

# FRANCISCAN OWNERS ASSOCIATION

Tahoe Vista, California

COMPILED FINANCIAL FORECAST  
AND SUPPLEMENTARY DISCLOSURES

For the Years Ending  
June 30, 2016 and 2015

# FRANCISCAN OWNERS ASSOCIATION

## TABLE OF CONTENTS

	Page
ACCOUNTANTS' COMPILATION REPORT	1
STATEMENTS OF OPERATING FUND REVENUE AND EXPENSES AND CHANGES IN FUND BALANCE	2
STATEMENTS OF REPLACEMENT FUND REVENUE AND EXPENSES AND CHANGES IN FUND BALANCE	3
BALANCE SHEETS	4
STATEMENTS OF CASH FLOWS	5
SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES	6-8

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### SUPPLEMENTARY INFORMATION DISCLOSURES REQUIRED BY CALIFORNIA STATUTES

SUPPLEMENTARY INFORMATION AND DISCLOSURES	10-16
Delinquent Assessment Policy Summary	
Alternative Dispute/Internal Dispute Resolution	
Insurance Disclosure	
Notice of Special Assessments	
Other Required Disclosures	
Section 5310 Notice Regarding Assessment and Collection Policy	

# McCLINTOCK ACCOUNTANCY CORPORATION

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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors  
Franciscan Owners Association

We have compiled the accompanying forecasted statements of operating fund and replacement fund revenue and expenses and changes in fund balance of Franciscan Owners Association for the years ending June 30, 2016 and 2015, and the forecasted balance sheets as of June 30, 2016 and 2015, and the forecasted statements of cash flows for the years ending June 30, 2016 and 2015, in accordance with attestation standards established by the American Institute of Certified Public Accountants. The fiscal year budget July 1, 2013 through June 30, 2014 is supplementary information and is presented for supplementary analysis purposes only.

A compilation of forecasted statements is limited to presenting in the form of a forecast, information that is the representation of the Association and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results and those differences may be material because events and circumstances frequently do not occur as expected. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Other accompanying supplementary information consists of disclosures required by the California civil code. It should not be used for any other purpose.

*McClintock Accountancy Corporation*

McCLINTOCK ACCOUNTANCY CORPORATION  
Tahoe City, California  
May 11, 2015

**FRANCISCAN OWNERS ASSOCIATION  
COMPILED FINANCIAL FORECAST  
STATEMENTS OF OPERATING FUND REVENUE AND EXPENSES  
AND CHANGES IN FUND BALANCE  
For the Years Ending June 30, 2016 and 2015  
(See Accountants' Compilation Report)**

	Forecast 2015/16	Estimated Actual 2014/15	Budget 2014/15
<b>Revenue</b>			
Members' dues	\$ 384,876	\$ 374,280	\$ 374,280
Less: Dues allocated to replacement fund	(79,236)	(77,000)	(77,000)
Less: Dues allocated to capital improvement account	(2,000)	-0-	(4,000)
Unit 64 rental income	20,000	18,750	18,750
Utilities reimbursement-FLRP	6,468	6,468	-0-
Buoy fees and venue fees	13,500	1,200	-0-
Total Revenue	<u>343,608</u>	<u>323,698</u>	<u>312,030</u>
<b>Expenses</b>			
<b>Maintenance and operations</b>			
Snow removal labor	7,300	-0-	-0-
Snow removal contract	5,200	5,020	6,000
Exterior painting labor and materials	12,000	6,459	15,000
Asphalt resealing	2,000	2,125	2,000
Pier/buoy repairs and fees	10,500	3,260	-0-
Maint and landscape labor	21,300	-0-	-0-
Maint and landscape materials	2,800	-0-	-0-
Property maintenance labor	6,000	-0-	-0-
Property maintenance materials	8,800	-0-	-0-
Pool labor	13,850	-0-	-0-
Pool materials and licenses	2,850	-0-	-0-
Safety - smoke and CO detector maintenance	7,740	-0-	-0-
Tree maintenance	5,000	-0-	-0-
Insurance work	-0-	4,000	-0-
Payroll taxes and benefits	-0-	0	3,250
Repairs and supplies, including annual BMP maint.	-0-	79,299	48,426
	<u>105,340</u>	<u>100,163</u>	<u>74,676</u>
<b>Utilities</b>			
Electricity and natural gas	53,500	50,000	55,000
Water and sewer	78,000	74,000	78,000
TV cable	7,000	7,000	7,000
Garbage removal	16,650	15,000	16,650
	<u>155,150</u>	<u>146,000</u>	<u>156,650</u>
<b>Administrative</b>			
Property insurance	33,000	33,000	25,000
Property management	25,600	16,667	26,000
Legal and accounting and professional services	21,000	27,000	25,000
Board/annual meeting expense	1,500	2,600	2,500
Office, property tax and miscellaneous	1,045	1,800	2,104
Depreciation	100	100	100
Income tax expense	450	1,600	-0-
	<u>82,695</u>	<u>82,767</u>	<u>80,704</u>
Total Expenses	<u>343,185</u>	<u>328,930</u>	<u>312,030</u>
Excess of Revenue Over (Under) Expenses	423	(5,232)	-0-
Operating Fund Balance (Deficit) - Beginning	<u>71,984</u>	<u>77,216</u>	<u>48,407</u>
Operating Fund Balance (Deficit) - End	<u>\$ 72,407</u>	<u>\$ 71,984</u>	<u>\$ 48,407</u>

