

**PINECREST PERMITTEES ASSOCIATION**

**Financial Statements**

**December 31, 2013 and 2012**

**Thad Scott & Company**  
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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Pinecrest Permittees Association  
Sonora, CA

We have audited the accompanying financial statements of Pinecrest Permittees Association, (a California non-profit organization) which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

**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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based upon our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design and audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide as basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinecrest Permittees Association as December 31, 2013 and 2012, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenses is presented for the purposes of additional analysis and is not a required part of the 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 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 to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Thad Scott & Company*

January 28, 2014

PINECREST PERMITTEES ASSOCIATION  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31

	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 757,044	\$ 724,154
Short-term investments	500,000	400,000
Accounts receivable	17,500	2,084
Accrued interest receivable	290	1,117
Prepaid expense	16,192	23,300
Buildings and equipment, net of accumulated depreciation	<u>1,076,449</u>	<u>1,064,140</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,367,475</u></u>	<u><u>\$ 2,214,795</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 14,651	\$ 10,053
Accrued payroll and related costs	<u>57,293</u>	<u>49,682</u>
Total Liabilities	71,944	59,735
NET ASSETS, Unrestricted	<u>2,295,531</u>	<u>2,155,060</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,367,475</u></u>	<u><u>\$ 2,214,795</u></u>

See accompanying notes to the financial statements.

PINECREST PERMITTEES ASSOCIATION  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDING DECEMBER 31

	2013	2012
	Unrestricted	Unrestricted
REVENUE, GAINS, AND OTHER SUPPORT:		
Member dues for water, fire, roads and garbage	\$ 598,462	\$ 560,600
Sewer fees	510,248	481,820
Snow removal fees	27,400	27,400
Other revenues	13,106	22,982
Interest income	<u>1,024</u>	<u>2,162</u>
Total revenues, gains, and other support	<u>1,150,240</u>	<u>1,094,964</u>
 Expenses		
Program services:		
Water, fire, and roads	362,425	411,109
Wastewater	483,993	418,507
Snow removal	28,789	32,622
Garbage	<u>30,189</u>	<u>31,462</u>
Total Program services	905,396	893,700
Management and general	<u>104,373</u>	<u>144,644</u>
 Total expenses	<u>1,009,769</u>	<u>1,038,344</u>
 Change in Net Assets	140,471	56,620
Net Assets - Beginning of the year	<u>2,155,060</u>	<u>2,098,440</u>
Net Assets - End of the year	<u><u>\$ 2,295,531</u></u>	<u><u>\$ 2,155,060</u></u>

See accompanying notes to the financial statements.

PINECREST PERMITTEES ASSOCIATION  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDING DECEMBER 31

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 140,471	\$ 56,620
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	109,565	123,442
Change in accounts receivable	(15,416)	4,285
Change in accrued interest receivable	827	(603)
Change in prepaid expenses	7,108	(3,303)
Change in accounts payable	4,598	(1,117)
Change in accrued payroll and related costs	<u>7,609</u>	<u>(2,217)</u>
Net cash provided by operating activities	<u>254,762</u>	<u>177,107</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in short-term investments	(100,000)	200,000
Purchase of improvements and equipment	<u>(121,872)</u>	<u>(55,000)</u>
Net cash provided from investing activities	<u>(221,872)</u>	<u>145,000</u>
Net Change in Cash and Equivalents	32,890	322,107
CASH AND CASH EQUIVALENTS, BEGINNING	<u>724,154</u>	<u>402,047</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 757,044</u>	<u>\$ 724,154</u>

See accompanying notes to the financial statements.

**Pinecrest Permittees Association**  
Notes to the Financial Statements  
December 31, 2013 and 2012

***Note 1 – Organizational Information***

Pinecrest Permittees Association (the Association) renders services to its members, the general public and others at Pinecrest, California. The Association was incorporated in January of 1950 as a California non-profit corporation. Membership is limited to holders of special use permits from the United States Forest Service (USFS) and USFS lessees. The Association does not contemplate the distribution of gains, profits or dividends to the members, in accordance with California Code.

The Association is tax-exempt under Internal Revenue Code Section 501(c)(4) and California Revenue and Taxation Code 23701f. The Association does not engage in any activities which would be subject to unrelated business activities income tax.

Association services include installation and maintenance of systems and equipment for water distribution, sanitation, sewage disposal, collection and disposition of garbage, fire prevention/fighting, road maintenance, and snow removal. The Association is subject to the cognizance of the USFS and cooperates with the USFS in the enforcement of all rules and regulations of the Department of Agriculture and with all laws and regulations pertaining to sanitation, fire prevention, public health and recreation.

***Note 2 – Summary of Significant Accounting Policies***

Pervasiveness of 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.

**Pinecrest Permittees Association**  
Notes to the Financial Statements (continued)  
December 31, 2013 and 2012

Basis of accounting – The Association reports its revenues and expenses on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized in the accounting year in which the liability is incurred.

Cash and cash equivalents – Cash is held in checking and savings accounts. Certificates of deposit with a term of three months or less are classified as cash equivalents for financial reporting purposes.

Retirement Plan – The Association maintains a Section 401(K) employee retirement plan for eligible employees. For 2012 and 2013, the cost to the Association was \$70,772 and \$81,865, respectively.

Members' Equity – The Association is required to report financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. All of the members' equity of the Association is unrestricted. There is no temporarily or permanently members' equity.

