



THE DOBSON ASSOCIATION, INC.

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2020
AND FOR THE YEAR THEN ENDED
(WITH SUMMARIZED COMPARATIVE TOTALS AS OF
DECEMBER 31, 2019 AND FOR THE YEAR THEN ENDED)



THE DOBSON ASSOCIATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Dobson Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Dobson Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

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 on 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 from 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such 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 a 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 The Dobson Association, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

"Your prosperity is our number-one priority"

Report on Summarized Comparative Information

We have previously audited The Dobson Association, Inc.'s December 31, 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated March 31, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements of common property, on page 14, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who 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.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of revenues, expenses and changes in fund balances, on pages 15 - 17, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

Butler Hansen, PLC

Gilbert, Arizona
April 2, 2021

THE DOBSON ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS AT DECEMBER 31, 2019)

	Operating Fund	Reserve Funds		Total 2020	Restated Total 2019
		Reserve for Asset Replacement	Other Funds		
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 935,843	\$ 481,887	\$ 709,406	\$ 2,127,136	\$ 1,779,666
Short-Term Investments	788,355	2,212,782	99,942	3,101,079	3,719,330
Accounts Receivable, Net of Allowance of \$77,741 and \$58,498 - 2020 and 2019, respectively	93,663	-	140	93,803	77,772
Commercial Assessments Receivable	1,277	-	-	1,277	1,915
Accrued Interest	3,456	4,480	-	7,936	-
Prepaid Expenses	84,244	-	-	84,244	21,508
Other Assets	1,183	-	-	1,183	1,463
Inventory	2,287	-	-	2,287	4,382
Interfund Balance	(14,976)	7,690	7,286	-	-
TOTAL CURRENT ASSETS	1,895,332	2,706,839	816,774	5,418,945	5,606,036
OTHER ASSETS					
Net Property and Equipment	2,405,295	-	-	2,405,295	2,243,598
Property and Equipment, In Process	10,286	-	-	10,286	24,364
TOTAL OTHER ASSETS	2,415,581	-	-	2,415,581	2,267,962
TOTAL ASSETS	\$ 4,310,913	\$ 2,706,839	\$ 816,774	\$ 7,834,526	\$ 7,873,998
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Accounts Payable	\$ 8,815	\$ 2,716	\$ -	\$ 11,531	\$ 28,815
Accrued Expenses	155,559	7,167	-	162,726	77,047
Prepaid Member Assessments	458,746	-	-	458,746	455,486
Prepaid Newsletter Advertising	11,144	-	-	11,144	7,322
Prepaid Preschool Tuition	1,688	-	-	1,688	-
Prepaid Commercial Assessments	4,010	-	-	4,010	-
Other Liabilities	150	-	-	150	3,245
TOTAL CURRENT LIABILITIES	640,112	9,883	-	649,995	571,915
FUND BALANCES					
TOTAL FUND BALANCES	3,670,801	2,696,956	816,774	7,184,531	7,302,083
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,310,913	\$ 2,706,839	\$ 816,774	\$ 7,834,526	\$ 7,873,998

See accompanying notes to the financial statements.

THE DOBSON ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	Operating Fund	Reserve Funds		Total 2020	Restated Total 2019
		Reserve for Asset Replacement	Other Funds		
REVENUES					
Homeowner Assessments	\$ 2,733,672	\$ -	\$ -	\$ 2,733,672	\$ 2,734,533
Commercial Assessments	43,010	-	-	43,010	44,179
Service Charges, Transfer and Other Fees	217,361	-	-	217,361	272,666
Investment Income	13,651	26,392	2,180	42,223	91,194
Social and Recreational Activities	37,543	-	-	37,543	104,958
Rental Registration Fees	4,200	-	-	4,200	5,500
Facility and Equipment Rental Income	5,480	-	-	5,480	32,923
Preschool Tuition Income	27,362	-	-	27,362	63,675
Newsletter Advertising	44,340	-	-	44,340	46,755
Other Income	8,532	-	2,072	10,604	12,220
TOTAL REVENUES	3,135,151	26,392	4,252	3,165,795	3,408,603
EXPENSES					
Administrative	1,012,396	-	-	1,012,396	962,423
Board of Directors	45,187	-	-	45,187	47,520
Lakes	121,093	-	-	121,093	100,788
Landscaping	327,278	-	-	327,278	342,033
Maintenance	636,722	-	-	636,722	457,578
Preschool	53,357	-	-	53,357	55,333
Recreation	350,631	-	-	350,631	392,001
Utilities	289,663	-	-	289,663	272,678
Watercraft	142	-	-	142	3,342
Depreciation	271,767	-	-	271,767	298,921
Bad Debt Expense	20,830	-	-	20,830	(6,998)
Subassociation Fund Expenses	-	-	-	-	523
Loss on Asset Disposal	478	-	-	478	-
Water Conservation Fund Expenses	-	-	12,890	12,890	15,790
Capital Fund Expenses	-	-	42,289	42,289	1,262
Reserve Fund Expenses	-	98,624	-	98,624	110,946
TOTAL EXPENSES	3,129,544	98,624	55,179	3,283,347	3,054,140
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	5,607	(72,232)	(50,927)	(117,552)	354,463
FUND BALANCES, BEGINNING OF YEAR	4,175,328	2,785,234	341,521	7,302,083	6,947,620
TRANSFERS BETWEEN FUNDS					
Capitalized Fixed Asset Transfers	419,864	(392,046)	(27,818)	-	-
Contributions from Operating	(376,000)	376,000	-	-	-
Contributions to Capital Fund	(533,998)	-	533,998	-	-
Contributions to Water Conservation Fund	(20,000)	-	20,000	-	-
TOTAL TRANSFERS BETWEEN FUNDS	(510,134)	(16,046)	526,180	-	-
FUND BALANCES, END OF YEAR	\$ 3,670,801	\$ 2,696,956	\$ 816,774	\$ 7,184,531	\$ 7,302,083