FRANCISCAN OWNERS ASSOCIATION

COMPILED FINANCIAL FORECAST  
STATEMENTS OF REPLACEMENT FUND REVENUE AND EXPENSES  
AND CHANGES IN FUND BALANCE

For the Years Ending June 30, 2016 and 2015

(See Accountants' Compilation Report)

	Forecast 2015/16	Estimated Actual 2014/15	Budget 2014/15
Revenue			
Dues allocated to replacement fund	\$ 79,236	\$ 77,000	\$ 77,000
Special assessment-windows	83,016	83,016	83,016
Miscellaneous	-0-	-0-	-0-
Bank interest income	-0-	6	-0-
Total Revenue	<u>162,252</u>	<u>160,022</u>	<u>160,016</u>
Expenses			
BMP	-0-	25,000	-0-
Concrete	1,025	-0-	2,620
Structural repairs/siding and trim	32,652	-0-	-0-
Decking	37,120	12,750	-0-
Roofing	-0-	-0-	862
Rehab Unit 64 and Office	13,250	2,000	-0-
Pool	3,306	-0-	5,654
Landscaping equipment	-0-	-0-	-0-
Locks/entry doors	25,113	-0-	-0-
Fencing	3,608	691	3,037
Lighting	-0-	-0-	8,292
Furnishing	-0-	-0-	3,013
Office equipment	27,675	6,000	-0-
Mechanical equipment/water heaters	12,300	-0-	-0-
Pier reconstruction	-0-	735	-0-
Security system	-0-	3,500	-0-
Flooring	-0-	-0-	-0-
Outdoor equipment	11,475	2,900	538
Appliances	-0-	736	-0-
Miscellaneous equipment	7,032	948	-0-
Bears Den	5,599	-0-	-0-
Interest-loans	-0-	563	-0-
Total Expenses	<u>180,155</u>	<u>55,823</u>	<u>24,016</u>
Excess of Revenue Over (Under) Expenses	<b>(17,903)</b>	104,199	136,000
Replacement Fund Balance - Beginning of Year	<u>132,672</u>	<u>28,473</u>	<u>24,171</u>
Replacement Fund Balance - End of Year	<u>\$ 114,769</u>	<u>\$ 132,672</u>	<u>\$ 160,171</u>

FRANCISCAN OWNERS ASSOCIATION

COMPILED FINANCIAL FORECAST  
BALANCE SHEETS

June 30, 2015 and 2014

(See Accountants' Compilation Report)

	<u>Forecast</u> <u>June 30, '16</u>	<u>Estimated</u> <u>Actual</u> <u>June 30, '15</u>
Assets		
Cash - undesignated, including capital account balances of \$6,100 and \$4,100 at June 30, 2016 and 2015, respectively	\$ 73,310	\$ 72,787
Cash and cash equivalents- designated for replacements or restricted	114,769	132,672
Dues receivables	2,694	2,694
Allowance for doubtful accounts	-0-	-0-
Due from operating fund	-0-	-0-
Prepaid expenses and deposits	23,094	23,094
Equipment	45,470	45,470
Accumulated depreciation	<u>(44,924)</u>	<u>(44,824)</u>
 Total Assets	 <u>\$ 214,413</u>	 <u>\$ 231,893</u>
Liabilities and Members' Equity		
Liabilities		
Accounts payable	\$ 22,883	\$ 22,883
Accrued liabilities	-0-	-0-
Due to replacement fund	-0-	-0-
Dues paid in advance	4,354	4,354
Notes payable to members	-0-	-0-
Total Liabilities	<u>27,237</u>	<u>27,237</u>
Members' Equity		
Operating fund	72,407	71,984
Replacement fund	114,769	132,672
Total Members' Equity	<u>187,176</u>	<u>204,656</u>
 Total Liabilities and Members' Equity	 <u>\$ 214,413</u>	 <u>\$ 231,893</u>

**FRANCISCAN OWNERS ASSOCIATION**

**COMPILED FINANCIAL FORECAST  
STATEMENTS OF CASH FLOWS**

**For the Years Ending June 30, 2016 and 2015**

**(See Accountants' Compilation Report)**

	<u>Forecast</u> <u>2015/16</u>	<u>Estimated</u> <u>Actual</u> <u>2014/15</u>
Net cash provided (used) by operating activities:		
Excess of Revenue Over (Under) Expenses:		
Operating fund	\$ 423	(\$ 5,232)
Replacement fund	<u>(17,903)</u>	<u>104,199</u>
	<u>(17,480)</u>	<u>98,967</u>
Adjustments:		
Depreciation	100	100
Bad debt expense	-0-	-0-
Change in dues receivable	-0-	-0-
Change in prepaid expenses	-0-	-0-
Change in accounts payable	-0-	-0-
Change in accrued liabilities	-0-	-0-
Change in dues billed in advance	<u>-0-</u>	<u>-0-</u>
	<u>100</u>	<u>100</u>
Net cash provided (used) by operating activities	<u>(17,380)</u>	<u>99,067</u>
Net cash provided (used) by financing activities:		
Retirement of notes payable	<u>-0-</u>	<u>(75,000)</u>
	<u>-0-</u>	<u>(75,000)</u>
Net increase (decrease) in cash	(17,380)	24,067
Cash - Beginning of Year	<u>205,459</u>	<u>181,392</u>
Cash - End of Year	<u>\$ 188,079</u>	<u>\$ 205,459</u>
Cash is shown on the balance sheet as follows:		
Cash - undesignated	\$ 73,310	\$ 72,787
Cash - designated for future replacements	<u>114,769</u>	<u>132,672</u>
	<u>\$ 188,079</u>	<u>\$ 205,459</u>