Cost Allocation Plan – The Association allocates indirect costs using a method similar to the Direct Allocation Method as promulgated by *OMB Circular A-122 Revised*. Indirect general and administrative costs are allocated to each fund activity pro rata using total direct costs before depreciation. Indirect depreciation costs are allocated to the General Fund.

**Note 3 – Accounts Receivable, Net**

As of December 31, 2012 and 2013, the accounts receivable was \$2,084 and \$17,500, respectively, with no allowance for doubtful accounts.

## Pinecrest Permittees Association

### Notes to the Financial Statements (continued) December 31, 2013 and 2012

#### **Note 4 – Short-Term Investments**

All short-term investments at December 31, 2012 and 2013 consisted of Certificates of Deposit, all FDIC insured, with maturity dates of more than 6 months but less than twelve months.

#### **Note 5 – Property and Equipment, Net**

	2013	2012
Buildings	\$ 592,304	\$ 603,734
Infrastructure	2,058,415	1,931,194
Machinery	877,303	878,481
Vehicles	146,817	146,817
	<u>3,674,839</u>	<u>3,560,226</u>
Accumulated depreciation	<u>(2,598,391)</u>	<u>(2,496,086)</u>
	<u>\$1,076,448</u>	<u>\$1,064,140</u>

Depreciation expense was \$109,565 and \$123,442 for 2013 and 2012, respectively. Capital items are depreciated using the straight-line method over their estimated useful lives which range from 5 to 20 years.



## **Pinecrest Permittees Association**

Notes to the Financial Statements (continued)  
December 31, 2013 and 2012

### ***Note 6 – Concentration***

The USFS contracts with the Association to provide wastewater services for their offices, as well as the Pinecrest Campgrounds, which are operated by a concessionaire of the USFS. Under the current contract, the USFS and its concessionaire pay for 29.9% of the allowable wastewater costs.

### ***Note 7 – Subsequent Events***

Management has evaluated subsequent events through the date of the auditors' report.

PINECREST PERMITTEES ASSOCIATION  
SUPPLEMENTAL SCHEDULE  
SCHEDULE OF EXPENSES BY PROGRAM  
FOR THE YEAR ENDING DECEMBER 31, 2013

\*\*\*PROGRAMS\*\*\*

Expenses	Water, Fire, Roads and Garbage	Wastewater	Snow	Garbage	Management and general	Total
Accounting and legal					\$ 33,625	\$ 33,625
Appraisal costs						-
Depreciation	26,781	56,171	17,414		9,199	109,565
Donation						-
Employee salaries and costs	252,073	300,388	3,894	18,286	18,602	593,243
Fire Department Expenses	8,599					8,599
Fuel and Oil	4,220	8,888	5,085	124		18,317
Garbage Fees				11,155		11,155
Insurance					27,786	27,786
Lab Test		14,328				14,328
Miscellaneous	738				1,877	2,615
NFHA Dues	13,405					13,405
Office Expenses					6,082	6,082
Outside Services		13,416			1,746	15,162
Regulation Fees	2,816	13,875		180		16,871
Repairs & Maintenance	6,861	14,222	2,312	342		23,737
Supplies	31,480					31,480
Tax, Licenses and Permits	260	8,917	84	102	5,009	14,372
Telephone	59	3,016			447	3,522
Utilities	15,133	50,772	-	-	-	65,905
<b>Total expenses</b>	<b><u>\$ 362,425</u></b>	<b><u>\$ 483,993</u></b>	<b><u>\$ 28,789</u></b>	<b><u>\$ 30,189</u></b>	<b><u>\$ 104,373</u></b>	<b><u>\$ 1,009,769</u></b>

See accompanying notes to the financial statements.

PINECREST PERMITTEES ASSOCIATION  
SUPPLEMENTAL SCHEDULE  
SCHEDULE OF EXPENSES BY PROGRAM  
FOR THE YEAR ENDING DECEMBER 31, 2012

Expenses	***PROGRAMS***					Total
	Water, Fire, Roads and Garbage	Wastewater	Snow	Garbage	Management and general	
Accounting and legal					\$ 63,150	\$ 63,150
Depreciation	37,782	59,756	16,741		9,163	123,442
Employee salaries and costs	261,676	250,670	9,675	17,047	25,968	565,036
Fire Department Expenses	7,508					7,508
Fuel and Oil	13,321	4,916	1,726			19,963
Garbage Fees				12,549		12,549
Insurance					33,974	33,974
Lab Test		12,846				12,846
Miscellaneous	510	66			1,680	2,256
NFHA Dues	13,405					13,405
Office Expenses					5,282	5,282
Outside Services	500	8,642			1,885	11,027
Regulation Fees	2,674	11,017				13,691
Repairs & Maintenance	12,775	16,175	4,480	1,866		35,296
Supplies	43,275					43,275
Tax, Licenses and Permits	687				3,103	3,790
Telephone	74	2,822			439	3,335
Utilities	16,922	51,597	-	-	-	68,519
<b>Total expenses</b>	<b><u>\$ 411,109</u></b>	<b><u>\$ 418,507</u></b>	<b><u>\$ 32,622</u></b>	<b><u>\$ 31,462</u></b>	<b><u>\$ 144,644</u></b>	<b><u>\$ 1,038,344</u></b>

See accompanying notes to the financial statements.