See accompanying notes to the financial statements.

THE DOBSON ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	Operating Fund	Reserve Funds		Total 2020	Restated Total 2019
		Reserve for Asset Replacement	Other Funds		
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess (Deficit) of Revenues Over Expenses	\$ 5,607	\$ (72,232)	\$ (50,927)	\$ (117,552)	\$ 354,463
Adjustments to Reconcile Excess (Deficit) of Revenues Over Expenses to Cash Provided (Used) by Operating Activities:					
Depreciation	271,767	-	-	271,767	298,921
Bad Debt Expense	20,830	-	-	20,830	(6,998)
Loss on Asset Disposal	478	-	-	478	-
Changes in Operating Assets and Liabilities:					
(Increase)/Decrease In:					
Accounts Receivable	(36,721)	-	(140)	(36,861)	22,855
Commercial Assessments Receivable	638	-	-	638	(1,915)
Accrued Interest	(3,456)	(4,480)	-	(7,936)	-
Prepaid Expenses	(62,736)	-	-	(62,736)	(20,918)
Other Assets	280	-	-	280	3,272
Inventory	2,095	-	-	2,095	(1,944)
Increase/(Decrease) In:					
Accounts Payable	(20,000)	2,716	-	(17,284)	28,815
Accrued Expenses	85,127	7,167	(6,614)	85,680	37,251
Prepaid Member Assessments	3,260	-	-	3,260	30,538
Prepaid Commercial Assessments	4,010	-	-	4,010	-
Prepaid Newsletter Advertising	3,822	-	-	3,822	(4,408)
Prepaid Preschool Tuition	1,688	-	-	1,688	-
Other Liabilities	(3,095)	-	-	(3,095)	(6,350)
Net Cash Provided (Used) by Operating Activities	<u>273,594</u>	<u>(66,829)</u>	<u>(57,681)</u>	<u>149,084</u>	<u>733,582</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Investments	(1,619,496)	(4,038,834)	(307,232)	(5,965,562)	(10,297,895)
Reinvest Interest Earned	(18,148)	(11,438)	(328)	(29,914)	(37,597)
Proceeds from Maturity of Investments	1,951,000	4,248,726	414,000	6,613,726	10,198,653
Purchase of Property and Equipment	(419,864)	-	-	(419,864)	(214,576)
Net Cash Provided (Used) by Investing Activities	<u>(106,508)</u>	<u>198,454</u>	<u>106,440</u>	<u>198,386</u>	<u>(351,415)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Capitalized Fixed Asset Transfers	419,864	(392,046)	(27,818)	-	-
Contributions to Reserve Fund	(376,000)	376,000	-	-	-
Contribution to Water Conservation Fund	(20,000)	-	20,000	-	-
Contributions to Capital Fund	(533,998)	-	533,998	-	-
Change in Interfund Balance	25,838	(4,371)	(21,467)	-	-
Net Cash Provided (Used) by Financing Activities	<u>(484,296)</u>	<u>(20,417)</u>	<u>504,713</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(317,210)	111,208	553,472	347,470	382,167
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,253,053</u>	<u>370,679</u>	<u>155,934</u>	<u>1,779,666</u>	<u>1,397,499</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 935,843</u>	<u>\$ 481,887</u>	<u>\$ 709,406</u>	<u>\$ 2,127,136</u>	<u>\$ 1,779,666</u>
<u>SUPPLEMENTARY INFORMATION</u>					
Income Taxes Paid	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Expense Paid	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the financial statements.

