MT. BAKER RIM COMMUNITY CLUB, INC.
BALANCE SHEET
DECEMBER 31, 2022

| | <u>Operating Fund</u> | <u>Reserve Fund</u> | <u>Total</u> |
|--------------------------------------|-----------------------|---------------------|-------------------|
| <u>ASSETS</u> | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 148,129 | \$ 363,822 | \$ 511,951 |
| Dues and assessments receivable, net | 7,930 | | 7,930 |
| Prepaid expenses | 72,270 | | 72,270 |
| Federal income tax receivable | 71 | | 71 |
| Interfund receivable (payable) | <u>(2,592)</u> | <u>2,592</u> | <u>-</u> |
| Total current assets | 225,808 | 366,414 | 592,222 |
| Property and Equipment, at cost | <u>326,754</u> | <u>-</u> | <u>326,754</u> |
| Total Assets | <u>\$ 552,562</u> | <u>\$ 366,414</u> | <u>\$ 918,976</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 8,193 | \$ - | \$ 8,193 |
| Accrued expenses | 1,820 | | 1,820 |
| Contractor deposits | 40,000 | | 40,000 |
| Prepaid dues and assessments | <u>87,005</u> | <u>-</u> | <u>87,005</u> |
| Total current liabilities | 137,018 | - | 137,018 |
| Total Liabilities | 137,018 | - | 137,018 |
| Fund Balances | <u>415,544</u> | <u>366,414</u> | <u>781,958</u> |
| Total Liabilities and Fund Balances | <u>\$ 552,562</u> | <u>\$ 366,414</u> | <u>\$ 918,976</u> |

See accompanying notes and independent accountant's review report.

MT. BAKER RIM COMMUNITY CLUB, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2022

| | <u>Operating Fund</u> | <u>Reserve Fund</u> | <u>Total</u> |
|--------------------------------------|-----------------------|---------------------|-------------------|
| Revenues | | | |
| Dues and capital assessments | \$ 302,525 | \$ 11,037 | \$ 313,562 |
| Rental fee income | 34,925 | | 34,925 |
| Other income | 20,013 | | 20,013 |
| Gate cards | 3,915 | | 3,915 |
| Interest income | 745 | 1,825 | 2,570 |
| Fines and penalties | <u>15,825</u> | <u>-</u> | <u>15,825</u> |
| Total Revenues | 377,948 | 12,862 | 390,810 |
| Expenses | | | |
| Labor, taxes and benefits | 140,305 | | 140,305 |
| Utilities | 54,631 | | 54,631 |
| Repairs, maintenance and replacement | 42,941 | | 42,941 |
| Professional services | 23,071 | | 23,071 |
| Insurance | 22,048 | | 22,048 |
| Depreciation | 19,630 | | 19,630 |
| Miscellaneous | 11,051 | | 11,051 |
| Office expense | 4,570 | | 4,570 |
| Bad debt expense (recovery) | 2,459 | | 2,459 |
| Federal income tax expense | 630 | | 630 |
| General meeting expenses | <u>411</u> | <u>-</u> | <u>411</u> |
| Total Expenses | 321,747 | - | 321,747 |
| Excess of Revenues Over Expenses | 56,201 | 12,862 | 69,063 |
| Fund Balances - Beginning of Year | 353,193 | 359,702 | 712,895 |
| Interfund Transfers | <u>6,150</u> | <u>(6,150)</u> | <u>-</u> |
| Fund Balances - End of Year | <u>\$ 415,544</u> | <u>\$ 366,414</u> | <u>\$ 781,958</u> |

See accompanying notes and independent accountant's review report.

MT. BAKER RIM COMMUNITY CLUB, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

| | <u>Operating Fund</u> | <u>Reserve Fund</u> | <u>Total</u> |
|---|-----------------------|---------------------|-------------------|
| Cash Flows from Operating Activities | | | |
| Excess of revenues over expenses | \$ 56,201 | \$ 12,862 | \$ 69,063 |
| Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: | | | |
| Depreciation | 22,048 | | 22,048 |
| (Increase) decrease in assets: | | | |
| Dues and assessments receivable | (2,838) | | (2,838) |
| Prepaid expenses | (53,786) | | (53,786) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable and accrued expenses | (2) | | (2) |
| Contractor deposits | 14,000 | | 14,000 |
| Prepaid dues and assessments | <u>(26,445)</u> | <u>-</u> | <u>(26,445)</u> |
| Net cash provided by operating activities | 9,178 | 12,862 | 22,040 |
| Cash Flows from Investing Activities | | | |
| Purchases of property and equipment | (107,170) | | (107,170) |
| Interfund borrowing | <u>17,026</u> | <u>(17,026)</u> | <u>-</u> |
| Net cash used in investing activities | (90,144) | (17,026) | (107,170) |
| Net change in cash and cash equivalents | (80,966) | (4,164) | (85,130) |
| Cash and cash equivalents at beginning of year | <u>231,513</u> | <u>367,986</u> | <u>599,499</u> |
| Cash and cash equivalents at end of year | <u>\$ 150,547</u> | <u>\$ 363,822</u> | <u>\$ 514,369</u> |
| Supplemental information: | | | |
| Cash paid for federal income tax | | | <u>\$ 630</u> |

See accompanying notes and independent accountant's review report.