# FRANCISCAN OWNERS ASSOCIATION

## SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES

For the Years Ending June 30, 2016 and 2015

(See Accountants' Compilation Report)

### 1. Form of Organization

The Franciscan Owners Association (the "Association") is a non-profit mutual benefit corporation organized under the laws of the State of California. The Association's members consist of those persons or entities who own units at The Franciscan Lakeside Lodge in Tahoe Vista, California. The Association was organized to provide management services and maintenance of certain common use areas and the exterior of the units within the development. The Association is supported by monthly assessments of the 63 units in the development.

Prior to October 1, 2009, the Association was organized as a motel stock cooperative where members had exclusive rights to certain units and restricted common areas under an assignment of a 99-year master lease.

### 2. Summary of Significant Accounting Policies

A. The Association's governing documents and policies provide certain guidelines for controlling its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts on the fund accounting basis. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - Used to account for financial resources available for the general operations of the Association.

Replacement Fund - Used to accumulate financial resources designated for future major repairs and replacements.

B. The Association capitalizes personal property at cost and depreciates it over the estimated useful lives of the assets ranging from 3 to 15 years, utilizing the straight-line method. Capitalized assets and related depreciation are reported in the operating fund.

C. Association members are subject to monthly assessments to provide funds for the Association's operating expenses and repairs and replacements. Accounts receivable at the balance sheet date mostly represents fees due from members. The Association's policy includes, among other things, assessing a late charge and interest on payments unpaid past their due date and retaining legal counsel to place liens on the property of homeowners whose assessments are delinquent. An allowance for doubtful accounts is created when an account's collectibility is uncertain. Accounts are written off when the Association is notified that it is a



FRANCISCAN OWNERS ASSOCIATION

SUMMARY OF SIGNIFICANT ASSUMPTIONS  
AND ACCOUNTING POLICIES

For the Years Ending June 30, 2016 and 2015

(See Accountants' Compilation Report)

bad debt, such as after a bankruptcy or foreclosure proceedings. Deferred income represents members' assessments received during the current period that are applicable to the following period. The Association derives a significant portion of its revenue from dues assessments that are levied against each unit within the development.

- D. It is the policy of the Association to include in the annual budget a provision for the cost of future replacement of common areas. The annual provision for future replacements is included in a segregated replacement fund and is based on a 30 year forecast of replacement costs of each of the Association's common area components, giving effect to inflation forecasts. The Association is funding for such future 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 designated for future major repairs and replacements. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right, subject to member approval, to increase regular assessments or to levy special assessments. It may also delay major repairs and replacements until funds are available.
- E. The Association earns interest on all fund cash accounts. Income taxes provided on interest income are recorded in the operating fund.
- F. The Association is taxed as a regular corporation. Member revenue can be offset to the extent of member expenses. In general, dues allocated for future major repairs and replacements can be set aside on a tax-free basis if applicable guidelines are followed. Additionally, other amounts received by the Association, such as investment income, are taxed net of related expenses for federal and state purposes. The Association's three previously filed federal returns and four previously filed state returns are available for examination by the taxing authorities.
- G. For purposes of reporting cash flows, cash is defined as amounts held in checking and money market account accounts and certificates of deposit.
- H. 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

FRANCISCAN OWNERS ASSOCIATION

SUMMARY OF SIGNIFICANT ASSUMPTIONS  
AND ACCOUNTING POLICIES

For the Years Ending June 30, 2016 and 2015

(See Accountants' Compilation Report)

- I. The carrying amounts of financial instruments, including cash, certificates of deposit, accounts receivable and accounts payable approximate their fair value due to the short term maturities of these instruments.

3. Summary of Significant Assumptions

A. Nature of the Forecasted Financial Statements

The accompanying financial forecast for the years presented in comparative form presents, to the best of the Board of Directors' knowledge and belief, the Association's financial position, results of operations, and cash flows for the forecast periods. Accordingly, the forecast reflects its judgment as of this forecast's date of the expected conditions and its expected course of action. The assumptions disclosed herein are those that the Board of Directors believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

B. 2014/15 Estimated Actual

The 2014 financial statements were audited by a certified public accountant and an unqualified opinion was given. Nine months of 2014/15 historical information was annualized to arrive at the June 30, 2015, financial position, results of operations and cash flows for the year then ended.

C. 2015/16 Forecast

Revenue - Member dues are the primary revenue source for the Association and, within some limits, decided upon by the Board of Directors. Interest income was calculated using current interest rates or the rates on existing instruments held by the Association. Other revenue was based on prior years' history. Wedding venue fee revenue of \$3,000 for four weddings, \$12,000 in total, is included. Additionally, \$2,000 is budgeted for allocation to the capital improvement account, used to accumulate funds for future common area improvements.