THE DOBSON ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

NOTE 1 - NATURE OF THE ORGANIZATION

The Dobson Association, Inc., a not-for-profit homeowners' association, was incorporated April 17, 1973. The Association provides for the operation, maintenance and preservation of recreational facilities, lakes, property and common areas within the community of Dobson Ranch. At December 31, 2020, there were 4,955 billable units owned by residents, located on approximately 2,000 acres in Mesa, Arizona. The Association is managed by a paid staff, with the Board of Directors providing oversight and policy making. The Board of Directors also approves and implements an annual financial budget from which the Association operates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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 using the following funds established according to their nature and purpose:

Operating Fund

The Operating Fund is used to account for financial resources available for the general operations of the Association.

Reserve for Asset Replacement Fund

The Reserve for Asset Replacement Fund is used to account for the use and accumulation of funds for future major repairs and replacements.

Other Funds

Other funds are used to account for the financial transactions of new common property and equipment purchased by the Association, community beautification and landscaping activities, and water conservation activities.

Accounts Receivable

The annual budget and member assessments are approved by the Board of Directors. Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and future replacements. Assessments receivable at December 31, 2020, represent fees due from homeowners. The Association accounts for receivables on the cost basis. Receivables are considered delinquent after 90 days, at which time the Association pursues collection. Receivables are reviewed regularly and the Association establishes an allowance for doubtful accounts on receivables based on an estimate of accounts which will not be fully collected. Accounts are written-off when a homeowner enters bankruptcy or foreclosure. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Prepaid Assessments and Revenue Recognition

Payments received by the Association prior to the assessment due date are properly not recognized as revenue until the corresponding assessment is made by the Association and are classified as Prepaid Assessments. Revenue from assessments, allocated to either the operating or reserve fund, is recognized as the performance obligation to maintain the community and to provide ongoing services is considered completed, generally on a quarterly basis.

THE DOBSON ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers cash in operating bank accounts, money market accounts, cash on hand, and certificates of deposit, purchased with original maturity dates of three months or less, as cash and cash equivalents.

Inventory

Inventory consists primarily of movie and similar local activity tickets and is stated at the lower of cost or net realizable value. Cost is determined under the first-in, first-out (FIFO) method.

Use 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, 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. Accordingly, actual results could differ from those estimates.

Property and Equipment

The Association capitalizes all common real property purchased with Association funds, to which it has title or other evidence of ownership, and with a cost of \$5,000 or more. Purchased real property is recorded at cost and depreciated using the straight-line depreciation method over the useful life of the asset.

At December 31, 2020 and 2019, the common real property capitalized consisted of:

- (A) La Casita Community Center
- (B) The Saratoga Recreation Center
- (C) The Los Altos Recreation Center
- (D) Various other real property improvements

Property not capitalized consists of land, landscape rights-of-way and seven lakes.

The Association also capitalizes personal property with a purchase price of \$2,500 or more that it acquires. Purchased personal property and equipment is recorded at cost and depreciated using the straight-line depreciation method over the useful lives of the property and equipment ranging from 3 to 30 years.

Investments

The Association invests in Treasury Bills that generally mature in six months or less. The Association intends to hold Treasury Bills until maturity. Treasury Bills are recorded at cost and the investments with maturity dates not exceeding one year are classified as short-term investments.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes), approximate the carrying values of such amounts.

Date of Management's Review

Subsequent events have been evaluated through April 2, 2021, which is the date the financial statements were available to be issued.

THE DOBSON ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by fund category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

NOTE 3 - CASH AND CASH EQUIVALENTS

As of December 31, 2020 and 2019, the cash and cash equivalent balances were as follows:

	2020			2019
	Operating	Reserve and Other Funds	Total	Total
General Checking Accounts	\$ 420,967	\$ 9,789	\$ 430,756	\$ 843,335
General Savings Accounts	1	-	1	230,726
Money Market Accounts	514,395	1,181,504	1,695,899	705,125
Petty Cash	480	-	480	480
Total	\$ 935,843	\$ 1,191,293	\$ 2,127,136	\$ 1,779,666

The cash listed as operating is available for current operations and is not bound by any restriction or designation. Cash listed as reserve and other is designated by the Board of Directors for future major repairs and replacements and is generally not available for current operations.

