

May 24, 2024

To the Board of Directors, Management and
Others charged with governance of
Canyon Pines Homeowners Association
5484 Reno Corporate Dr, Suite 2
Reno, NV 89511

Enclosed please find the following:

1. A draft of the December 2023 audited financial statements
2. Letter of Representations
3. Proposed adjusting journal entries

We have provided you a draft of the December 2023 audited financial statements along with proposed adjusting journal entries for your review. We have also included the Letter of Representations. If you have any questions concerning this draft packet please contact us to discuss them before we finalize our report and finish all required procedures in connection with your audit. For your information, as required by Generally Accepted Auditing Standards, we must receive a Letter of Representations signed by the Board of Directors and Managing Agent before we can officially issue finalized audited financial statements.

In addition, you will notice that the audited financial statements and notes to the financial statements adhere to the required revenue recognition standard (ASC 606). The Financial Accounting Standards Board (FASB) issued guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate-Common Interest Realty Associations, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a community association expects to be entitled in exchange for those goods or services (when the performance obligation is satisfied). The performance obligation for reserve assessments is generally believed to be the expenditure of the assessed funds for the intended purpose. Therefore, reserve revenue is recognized when the related reserve expenditures are made. Unspent reserve assessments (and special assessments) are generally presented as a reserve contract liability on the balance sheet. More information on the AICPA revenue recognition standard can be found at the following website:
www.aicpa.org/interestareas/frc/accountingfinancialreporting/revenuerecognition.html.

Sincerely,

BAINBRIDGE, LITTLE & CO, CPAs, LLP



Samuel J. Bainbridge, CPA
Partner

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LETTER OF REPRESENTATIONS FOR CANYON PINES HOMEOWNERS ASSOCIATION

May 24, 2024

Bainbridge, Little & Co, CPAs, LLP
P.O. Box 80360
Las Vegas, NV 89180

This letter of representations is provided in connection with your audit of the financial statements of Canyon Pines Homeowners Association, which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses, and changes in fund balance, and cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of May 24, 2024, the following representations made to you during your audit.

Financial Statements:

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Any methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Any related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they will be posted to the Association's accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments, if any, have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Any material concentrations have been properly disclosed in accordance with U.S. GAAP.
- 11) Any guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

- 12) Any transfers or designations of fund balance or any interfund borrowings have been properly authorized and approved and have been properly recorded or disclosed in accordance with GAAP.
- 13) Any uncollectible interfund loans have been properly accounted for and disclosed in accordance with GAAP.
- 14) Any receivables recorded in the financial statements represent valid claims against debtors for assessments or other charges arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
- 15) Revenue from contracts with customers has been appropriately accounted for and disclosed in accordance with *FASB ASC 606, Revenue from Contracts with Customers*.
- 16) In regard to any financial statement preparation services, tax services and any other nonattest services performed by you, we have:
 - a) Assumed all management responsibilities.
 - b) Designated an individual who has suitable skill, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.
 - e) Ensured that the data and records are complete and we have sufficient information to oversee the services.

Information Provided:

17) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
- 18) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 19) We have disclosed to you, if any, the results of our assessment of the risk that the financial statements may be materially misstated as a result of any fraud.
- 20) We have no knowledge of any fraud or suspected fraud that affects the Association and involves:
- a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 21) We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements communicated by employees, former employees, regulators, or others.
- 22) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 23) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 24) We have disclosed to you the names of all the Association's related parties, if any, and all the related party relationships and transactions, including any side agreements of which we are aware.

- 25) The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 26) We acknowledge our responsibilities for presenting the required supplementary information (RSI) in accordance with U.S. GAAP. The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 27) We acknowledge our responsibility for presenting the revenues and expenses – budget and actual supplementary information in accordance with U.S. GAAP, and we believe this supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the revenues and expenses – budget and actual supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 28) We have reviewed all the Association's insurance coverage for the current year and believe it is adequate and meets the mandatory Nevada law requirements.
- 29) We acknowledge that it is the Board of Directors that is ultimately collecting funds for future major repairs and replacements in conformity with Canyon Pines Homeowners Association's policy to fund for those needs based on the latest reserve study conducted and accepted. The Board of Directors believes the funds will adequately provide for future major repairs and replacements.
- 30) If the Board of Directors elected to file tax form 1120, then the Association's allocation of expenses against membership and nonmembership income conforms with IRS rules, which require that the allocation be made "on a reasonable and consistently applied basis." We have adequately documented such allocations. However, if the Board of Directors elected to file tax form 1120-H, then the Association's allocation of expenses against exempt and nonexempt function income conforms with IRS rules, which require that the allocation be made "on a reasonable basis" and we have adequately documented such allocations.
- 31) We understand that the Board of Directors is responsible for the Association's choice of filing Form 1120 or Form 1120-H and the consequences thereof.