MT. BAKER RIM COMMUNITY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. DESCRIPTION OF THE ORGANIZATION

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.

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, revenues 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.

Cash, Cash Equivalents and Credit Risk

For purposes of the statement of cash flows, the Club considers cash, checking accounts and certificates of deposit to be cash equivalents. The Club maintains its cash in bank deposit accounts which 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.

MT. BAKER RIM COMMUNITY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$4,988 at December 31, 2022.

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 payable to the Reserve Fund of \$2,592 at December 31, 2022.

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.

MT. BAKER RIM COMMUNITY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

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 be carried forward to offset membership income of future tax periods. Federal income tax expense for December 31, 2022 was \$630.

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 copoint if the time between the transfer of a good or service payment is one year or less.

MT. BAKER RIM COMMUNITY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. REVENUE RECOGNITION (continued)

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 consists of dues and assessments prepaid by members. When consideration is received and revenue has not yet been recognized, prepaid dues and assessments (deferred revenue) represent a contract liability until the service is performed. Prepaid dues and assessments totaled \$87,005 at December 31, 2022.

4. PROPERTY AND EQUIPMENT

Property and equipment include the following at December 31:

| | |
|-------------------------------|-------------------|
| Building improvements | \$ 654,234 |
| Road improvements | 338,792 |
| Equipment | 117,892 |
| Vehicles | <u>38,675</u> |
| | <u>1,149,593</u> |
| Less accumulated depreciation | <u>(822,839)</u> |
| | <u>\$ 326,754</u> |

Depreciation expense totaled \$19,630 for the year ended December 31, 2022.

5. RELATED PARTY TRANSACTIONS

Rental income from an employee totaled \$7,200 for the year ended December 31, 2022.

MT. BAKER RIM COMMUNITY CLUB, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. 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 \$363,822 at December 31, 2022 are held in separate accounts and are generally not available for operating purposes.

A study was done in May 2021 and updated in January 2023 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.

7. 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 \$2,037 for the year ended December 31, 2022.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through DATE OPEN, the date on which the financial statements were available for issue.

SUPPLEMENTAL INFORMATION

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MT. BAKER RIM COMMUNITY CLUB, INC.
SCHEDULE OF MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2022

Pacific Crest Reserves, LLC conducted a study in 2023 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, 2022 and include the effects of inflation at three percent per year between the date the components are estimated to require repair and replacements.

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.

| Components | Estimated Remaining Useful Life | Estimated Replacement Costs at December 31, 2022 |
|--|---------------------------------|--|
| Clubhouse refurbish | 1 | \$ 27,160.00 |
| Culvert replacement & road repairs | 1 | 15,000 |
| Ford tractor | 1 | 27,000 |
| Pool | 1 | 8,922 |
| | | <u>78,082</u> |
| Clubhouse & Shuksan Drainage | 2 | 9,331 |
| Clubhouse - exterior painting | 2 | 5,832 |
| Clubhouse - siding replacement | 2 | 34,992 |
| Dike repair & maintenance | 2 | 5,832 |
| Gate entry system | 2 | 20,995 |
| Gate house, garage & A-frame | 2 | 1,750 |
| Pool - interior & deck surfaces | 2 | 204,120 |
| Road repair | 2 | 58,320 |
| | | <u>341,172</u> |
| Clubhouse decking & fencing | 3 | 6,928 |
| Gate house & apartment furnace/hot wat | 3 | 12,597 |
| Gate house - maintenance | 3 | 1,890 |
| Equipment | 3 | 11,967 |
| Playground equipment | 3 | 6,299 |
| Sander/spreader | 3 | 6,299 |
| | | <u>45,979</u> |
| Gate house garage maintenance | 4 | 1,984 |
| Clubhouse & Shuksan drainage | 5 | 11,111 |
| Gate house, garage, maintenance | 5 | 2,083 |
| Road | 5 | 69,442 |
| | | <u>82,636</u> |
| Total | | <u>\$ 549,853</u> |