NOTE 4 - INVESTMENTS

The Treasury Bills for the year ended December 31, 2020, being held in the Operating, Reserve, and Capital Funds, had a value of \$3,101,079 and earned interest at rates ranging from 0.8% to 1.75%, with maturity dates ranging from three to six months. The Board of Directors started investing funds in three to six month Treasury Bills during 2018, which currently have higher interest rates than Certificates of Deposit. It is the Association's intent to hold these investments to maturity.

THE DOBSON ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts and other receivables consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Assessments Receivable	\$ 84,946	\$ 49,364
Fees Receivable	55,237	49,513
Fines Receivable	31,221	37,393
Other Receivable	140	-
Commercial Assessments Receivable	<u>1,277</u>	<u>1,915</u>
Total Accounts Receivable	172,821	138,185
Less: Allowance for Doubtful Accounts	<u>(77,741)</u>	<u>(58,498)</u>
Total Net Receivables	<u>\$ 95,080</u>	<u>\$ 79,687</u>

Total bad debt expense for the years ended December 31, 2020 and 2019, was \$20,830 and (\$6,998), respectively. At December 31, 2020 and 2019, an allowance for doubtful accounts for Accounts Receivable was recorded in the amount of \$77,741 and \$58,498, respectively. Accounts Receivable past due greater than 90 days at December 31, 2020 and 2019, totaled \$155,278 and \$116,996, respectively.

NOTE 6 - MEMBER ASSESSMENTS

Association members are subject to annual assessments, billed on a quarterly basis, to provide funds for the Association's operating expenses and major repairs and replacements. During 2020, the combined annual assessment was \$552, payable in quarterly installments of \$138. Assessment revenue allocated to the operating and reserve funds is recognized as the related performance obligation is satisfied at transaction amounts expected to be collected. The Association's performance obligation related to its annual assessments billed on a periodic basis is satisfied over time on a daily pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from homeowners.

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. There is no maximum annual assessment defined in the Association's governing documents.

At December 31, 2020, the Association had delinquent assessments of \$86,223. It is the opinion of the Board of Directors that the Association will ultimately prevail against the majority of the homeowners with delinquent assessments.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are \$51,279 and \$86,223, respectively.

THE DOBSON ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

NOTE 7 - WATER CONSERVATION FUND COMMITMENTS

The Association entered into a settlement agreement with the Arizona Department of Water Resources under the Third Management Plan. The arrangement stipulates that the Association shall contribute \$20,000 annually, beginning July 1, 2001 to a Water Conservation Fund. The Dobson Association's agreement with the Arizona Department of Water Resources carries the Fund and the annual contribution forward until replaced by the Fourth Management Plan on January 1, 2023. The use of the funds is restricted to the purposes set out in the agreement. The Association is prohibited from spending money from the fund unless the expenditure is first approved, in writing, in a timely manner by a representative of the Arizona Department of Water Resources. The Stipulation and Order on Review, resolves all issues raised by the Association in its application for administrative review and eliminates any liability the Association may have had under the Second Management Plan Stipulation for having exceeded its yearly water allotments in some years.

NOTE 8 - INCOME TAXES

The Association has received from the Internal Revenue Service an exemption from federal income taxes under Section 501(c)(4) of the Internal Revenue Code for exempt function income earned. A provision is made in the financial statements for income taxes on unrelated trade or business income earned, when required.

NOTE 9 - RESERVE FOR ASSET REPLACEMENT FUND EXPENDITURES

The following major repairs and/or replacements were paid out of reserve for asset replacement funds specifically set aside for such purposes for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purchase of Property & Equipment	\$ 392,046	\$ 143,504
Major Repair Expenditures	<u>98,624</u>	<u>110,946</u>
Major Reserve Fund Expenditures	<u>\$ 490,670</u>	<u>\$ 254,450</u>

THE DOBSON ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

NOTE 10 - PROPERTY AND EQUIPMENT

Depreciable Property and Equipment in use as of December 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Equipment		
Administration	\$ 123,814	\$ 123,814
Recreation	89,917	89,917
Lake Maintenance	234,538	234,538
Common Area Maintenance	118,298	118,298
Total Equipment	<u>566,567</u>	<u>566,567</u>
Vehicles	249,641	249,641
Buildings and Improvements	<u>6,186,177</u>	<u>5,778,926</u>
Total Property and Equipment	7,002,385	6,595,134
Less: Accumulated Depreciation	<u>(4,597,090)</u>	<u>(4,351,536)</u>
Net Property and Equipment	<u>\$ 2,405,295</u>	<u>\$ 2,243,598</u>

Depreciation expense for the years ended December 31, 2020 and 2019, was \$271,767 and \$298,921, respectively. The Association also reported Property and Equipment in Process that was not in use as of December 31, 2020 and 2019, with a value of \$10,286 and \$24,364, respectively.