Operating expenses - These expenses are fairly predictable. They are driven by vendor contracts, utility rates, prior years' history and Board of Directors' decisions. Known changes in these elements were incorporated in the second year forecast. For 2015/16, maintenance projects are budgeted elements of a maintenance plan with consideration given to estimated materials and labor. The differences between the first and second year revenue and expense forecasts are displayed on the revenue and expense statements.

SUPPLEMENTARY INFORMATION

DISCLOSURES REQUIRED BY CALIFORNIA STATUTES

# FRANCISCAN OWNERS ASSOCIATION

## SUPPLEMENTARY INFORMATION DISCLOSURES REQUIRED BY CALIFORNIA STATUTES

June 30, 2015

### **Reserve Study**

The Association contracted with Browning Reserve Group to update a reserve study as of June 30, 2015. This reserve study was reviewed and accepted by the Board of Directors.

Some of the components identified for future replacement by Browning Reserve Group require additional analysis and cost and life information. Additional information will be incorporated into future annual updates to the study.

Additionally, the Association is currently in the preliminary stages of developing plans to eventually replace certain other unit and common area components, and complete the sidewalk improvements mandated by the local agencies. Estimated costs for these projects are unknown at this time, and no significant amounts are currently being set aside for this work.

### **Delinquent Assessments Policy Summary**

Association's assessments become delinquent 15 days after their due date. Delinquent assessments will be assessed a collection cost of 5% of the delinquent amount, plus any other reasonable costs of collection, and interest at an annual rate of 12% on any amounts unpaid 30 days past their due date. The Association will consider recording liens on amounts unpaid 90 days after their due date. Foreclosure action is considered on amounts unpaid 120 days after their due date, subject to any statutory limitations. In addition, the Association may, at its discretion, subject to CC&R limitations, statutory limitations, and previous agreements, collect the homeowner's share of rental income to pay for delinquent assessments and reasonable costs of collection, suspend members voting rights, and/or limit delinquent homeowners and their guests the use of recreation facilities located on the Common Areas.

Please refer to the complete policy later in this report.

### **Alternative Dispute/Internal Dispute Resolution**

Sections 5925 to 5965 of the Civil Code require that before owners and associations file lawsuits against each other for declaratory relief or injunctive relief in connection with a claim for money damages under \$5,000 or for enforcing the associations governing documents, the filing party shall endeavor to submit the dispute to alternative dispute resolution (ADR). Forms of ADR include mediation, negotiation, and binding or nonbinding arbitration. This provision does not apply to the filing of cross-complaints.

The ADR process is initiated by one party serving a Request for Resolution upon the other parties to the dispute. The request must include (i) a brief description of the dispute, (ii) a request for ADR, (iii) a notice that a response must be received within thirty (30) days or it will be deemed rejected, and (iv) a copy of Civil Code Sections 5925 to 5965.

If the individual receiving the request agrees to ADR, the process must be completed within ninety (90) days unless otherwise extended by agreement. The cost of ADR is to be paid by the participating parties. If

FRANCISCAN OWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION  
DISCLOSURES REQUIRED BY CALIFORNIA STATUTES  
June 30, 2015

a civil suit is filed, the filing party must submit to the court a Certificate of Compliance indicating the party has complied with the requirements of Sections 5925 to 5965. Failing to do so would be grounds for challenging the lawsuit.

Although the prevailing party is entitled to reasonable attorneys' fees and costs, the court may consider a party's refusal to participate in ADR when making the award.

A description of the Associations internal dispute resolution process, as required by Civil Code Section 5900, is attached.

NOTE: Failure by any member of the association to comply with the alternative dispute resolution requirements of Civil Code 5930 may result in the loss of your rights to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law.

DESCRIPTION OF INTERNAL DISPUTE RESOLUTION PROCEDURE  
Civil Code Section 5900

This policy applies to a dispute between the Association and a member involving their rights, duties, or liabilities under the Associations governing documents.

Either party to a dispute within the scope of this article may invoke the following procedure:

The party may request the other party to meet and confer in an effort to resolve the dispute. The request shall be in writing.

A member of the Association may refuse a request to meet and confer. The Association may not refuse a request to meet and confer.

The Association's Board of Directors shall designate a member of the Board to meet and confer.

The parties shall meet promptly at a mutually convenient time and place, explain their positions to each other, and confer in good faith in an effort to resolve the dispute.

A resolution of the dispute agreed to by the parties shall be memorialized in writing and signed by the parties, including the Board designee on behalf of the Association.

An agreement reached under this policy binds the parties and is judicially enforceable if both of the following conditions are satisfied:

The agreement is not in conflict with law or the governing documents of the Association,

The agreement is either consistent with the authority granted by the Board of Directors to its designee or the agreement is ratified by the Board of Directors.

A member of the Association may not be charged a fee to participate in the process.

FRANCISCAN OWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION  
DISCLOSURES REQUIRED BY CALIFORNIA STATUTES  
June 30, 2015

**Insurance Disclosure**

Civil code section 1365 requires that the Association inform the membership about the following insurance information.