No events have occurred subsequent to the balance sheet date of December 31, 2023 and through the date of this letter that would require adjustment to, or disclosure in, the financial statements. In addition, we have responded fully and truthfully to all inquiries made to us by you during your audit.

BOD Signature: _____

Title: _____

Management Signature: _____

Title: _____

CANYON PINES HOMEOWNERS ASSOCIATION

Financial Statements and Supplementary Information

DECEMBER 31, 2023

BAINBRIDGE, LITTLE & CO, CPAs, LLP
P.O. Box 80360
Las Vegas, NV 89180
Tel: (702) 243-2695
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CANYON PINES HOMEOWNERS ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

**To The Board of Directors
Canyon Pines Homeowners Association**

Opinion

We have audited the accompanying financial statements of Canyon Pines Homeowners Association, which comprise the balance sheet as of December 31, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canyon Pines Homeowners Association as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Canyon Pines Homeowners Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter on Future Major Repairs and Replacements

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 4 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Canyon Pines Homeowners Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Canyon Pines Homeowners Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Canyon Pines Homeowners Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future Major Repairs and Replacements on page 12 be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information on Revenues and Expenses – Budget and Actual on page 13, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and except for that portion marked “unaudited,” was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

May 24, 2024
Las Vegas, Nevada

CANYON PINES HOMEOWNERS ASSOCIATION

BALANCE SHEET

DECEMBER 31, 2023

	Operating Fund	Reserve Fund	Total
ASSETS			
Cash and cash equivalents	\$ 89,630	\$ 160,882	\$ 250,512
Member receivables, less allowance for doubtful accounts of \$9,000	12,841	-	12,841
Prepaid expenses	401	-	401
	<u>\$ 102,872</u>	<u>\$ 160,882</u>	<u>\$ 263,754</u>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenses	\$ 959	\$ 7,350	\$ 8,309
Prepaid assessments	12,757	-	12,757
Deferred revenue (contract liabilities)	-	153,532	153,532
	<u>13,716</u>	<u>160,882</u>	<u>174,598</u>
Fund balances	<u>89,156</u>	<u>-</u>	<u>89,156</u>
	<u>\$ 102,872</u>	<u>\$ 160,882</u>	<u>\$ 263,754</u>

The accompanying notes are an integral part of these financial statements.

CANYON PINES HOMEOWNERS ASSOCIATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2023

	Operating Fund	Reserve Fund	Total
Revenues:			
Assessments	\$ 148,164	\$ 1,023	\$ 149,187
Bad debt (contra revenue)	(2,300)	-	(2,300)
Fines and penalties	2,300	-	2,300
Interest income	21	471	492
Late fees	485	-	485
Collection income	290	-	290
	<u>148,960</u>	<u>1,494</u>	<u>150,454</u>
Expenses:			
Accounting and tax preparation	1,575	-	1,575
Collection expense	645	-	645
Insurance	6,780	-	6,780
Landscape contract	37,740	-	37,740
Licenses and permits	2,697	-	2,697
Miscellaneous expenses	320	-	320
Professional management	31,500	-	31,500
Repairs and maintenance	13,889	10,500	24,389
Reserve study	550	-	550
Utilities	25,877	-	25,877
	<u>121,573</u>	<u>10,500</u>	<u>132,073</u>
Excess of revenues or (expenses)	27,387	(9,006)	18,381
Fund balances, beginning	61,769	9,006	70,775
Transfers between funds	-	-	-
Fund balances, ending	<u>\$ 89,156</u>	<u>\$ -</u>	<u>\$ 89,156</u>

The accompanying notes are an integral part of these financial statements.



CANYON PINES HOMEOWNERS ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Operating Fund	Reserve Fund	Total
Cash flows from operating activities:			
Excess of revenues or (expenses)	\$ 27,387	\$ (9,006)	\$ 18,381
Adjustments to reconcile excess of revenues or (expenses) to net cash provided (used) by operating activities:			
(Increase) decrease in assets:			
Member receivables, net	(935)	-	(935)
Prepaid expenses	3,162	-	3,162
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(3,506)	7,350	3,844
Prepaid assessments	(1,207)	-	(1,207)
Deferred revenue (contract liabilities)	-	20,577	20,577
Total adjustments	<u>(2,486)</u>	<u>27,927</u>	<u>25,441</u>
Net cash provided (used) by operating activities	<u>24,901</u>	<u>18,921</u>	<u>43,822</u>
Cash flows from investing activities:			
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities:			
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	24,901	18,921	43,822
Cash and cash equivalents, beginning of year	64,729	141,961	206,690
Cash and cash equivalents, end of year	<u>\$ 89,630</u>	<u>\$ 160,882</u>	<u>\$ 250,512</u>
<u>Supplemental disclosures of cash flow information:</u>			
Cash paid during the year for:			
Interest	\$ -	\$ -	\$ -
Federal income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CANYON PINES HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

1. NATURE OF ORGANIZATION

Canyon Pines Homeowners Association (the Association) was incorporated in the State of Nevada on January 27, 2005. The Association was organized as a non-profit corporation for purposes of maintaining and preserving the common property. At December 31, 2023, the association consisted of 301 lots.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association utilizes the accrual method of accounting for income tax and financial reporting purposes. 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—This fund is used to account for financial resources available for the general operations of the Association.