NOTE 11 - TRANSFERS TO RESERVE FOR ASSET REPLACEMENT FUND

The Association is accumulating funds for future major repairs and replacements; at December 31, 2020, these funds were \$2,696,956. The annual provision to the reserve funds is determined by the Board of Directors and is based, in part, on projected reserve expenses derived in an Update "With No-Site-Visit" Reserve Study, dated November 8, 2019, by a licensed contractor. The study provides an independent estimate of the future major repair and replacement costs of buildings, improvements and related equipment. The reserve for asset replacement fund represents funds restricted by the Board to meet these anticipated expenses. The funds set aside each year are generated from member assessments, net of operating expenses, and other net revenues. These funds are held in various short and long-term investments and are generally not available for operating purposes.

Actual expenditures may vary from the estimated amounts determined by the study, and the variations may be material. Therefore, amounts accumulated in the reserve for asset replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association may increase regular assessments, levy special assessments, subject to member approval, or may delay major repairs and replacements until funds are available. During the years ended December 31, 2020 and 2019, the Association contributed \$376,000 and \$858,000, respectively, to the Reserve for Asset Replacement Fund.

THE DOBSON ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

NOTE 12 - CONCENTRATION OF CREDIT RISK

The Association's primary source of revenue is member assessments, which are earned on assessable lots or parcels located within a small geographic area. Member assessments and related receivables are subject to concentration of credit risk, given that they are primarily from a small geographical area, which can be impacted by similar economic conditions. Member assessments may be secured by liens upon a member's property or legal judgements. The Association monitors the collectability of these receivables and pursues collection as needed. Should the Association's collection efforts be unsuccessful, the Association could incur losses up to the full amount due. Management routinely assesses the collectability of these receivables and provides for an allowance for doubtful accounts.

The Association has net assessments and other receivables at December 31, 2020 and 2019, totaling \$95,080 and \$79,687, respectively, which are subject to a significant concentration of credit risk, given that the receivables are entirely within the homeowner association industry, and primarily from a small geographical area, which can be impacted by similar economic conditions.

The Association maintains its cash and investment deposits with various financial institutions. The Association places its cash deposits with financial institutions in checking, savings, money market accounts, which are secured by the Federal Deposit Insurance Corporation (FDIC) coverage up to \$250,000 for all accounts held in each financial institution. The Association also maintains investment accounts in a brokerage account, which are covered up to \$500,000, limited to \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). At various times, deposits with these financial institutions, designated as cash and cash equivalents and investments, may exceed insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC), or other types of insurance programs. Those funds that exceeded FDIC insurance limits were covered by bonds held with Liberty Mutual Insurance Company, with Certificates of Suretyship provided by the financial institution.

NOTE 13 - OPERATING LEASE OBLIGATION

The Association entered into a 39 month operating lease in December 2017 for office copier equipment. The office equipment rental expense for 2020 was \$9,560, including \$6,120 for the base lease payment and \$493 for taxes, which is included in office equipment rental and maintenance expense. The lease called for minimum monthly payments of \$551.06, which includes the \$510 monthly lease and \$41.06 in taxes.

The minimum future lease payments are as follows:

<u>Year Ending December 31,</u> 2021	<u>\$ 1,530</u>
Total Future Minimum Payments	<u><u>\$ 1,530</u></u>

THE DOBSON ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

NOTE 14 - UNCERTAIN TAX POSITIONS

The Association accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards, the Association recognizes tax positions only to the extent that Management believes it is “more likely than not” that its tax positions will be sustained upon IRS examination. Management believes that it has no uncertain tax position for the year ending December 31, 2020.

The Association believes that its income tax filing position will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association’s financial condition, net income or cash flows. Accordingly, the Association has not recorded any reserves, or related accruals for interest and penalties for uncertain tax positions at December 31, 2020.

The Association is subject to routine audits by taxing jurisdictions; however, there are no audits currently in progress for any tax periods. The Association believes it is no longer subject to income tax examinations by U.S. federal tax authorities for years before 2018, or by Arizona state tax authorities for years before 2017.