Liability insurance - general

Carrier: New Hampshire Insurance Company

Limit: \$1,000,000 per occurrence/\$2,000,000 aggregate

Deductible: \$5,000

Umbrella

Carrier: Fireman's Fund Insurance Company

Limit: \$5,000,000 per occurrence/\$5,000,000 aggregate

Directors and officers insurance

Carrier: CNA Insurance Cos.

Limit: \$2,000,000

Deductible: \$2,500

Property insurance

Carrier: New Hampshire Insurance Company

Limit: \$6,225,000 buildings/contents

Deductible: \$5,000

**This summary of the Association's policies of insurance provides only certain information, as required by subdivision (e) of section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance do not cover your property or real property improvements around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.**

**Notice of Special Assessments**

The Association's members approved a special assessment of \$332,000 during 2012/13 for the purposes of window replacement and other reserve projects, \$6,918 per month for 48 months, with the amount varying by unit size. This assessment will run through March 2017.

FRANCISCAN OWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION  
DISCLOSURES REQUIRED BY CALIFORNIA STATUTES  
June 30, 2015

**Other Required Disclosures**

- Members have the right to submit a secondary address for purposes of collection notices from the Association. The request must be in writing and shall be mailed to the Association in a manner that shall indicate the Association has received it. The member may identify or change a secondary address at any time, provided that, if a secondary address is identified or changed during the collection process, the Association shall only be required to send notices to the indicated secondary address from the point that the Association receives the request.
- Members may request copies of the minutes of the Board of Directors by submitting the request in writing to the Association Secretary at PO Box 280, Tahoe Vista, CA 96148.
- The name and contact information of the person designated to receive official communications to the Association is Kay Williams, PO Box 280, Tahoe Vista, CA 96148.
- Regarding posting of general notices in the common area, the Association has adopted a posting place for general notices as follows: inside the front door to the office.
- A member has the right to receive general notices by individual delivery upon request.
- Regarding the adoption of a discipline policy or fine schedule pursuant to Section 5850, the Association has not adopted either of these.

**Notice Regarding Assessment and Collection Policy (Section 5310 and Section 5730)**

ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated in this Notice for further information. A portion of the information in this notice applies only to liens recorded by community associations on account of delinquent assessment obligations on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment levied by your association.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents of the association provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees interest, and costs of

## FRANCISCAN OWNERS ASSOCIATION

### SUPPLEMENTARY INFORMATION DISCLOSURES REQUIRED BY CALIFORNIA STATUTES June 30, 2015

collection, is less than \$1,800. For delinquent assessments or dues in excess of \$1,800 or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid (Sections 5700 through 5720 of the Civil Code, inclusive).

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this (Section 5725 of the Civil Code).

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association (Civil Code section 5675).

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculation the amount. The association must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt (Civil Code section 5660).

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard (Civil Code section 5685).

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

## PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received the payment. The association must inform owners of a



## FRANCISCAN OWNERS ASSOCIATION

### SUPPLEMENTARY INFORMATION DISCLOSURES REQUIRED BY CALIFORNIA STATUTES June 30, 2015

mailing address for overnight payments (See Civil Code section 5655). For Franciscan members, this address is 6944 North Lake Blvd., Tahoe Vista, CA 96148.

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection costs, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection if it is established that the assessment was paid properly on time (Civil Code section 5685).

### MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist (Civil Code section 5665).

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform to the payment plan standards of the association if they exist (Civil Code section 5665).

FRANCISCAN OWNERS ASSOCIATION

SUPPLEMENTARY INFORMATION  
DISCLOSURES REQUIRED BY CALIFORNIA STATUTES  
June 30, 2015

**Delinquent Assessment Policy Effective 01-15-11**

Consistent with the governing documents of the Franciscan Homeowners' Association the Board of Directors has established the following Delinquent Assessments Policy:

- Association's assessments become delinquent 15 days after their due date.
- Delinquent assessments will be assessed a collection cost of 5% of the delinquent amount, plus any other reasonable costs of collection.
- Interest will be assessed at an annual rate of 12% on any amounts unpaid 30 days past their due date.
- At 30 days past due a courtesy letter/invoice will be sent notifying homeowner(s) of past due amounts.
- At 60 days past due a letter/invoice will be sent notifying homeowner(s) of past due amounts including late fees, interest, other reasonable costs of collection, and a copy of the *Delinquent Assessments Policy Summary*.
- Partial or late payments shall be credited to the oldest past delinquent amounts.

**Board Options**

The board may choose any one or all of the following options:

Option 1. 15 days delinquent

- Member's voting privileges in the Association may be suspended. (Bylaws Article 3.7 & 3.8)

Option 2. 60 days delinquent

- If the delinquent homeowner participates in the rental program, the board may collect the homeowner's share of rental income to pay for delinquent assessments and reasonable costs of collection. (Rental Program Agreement, Section D, i)