Reserve Fund—This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. In addition, the Association's governing documents and state statute require reserve cash and cash equivalents be restricted for future major repairs and replacements of common area components. The restricted reserve cash and cash equivalents on the statement of cash flows were \$160,882 as of December 31, 2023.

Revenue Recognition, Member Assessments and Member Receivables

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 is satisfied over time on a daily pro-rata basis when maintenance and management of common area property services are provided for the members using the input method. The performance obligations related to the reserve fund assessments are satisfied when those funds are expended for their designated purpose. The Association utilizes the policy of expending reserve investment revenue, rebate reserve revenue, reserve Builder subsidies/contributions and reserve equity transactions prior to recognizing reserve assessments and any special reserve assessments. In addition, excess reserve assessments and any excess special reserve assessments are recorded as deferred reserve revenue (contract liabilities).

CANYON PINES HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition, Member Assessments and Member Receivables – continued

Association members are subject to assessments to provide funds for the Association's operating expenses and major repairs and replacements. Member assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from owners. The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience, probability of collecting member assessments beyond the super priority lien period and susceptibility to factors outside the Association's control. The Association follows its collection policy in assessing late fees and placing liens on the properties of owners whose assessments are considered delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. At December 31, 2023, the Association had operating member receivables of \$12,841, net of \$9,000 in allowance for doubtful accounts.

Prepaid assessments received from owners prior to December 31, 2023 represent revenue applicable to the succeeding year and is therefore considered deferred as of December 31, 2023.

Income Taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the calendar year ended December 31, 2023. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose. Net nonexempt function income, which generally includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government. For the year 2023, the Association owed no federal income taxes.

As of December 31, 2023, the tax years that remain subject to examination by taxing authorities begin with 2020.

Deferred Reserve Revenue (Contract Liabilities)

The Association recognizes revenue from members as the related performance obligations are satisfied. Deferred reserve revenue (contract liabilities) are recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to reserve assessments and similar revenue. The balances of deferred reserve revenue (contract liabilities) as of the beginning and end of the year are \$132,955 and \$153,532, respectively.

CANYON PINES HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property and Equipment

Real property and common areas annexed into the Association by the Builder and related improvements to such property are not capitalized on the Association's financial statements. Common property of the Association provides no probable future economic benefit to the Association and such ownership is only a legal formality that has no effect on the financial position of the Association. Replacements and improvements to the real property and common areas are also not capitalized.

Personal property purchased, if any, with Association funds, to which the Association holds title, is capitalized at cost and depreciated over their estimated useful lives using the straight-line method of depreciation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

3. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 24, 2024, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

4. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and state statute require funds to be accumulated for future major repairs and replacements. Accumulated reserve funds as of December 31, 2023 were \$160,882, and were presented on the accompanying balance sheet as reserve cash and cash equivalents and reserve certificates of deposits, if any. Accumulated reserve funds are held in separate accounts and are generally not available for operating purposes.

The Association engaged a consultant to conduct a study to estimate the remaining useful lives and the replacement costs of the common property components. The Association is generally 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 Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

The scope of this audit did not include testing or applying procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of this audit.

CANYON PINES HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (MEMBERS)

The Financial Accounting Standards Board (FASB) issued guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 requires the recognition of revenue when promised goods or services are transferred to customers (members) in an amount that reflects the consideration to which a community association expects to be entitled in exchange for those goods or services.

The following table provides information about significant changes in deferred reserve revenue (contract liability) for the year ending December 31, 2023:

Deferred reserve revenue (contract liabilities), beginning balance	\$ 132,955
Prior year reserve assessments, expended for current year reserve expenditures	(10,500)
Current year deferred reserve revenue	21,600
Current year investment revenue earned on reserve funds	471
Beginning year reserve fund balance	9,006
Deferred reserve revenue (contract liabilities), ending balance	<u>\$ 153,532</u>

The following table represents information about significant changes in member receivables, less allowance, for the year ending December 31, 2023:

Member receivables, net, beginning balance	\$ 11,906
Change in member receivables, net	935
Member receivables, net, ending balance	<u>\$ 12,841</u>

The following table represents information about significant changes in prepaid assessments received in advance for the year ending December 31, 2023:

Prepaid assessments, beginning balance	\$ 13,964
Change in prepaid assessments	(1,207)
Prepaid assessments, ending balance	<u>\$ 12,757</u>

CANYON PINES HOMEOWNERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

6. CONCENTRATIONS

The Association has concentrated its credit risk for cash held by maintaining deposits in a financial institution, which at times may exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The maximum loss that would have resulted from that risk totaled \$518 as of December 31, 2023 for the excess of the deposit liabilities reported by the bank over the amounts that would have been covered by federal insurance.