NOTE 15 - COVID-19 PANDEMIC

During the year ended December 31, 2020, a pandemic caused by the coronavirus (COVID-19) has had a significant detrimental impact on the United States economy. As a result, economic uncertainties have arisen which could negatively impact revenue for the Association. Other financial impacts such as bad debt losses, contract modifications, inadequate reserve funding, or other unforeseen circumstances could occur.

NOTE 16 - PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2020, the Association recorded a prior period adjustment totaling \$16,238 in the operating fund to record expenses for the prior year. The adjustment decreased the beginning operating fund balance by \$16,238. The Association also recorded prior period adjustments to correct an error between the replacement fund balance and the capital fund balance totaling \$14,014. The adjustment increased the replacement fund balance by \$14,014 and decreased the capital fund balance by \$14,014 for the purchase of a fixed asset which was transferred to the operating fund. The adjustments are reflected in the restated comparative financial statement amount for the December 31, 2019 financial statements.



THE DOBSON ASSOCIATION, INC.

SUPPLEMENTARY
INFORMATION



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THE DOBSON ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2020

The Board of Directors of The Dobson Association, Inc. authorized management to engage an independent consulting company to perform an Update “With No-Site-Visit” Reserve Study to estimate the remaining useful lives and the replacement costs of the components of property and improvements. The study is dated November 8, 2019 and is the basis for future requirements presented in this schedule. Replacement costs were based on the estimated costs to repair or replace the components at the end of their useful lives. The component amounts, reported in the fund balance column, were allocated based on the estimated current replacement cost for presentation purposes only, and are not specifically designated among the components. The Board of Directors has the discretion to expend the accumulated funds to the various components as required.

According to the independent study completed in 2019, \$2,684,041 is the estimated fully funded balance for the reserve replacement fund at December 31, 2020. The Dobson Association, Inc.’s December 31, 2020, reserve replacement fund balance of \$2,696,956 approximates 100.5% of the estimated fully funded balance required at December 31, 2020.

The following table presents significant information about the components of property and improvements:

<u>Components</u>	<u>Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Fund Balance at December 31, 2020</u>
La Casita Recreation Center	0 to 28	\$ 716,935	\$ 48,995
La Casita Pool Area	0 to 19	373,730	206,459
La Casita Clubhouse Exterior	2 to 9	158,360	66,231
La Casita Clubhouse Interior	1 to 14	159,065	224,400
La Casita Club Interior – Meeting Rooms	2 to 22	209,250	146,401
La Casita Club Interior – Offices	1 to 14	175,220	160,077
Los Altos Recreation Center	1 to 28	478,295	118,087
Los Altos Pool Area	0 to 21	287,720	85,059
Los Altos Clubhouse	0 to 16	87,300	41,446
Saratoga Recreation Center	0 to 26	179,415	123,105
Saratoga Pool Area	0 to 22	106,930	66,791
Saratoga Clubhouse	2 to 16	99,635	15,098
Laguna Park	0 to 31	339,955	3,639
Laguna Shores Tennis Courts	3 to 26	69,550	39,209
Brookedge Estates Tennis Court	1 to 21	39,110	53,617
Dobson Pines Garden	7	9,450	1,652
Dennis Kavanaugh Park	0 to 29	103,390	139,270
Mini Park	0 to 30	144,925	373,925
Rose Garden Park	2	6,180	229,962
Maintenance Yard	1 to 18	302,720	126,605
Storage Yard	4 to 14	17,345	7,253
General Common Area	0 to 14	314,780	131,649
Northern Common Area	0 to 31	714,905	298
Southern Common Area	0 to 34	320,280	133,949
Lakes	0 to 24	367,695	153,779
Total		\$ 5,782,140	\$ 2,696,956

See independent auditor’s report.