Option 3. 60 days delinquent

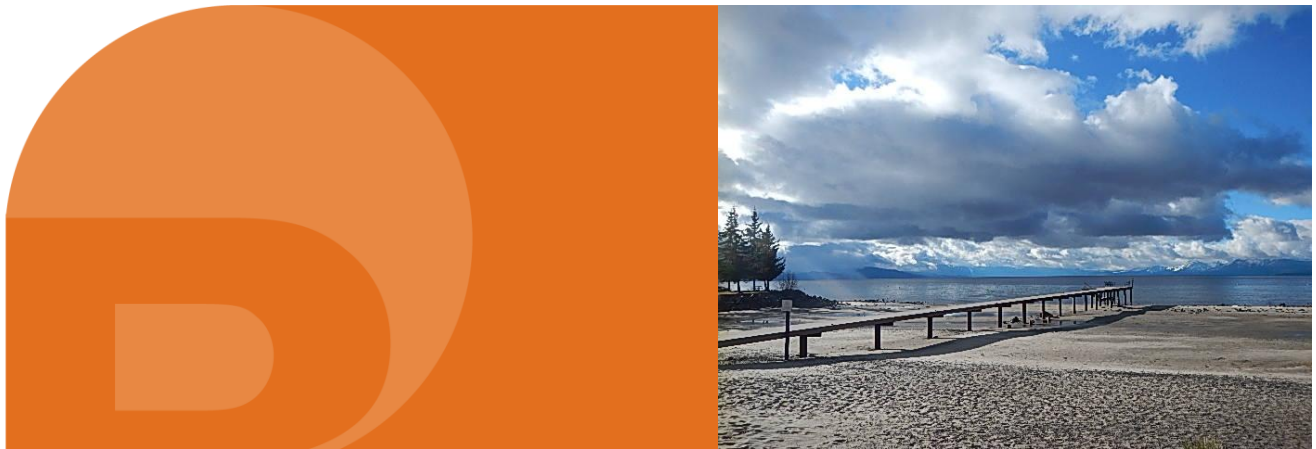
- The board may limit delinquent homeowners and their guests the use of recreation facilities located on the Common Areas. (CC&R Article 3.4a)

Option 4. 90 days delinquent

- The board will consider recording liens on delinquent properties. The board, at its option, may record the liens itself or transfer the lien process to a collection agency/attorney. Collection agency fees and costs can be substantial and are charged to the delinquent homeowner.

Option 5. 120 days delinquent.

- Foreclosure action is considered on amounts unpaid 120 days after their due date, subject to any statutory limitations.



## RESERVE STUDY

Member Distribution Materials

### Franciscan Homeowners Association

*Update w/ Site Visit Review*

Final

Published - April 20, 2015

Prepared for the 2015/2016 Fiscal Year

<i>Section</i>	<i>Report</i>	<i>Page</i>
<i>California:</i>	<i>Member Summary</i>	<i>1</i>
	<i>Assessment and Reserve Funding Disclosure Summary</i>	<i>[Civil Code §5570]</i> <i>3</i>
<i>Section III:</i>	<i>30 Year Reserve Funding Plan</i>	<i>Cash Flow Method {c}</i> <i>5</i>
<i>Section III-b:</i>	<i>30 Year Reserve Funding Plan</i>	<i>Special Assessments / Other Contributions Details</i> <i>6</i>

**Professionally managed by**

Granlibakken Management Company  
(530) 583-4242

**Browning Reserve Group**

www.BrowningRG.com

April 20, 2015

This is a summary of the Reserve Study that has been performed for Franciscan Homeowners Association, (the "Association"). This study was conducted in compliance with California *Civil Code Sections 5300, 5550 and 5560* and is being provided to you, as a member of the Association, as required under these statutes. A full copy is available (through the Association) for review by members of the Association.

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method." This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund.

Browning Reserve Group prepared this Update w/ Site Visit Review for the July 1, 2015 - June 30, 2016 fiscal year.

Franciscan Homeowners Association is a Condominium with a total of 63 Units.

The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

### **Funding Assessment**

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

California statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

Franciscan Homeowners Association  
California Member Summary  
Final  
Prepared for the 2015/2016 Fiscal Year