SUPPLEMENTARY INFORMATION

CANYON PINES HOMEOWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

DECEMBER 31, 2023

(UNAUDITED)

A reserve study specialist conducted a study in September 2023 to estimate the remaining useful lives and the replacement costs of the components of common property of Canyon Pines Homeowners Association. The estimates were based on current estimated replacement costs and estimated remaining useful lives at the date of the study and the estimates have not been adjusted for future years interest and/or inflation.

The following table is based on the September 2023 study and presents significant information about the components of common property.

Components:	Estimated	Estimated
	Remaining Useful Lives (Years)	Current Replacement Costs
Common area	2 to 15	\$ 180,500
Reserve study	0 to 4	1,750
		<u>\$ 182,250</u>

CANYON PINES HOMEOWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION ON REVENUES AND EXPENSES -- BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2023

	Actual	Budget (Unaudited)	Variance Favorable/ (Unfavorable) (Unaudited)
Operating Fund			
Revenues:			
Assessments	\$ 148,164	\$ 148,164	\$ -
Bad debt (contra revenue)	(2,300)	(250)	(2,050)
Fines and penalties	2,300	-	2,300
Interest income	21	20	1
Late fees	485	-	485
Collection income	290	1,000	(710)
	<u>148,960</u>	<u>148,934</u>	<u>26</u>
Expenses:			
Accounting and tax preparation	1,575	3,700	2,125
Bank service charges	-	120	120
Collection expense	645	900	255
Copies, postage & supplies	-	1,478	1,478
Insurance	6,780	7,195	415
Landscape contract	37,740	49,200	11,460
Legal	-	500	500
Licenses and permits	2,697	1,450	(1,247)
Miscellaneous expenses	320	275	(45)
Professional management	31,500	32,100	600
Repairs and maintenance	13,889	22,800	8,911
Reserve study	550	-	(550)
Utilities	25,877	29,278	3,401
	<u>121,573</u>	<u>148,996</u>	<u>27,423</u>
Excess of revenues or (expenses)	<u>\$ 27,387</u>	<u>\$ (62)</u>	<u>\$ 27,449</u>
Reserve Fund			
Revenues:			
Assessments	\$ 1,023	\$ 21,600	\$ (20,577)
Interest income	471	-	471
	<u>1,494</u>	<u>21,600</u>	<u>(20,106)</u>
Expenses:			
Repairs and maintenance	10,500	16,773	6,273
Reserve study	-	567	567
	<u>10,500</u>	<u>17,340</u>	<u>6,840</u>
Excess of revenues or (expenses)	<u>\$ (9,006)</u>	<u>\$ 4,260</u>	<u>\$ (13,266)</u>

(See Independent Auditor's Report)

30 Year Planned Expenditures*This is where you will spend your money in the next 30 years***2023**

Reserve Study - Annual Update (Required per NRS 116.31151)	\$550.00
Total	\$550.00

2024

Reserve Study - Annual Update (Required per NRS 116.31151)	\$566.50
Total	\$566.50

2025

Common Area - Playground Equipment ADA Compliant Rehab	\$21,218.00
Common Area - Playground Equipment Replacement	\$26,522.50
Common Area - Playground Safety Surface Replacement	\$15,913.50
Reserve Study - Annual Update (Required per NRS 116.31151)	\$583.50
Total	\$64,237.50

2026

Common Area - Fencing Repairs or Replacement - Wooden (Facing Common Area 1/2 HOA Responsibility)	\$5,463.64
Common Area - Landscaping - Renovation (Plants, Bushes, Trees Replacement)	\$16,390.91
Common Area - Playground Equipment Maintenance, Repairs and Inspection	\$3,824.54
Common Area - Rockery Wall Inspection by an Engineer	\$8,195.45
Reserve Study - Annual Update (Required per NRS 116.31151)	\$601.00
Total	\$34,475.54

2027

Common Area - Landscaping - Rock and DG Replenishment	\$8,441.32
Common Area - Park Bench Replacement	\$1,688.26
Common Area - Park Trash Can Enclosure Maintenance	\$1,125.51
Common Area - Picnic Table Replacement	\$1,688.26
Reserve Study - Annual Update (Required per NRS 116.31151)	\$619.03
Reserve Study - Full Reserve Study (Done 2022)	\$1,350.61
Total	\$14,912.99