THE DOBSON ASSOCIATION, INC.
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	Operating Fund	Reserve Funds		Total 2020	Restated Total 2019
		Reserve for Asset Replacement	Other Funds		
REVENUES					
Homeowner Assessments	\$ 2,733,672	\$ -	\$ -	\$ 2,733,672	\$ 2,734,533
Commercial Assessments	43,010	-	-	43,010	44,179
Late Fees	24,748	-	-	24,748	24,014
Dishonored Check Fees	450	-	-	450	400
CC&R Fines	-	-	-	-	23,373
Legal Fees Reimbursement	2,760	-	-	2,760	21,482
Collection Fees Reimbursement	29,354	-	-	29,354	29,927
License and ID Card Fees	1,675	-	-	1,675	5,043
Miscellaneous Income	2,425	-	2,072	4,497	6,179
Transfer and Disclosure Fees	158,374	-	-	158,374	170,796
Delinquent Interest Fees	-	-	-	-	(2,369)
Investment Interest	13,651	26,392	2,180	42,223	91,194
Social Activities Income	37,543	-	-	37,543	104,958
Rental Registration Fees	4,200	-	-	4,200	5,500
Facility and Equipment Rental Income	5,480	-	-	5,480	32,923
Preschool Tuition Income	27,362	-	-	27,362	63,675
Newsletter Advertising	44,340	-	-	44,340	46,755
Escrow Rush Fee	1,250	-	-	1,250	1,350
LPV Water Revenue	1,102	-	-	1,102	1,282
Dock Boat Slip Rental	3,755	-	-	3,755	3,409
TOTAL REVENUES	3,135,151	26,392	4,252	3,165,795	3,408,603
EXPENSES					
GENERAL AND ADMINISTRATIVE					
Administrative Compensation	542,803	-	-	542,803	456,297
Assessment Collection Costs	31,175	-	-	31,175	31,576
Bank and Finance Charges	28,200	-	-	28,200	35,657
Caliber Software and Support	14,395	-	-	14,395	11,947
Computer Service	41,472	-	-	41,472	34,438
Contract Labor - Office	4,365	-	-	4,365	26,263
COVID-19 Expenditures	5,752	-	-	5,752	-
Dues and Subscriptions	5,604	-	-	5,604	5,750
Training and Travel	9,110	-	-	9,110	8,830
Property and Liability Insurance	81,936	-	-	81,936	77,281
Legal Fees	41,329	-	-	41,329	95,938
Marketing	10,295	-	-	10,295	8,548
Miscellaneous Administrative	5,040	-	-	5,040	284
Newsletter	92,613	-	-	92,613	99,720
Office Supplies and Equipment	27,591	-	-	27,591	27,275
Postage	20,183	-	-	20,183	11,030
Printing	10,923	-	-	10,923	7,296
Income Tax Preparation Fee	1,500	-	-	1,500	1,500
Property Taxes	12	-	-	12	97
Reserve Study	8,900	-	-	8,900	5,100
Southwest Access Video	8,340	-	-	8,340	6,320
Adobe Software License	4,897	-	-	4,897	4,664
State Income Taxes	50	-	-	50	50
Uniforms - Administrative	1,223	-	-	1,223	168
Website Development	14,688	-	-	14,688	6,394
TOTAL GENERAL AND ADMINISTRATIVE	1,012,396	-	-	1,012,396	962,423

(CONTINUED)

See independent auditor's report.

THE DOBSON ASSOCIATION, INC.
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	Operating Fund	Reserve Funds		Total 2020	Restated Total 2019
		Reserve for Asset Replacement	Other Funds		
BOARD OF DIRECTORS					
Public Relations	6,605	-	-	6,605	5,557
Annual Meeting	4,150	-	-	4,150	5,449
Audit and Tax Preparation Fees	18,500	-	-	18,500	13,338
Monthly Meetings	2,398	-	-	2,398	3,538
Dues and Publications	363	-	-	363	215
Computer Service	187	-	-	187	4,535
Electronic Voting	11,984	-	-	11,984	13,988
Sponsorships	1,000	-	-	1,000	900
TOTAL BOARD OF DIRECTORS	45,187	-	-	45,187	47,520
LAKES					
Salt River Project - Water	26,879	-	-	26,879	25,586
Maintenance and Repair	2,983	-	-	2,983	1,370
Chemicals	3,896	-	-	3,896	6,919
Attorney Fees - Water Issues	28,009	-	-	28,009	31,512
Fish	26,941	-	-	26,941	18,164
Aerators	963	-	-	963	19
Service and Testing	30,247	-	-	30,247	17,181
Tools and Equipment	1,175	-	-	1,175	37
TOTAL LAKES	121,093	-	-	121,093	100,788
LANDSCAPING/COMMON AREAS					
Landscaping Compensation	257,476	-	-	257,476	240,899
Contract Labor - Landscaping	14,020	-	-	14,020	29,945
Irrigation System	20,696	-	-	20,696	19,784
Trees and Shrubs	1,797	-	-	1,797	8,685
Seasonal Plants	6,515	-	-	6,515	17,253
Fertilizer/Pesticide/Herbicide	5,641	-	-	5,641	5,013
Overseeding	10,660	-	-	10,660	12,270
Tools and Equipment	6,639	-	-	6,639	5,899
Uniforms - Landscaping	3,482	-	-	3,482	1,931
Training and Travel	352	-	-	352	354
TOTAL LANDSCAPING/COMMON AREAS	327,278	-	-	327,278	342,033
MAINTENANCE					
Maintenance Compensation	359,888	-	-	359,888	281,586
Janitorial Service and Supplies	28,561	-	-	28,561	28,710
Vehicle Maintenance and Repair	22,987	-	-	22,987	20,326
Supplies - Maintenance	12,264	-	-	12,264	7,408
Building Maintenance and Repair	9,791	-	-	9,791	20,449
Contract Labor - Maintenance	1,279	-	-	1,279	1,723
Tools and Equipment	8,838	-	-	8,838	1,427
Equipment Maintenance and Repair	4,906	-	-	4,906	3,221
Common Area Maintenance and Repair	35,634	-	-	35,634	23,056
Locks/Keys/Signage	8,098	-	-	8,098	3,216
Uniforms - Maintenance	2,593	-	-	2,593	2,024
Training and Travel	1,140	-	-	1,140	85
Electrical Maintenance and Repair	5,869	-	-	5,869	11,619
Fence Maintenance and Repair	30	-	-	30	-
Pool Maintenance	134,844	-	-	134,844	52,728
TOTAL MAINTENANCE	636,722	-	-	636,722	457,578