<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2014/2015 Fully Funded Balance</i>	<i>2015/2016 Fully Funded Balance</i>	<i>2015/2016 Line Item Contribution based on Cash Flow Method</i>
<b>01000 - Paving</b>	<b>150,323</b>	<b>10-20</b>	<b>1-18</b>	<b>22,449</b>	<b>30,868</b>	<b>3,181</b>
<b>02000 - Concrete</b>	<b>20,526</b>	<b>15-25</b>	<b>1-3</b>	<b>17,809</b>	<b>19,329</b>	<b>597</b>
<b>04000 - Structural Repairs</b>	<b>801,045</b>	<b>2-40</b>	<b>1-29</b>	<b>419,445</b>	<b>469,694</b>	<b>27,609</b>
<b>04500 - Decking/Balconies</b>	<b>198,918</b>	<b>22-22</b>	<b>1-7</b>	<b>175,639</b>	<b>189,298</b>	<b>5,147</b>
<b>05000 - Roofing</b>	<b>234,801</b>	<b>12-25</b>	<b>2-12</b>	<b>123,646</b>	<b>136,567</b>	<b>6,824</b>
<b>08000 - Rehab</b>	<b>58,355</b>	<b>2-25</b>	<b>1-22</b>	<b>21,126</b>	<b>28,915</b>	<b>4,390</b>
<b>12000 - Pool</b>	<b>60,845</b>	<b>2-24</b>	<b>1-22</b>	<b>15,986</b>	<b>23,796</b>	<b>4,546</b>
<b>18000 - Landscaping</b>	<b>28,225</b>	<b>5-7</b>	<b>0-3</b>	<b>26,843</b>	<b>7,486</b>	<b>2,935</b>
<b>18500 - Lakes / Ponds</b>	<b>32,346</b>	<b>20-20</b>	<b>16-16</b>	<b>6,469</b>	<b>8,289</b>	<b>1,282</b>
<b>19000 - Fencing</b>	<b>69,462</b>	<b>18-25</b>	<b>1-12</b>	<b>52,557</b>	<b>57,720</b>	<b>2,246</b>
<b>20000 - Lighting</b>	<b>8,400</b>	<b>4-4</b>	<b>3-3</b>	<b>2,100</b>	<b>4,305</b>	<b>1,208</b>
<b>21000 - Signage</b>	<b>5,890</b>	<b>15-20</b>	<b>3-3</b>	<b>4,872</b>	<b>5,342</b>	<b>195</b>
<b>22000 - Office Equipment</b>	<b>36,000</b>	<b>2-5</b>	<b>0-3</b>	<b>20,250</b>	<b>29,930</b>	<b>8,461</b>
<b>23000 - Mechanical Equipment</b>	<b>54,860</b>	<b>7-15</b>	<b>1-14</b>	<b>30,895</b>	<b>36,533</b>	<b>2,887</b>
<b>24000 - Furnishings</b>	<b>25,415</b>	<b>4-15</b>	<b>1-7</b>	<b>15,262</b>	<b>18,731</b>	<b>1,750</b>
<b>24500 - Audio / Visual</b>	<b>1,125</b>	<b>10-10</b>	<b>3-3</b>	<b>788</b>	<b>923</b>	<b>65</b>
<b>24600 - Safety / Access</b>	<b>3,500</b>	<b>7-7</b>	<b>0-0</b>	<b>3,500</b>	<b>513</b>	<b>267</b>
<b>25000 - Flooring</b>	<b>10,427</b>	<b>8-15</b>	<b>5-12</b>	<b>4,653</b>	<b>5,881</b>	<b>661</b>
<b>26000 - Outdoor Equipment</b>	<b>34,590</b>	<b>3-20</b>	<b>0-9</b>	<b>25,334</b>	<b>29,150</b>	<b>3,333</b>
<b>27000 - Appliances</b>	<b>10,421</b>	<b>2-12</b>	<b>1-9</b>	<b>5,549</b>	<b>6,769</b>	<b>854</b>
<b>30000 - Miscellaneous</b>	<b>9,720</b>	<b>5-25</b>	<b>0-3</b>	<b>8,176</b>	<b>7,819</b>	<b>796</b>
Totals	<b>\$1,855,193</b>			<b>\$1,003,348</b>	<b>\$1,117,858</b>	<b>\$79,233</b>
Estimated Ending Balance				<b>\$151,537</b>	<b>\$137,197</b>	<b>\$104.81</b>
Percent Funded				<b>15.1%</b>	<b>12.3%</b>	/Unit/month @ 63

April 20, 2015

(1) The regular assessment per ownership interest per month varies by size or type of ownership interest for the fiscal year beginning July 1, 2015.

*Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page \_\_\_ of the attached summary.*

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date assessment will be due:	Amount per ownership interest per month or year (if assessments are variable, see note immediately below):	Purpose of the assessment:
2013-2017	1317.71 per year-avg.	Reserves
Total:	\$5,270.86	

*Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page \_\_\_ of the attached report.*

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes  No

*This disclosure has been prepared by Browning Reserve Group and has been reviewed and approved by the association's board of directors based upon the best information available to the association at the time of its preparation. The accuracy of this information over the next 30 years will be dependent upon circumstances which are impossible to predict with specificity, and will require future action to adjust assessments over the period in accordance with the current projections and future developments.*

(4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members

Approximate date assessment will be due:	Amount per ownership interest per month or year:
N/A	N/A

(5) All major components are included in the reserve study and are included in its calculations. See next page §5300(b)(4), for any major component exclusions.

(6) Based on the method of calculation in paragraph (4) of the subdivision (b) of section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$1,003,348, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group as of April, 2015. The projected reserve fund cash balance at the end of the current fiscal year is \$151,537 resulting in reserves being 15.1% percent funded at this date. Civil code section 5570 does not require the board to fund reserves in accordance with this calculation.

*An alternate and generally accepted method of calculation has been utilized to determine future reserve contribution amounts. The reserve contribution for the next fiscal year has been determined using the Cash Flow method of calculation (see section III, Reserve Fund Balance Forecast). This is a method of developing a reserve funding plan where the contributions to the reserve fund are designated to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.*

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is presented in column (b) 'Fully Funded Balance' in the table immediately below; and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is presented in column (c) 'Reserve Ending Balance'; leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

Fiscal Year (a)	Fully Funded Balance (b)	Reserve Ending Balance (c)	Percent Funded (d)
2015/16	\$1,117,858	\$137,197	12.3%
2016/17	\$1,074,059	\$119,692	11.1%
2017/18	\$1,003,424	\$44,011	4.4%
2018/19	\$861,121	\$7,040	0.8%
2019/20	\$775,768	\$34,068	4.4%

If the reserve funding plan approved by the association is implemented, the projected fund cash balance in each of those years will be the amounts presented in column (c) 'Reserve Ending Balance' in the table immediately above, leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 2.50% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.50% per year.

#### Additional Disclosures

**§5565(d)** The current deficiency in reserve funding as of June 30, 2016 is \$15,566 per ownership interest (average).

*This is calculated as the current estimate of the amount of cash reserves necessary as of the end of the fiscal year for which the study is prepared, less, the amount of accumulated cash reserves actually (Projected to be) set aside to repair, replace, restore, or maintain the major components.*

$$\text{Deficiency} = \frac{\text{2015/2016 Fully Funded Balance} - \text{2015/2016 Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

**§5300(b)(4)** The current board of directors of the association has not deferred or determined to not undertake repairs or replacements over the next 30 years.

Major Component:	Justification for Deferral:
N/A	N/A

**§5300(b)(5)** The board of directors as of the date of the study does not anticipate the levy of a special assessment for the repair, replacement, or restoration of the major components.

Previously, the association was party to two promissory notes totaling \$125,000. In April 2014, (prior to the start of this study) the \$50,000 note was paid in full. In September of the 2014/15 f/y, \$75,000 in principal and \$4,971 in interest was paid totaling \$79,971. This study projects the loan was re-paid through reserves. In addition, there is an ongoing adopted special assessment in place that started in April 2013 and runs through March 2017. This 48 month special assessment brings into reserves \$6,918 per month. This translates to \$1,317.71 per unit per year.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
<b>Beginning Balance</b>	107,692	151,537	137,197	119,692	44,011	7,040	34,068	162,534	281,332	460,753
<b>Inflated Expenditures @ 2.5%</b>	39,400	180,154	209,072	280,120	224,007	161,749	64,115	78,737	23,716	54,500
<b>Reserve Contribution</b>	77,000	79,233	105,380	140,155	186,406	188,270	190,153	192,055	193,976	195,916
<i>Units/month @ 63</i>	101.85	104.81	139.39	185.39	246.57	249.03	251.53	254.04	256.58	259.15
<i>Percentage Increase</i>		2.9%	33.0%	33.0%	33.0%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>Special Assessments / Other <sup>1</sup></b>	3,045	83,016	83,016	62,262	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	3,200	3,565	3,171	2,021	630	508	2,427	5,480	9,162	13,287
<b>Ending Balance</b>	151,537	137,197	119,692	44,011	7,040	34,068	162,534	281,332	460,753	615,455

1) See Section III-B for a breakdown of the Other Contribution row. Also, 2015/16 reserve contribution amount from the Association.

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
<b>Beginning Balance</b>	615,455	709,209	831,525	723,252	921,720	1,126,043	1,285,556	1,327,670	1,448,396	1,559,022
<b>Inflated Expenditures @ 2.5%</b>	120,475	96,559	329,322	25,712	26,869	78,230	200,198	125,698	140,776	59,901
<b>Reserve Contribution</b>	197,875	199,854	201,853	203,872	205,911	207,970	210,050	212,151	214,273	216,416
<i>Units/month @ 63</i>	261.74	264.36	267.00	269.67	272.37	275.09	277.84	280.62	283.43	286.26
<i>Percentage Increase</i>	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	16,354	19,021	19,195	20,308	25,281	29,773	32,262	34,272	37,129	40,932
<b>Ending Balance</b>	709,209	831,525	723,252	921,720	1,126,043	1,285,556	1,327,670	1,448,396	1,559,022	1,756,468

	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44
<b>Beginning Balance</b>	1,756,468	1,892,863	2,050,668	2,074,882	2,019,962	1,881,990	1,783,506	1,808,003	2,021,861	2,236,275
<b>Inflated Expenditures @ 2.5%</b>	127,239	111,646	249,693	330,678	413,599	373,468	251,870	67,773	74,847	731,038
<b>Reserve Contribution</b>	218,580	220,766	222,974	225,204	227,456	229,731	232,028	234,348	236,691	239,058
<i>Units/month @ 63</i>	289.13	292.02	294.94	297.89	300.87	303.88	306.92	309.98	313.08	316.21
<i>Percentage Increase</i>	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	45,053	48,686	50,933	50,554	48,172	45,253	44,340	47,282	52,570	49,757
<b>Ending Balance</b>	1,892,863	2,050,668	2,074,882	2,019,962	1,881,990	1,783,506	1,808,003	2,021,861	2,236,275	1,794,052



30 Year Reserve Funding Plan Special Assessments / Other Contributions Detail

Final

Prepared for the 2015/2016 Fiscal Year

Funding Source		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
<b>Adopted Special Assessment</b>																
<b>INFLOW</b>	4 Inflows: fp1	83,016	83,016	83,016	62,262											
		This is to collect funds from the members for a special assessment in the amount of \$6,918 per month (\$83,016 per year) from April 2013 for 48 months until March 2017.														
<b>Loan Payback</b>																
<b>OUTFLOW</b>	Lump Sum Outflow: fp1	-79,971														
		This was to pay back the promissary note in September 2014 in the amount of \$75,000 for principal, and \$4,971 in accrued interest.														
Net Total Other Contributions		3,045	83,016	83,016	62,262	0	0	0	0	0	0	0	0	0	0	0