(CONTINUED)

See independent auditor's report.

THE DOBSON ASSOCIATION, INC.
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	Operating Fund	Reserve Funds		Total 2020	Restated
		Reserve for Asset Replacement	Other Funds		Total 2019
PRESCHOOL					
Preschool Compensation	51,258	-	-	51,258	48,660
Insurance and Permits	-	-	-	-	3,810
Supplies	2,099	-	-	2,099	2,863
TOTAL PRESCHOOL	53,357	-	-	53,357	55,333
RECREATION CENTERS AND POOL					
Recreation Compensation	299,262	-	-	299,262	303,285
Recreation/Sports Supplies	1,676	-	-	1,676	4,248
ID Cards and Licenses	35	-	-	35	35
Uniforms - Recreation	1,777	-	-	1,777	1,967
Training and Travel	2,095	-	-	2,095	2,675
Recreation Center Events	34,463	-	-	34,463	55,239
Contract Services	-	-	-	-	1,375
Cash Short and Over	-	-	-	-	16
Homeowner Event Officer Fees	165	-	-	165	-
Office Equipment Purchase	894	-	-	894	-
Instructor Fees	871	-	-	871	1,370
Reserve Threshold Contingency	4,904	-	-	4,904	9,351
Software Maintenance	4,489	-	-	4,489	12,440
TOTAL RECREATION CENTERS AND POOL	350,631	-	-	350,631	392,001
UTILITIES					
City Water	168,573	-	-	168,573	151,685
Electricity	55,093	-	-	55,093	55,440
Telephone	35,871	-	-	35,871	36,302
Solid Waste	18,311	-	-	18,311	17,198
Waste Water	10,875	-	-	10,875	10,828
Natural Gas	940	-	-	940	1,225
TOTAL UTILITIES	289,663	-	-	289,663	272,678
OTHER EXPENDITURES					
Watercraft	142	-	-	142	3,342
Depreciation	271,767	-	-	271,767	298,921
Bad Debt Expense	20,830	-	-	20,830	(6,998)
Loss on Asset Disposal	478	-	-	478	-
Subassociation Fund Expenses	-	-	-	-	523
Water Conservation Fund Expenses	-	-	12,890	12,890	15,790
Capital Fund Expenses	-	-	42,289	42,289	1,262
Reserve Fund Expenses	-	98,624	-	98,624	110,946
TOTAL OTHER EXPENDITURES	293,217	98,624	55,179	447,020	423,786
TOTAL EXPENSES	3,129,544	98,624	55,179	3,283,347	3,054,140
EXCESS REVENUES (EXPENSES)	5,607	(72,232)	(50,927)	(117,552)	354,463
FUND BALANCES, BEGINNING OF YEAR	4,175,328	2,785,234	341,521	7,302,083	6,947,620
TRANSFERS BETWEEN FUNDS					
Capitalized Fixed Asset Transfers	419,864	(392,046)	(27,818)	-	-
Contributions from Operating	(376,000)	376,000	-	-	-
Contributions to Capital Fund	(533,998)	-	533,998	-	-
Contributions to Water Conservation Fund	(20,000)	-	20,000	-	-
TOTAL TRANSFERS BETWEEN FUNDS	(510,134)	(16,046)	526,180	-	-
FUND BALANCES, END OF YEAR	\$ 3,670,801	\$ 2,696,956	\$ 816,774	\$ 7,184,531	\$ 7,302,083

See independent auditor's report.