COMMUNITY ASSOCIATION

April 1, 2015

Mr. and Mrs. John Jones

Re: Association Financial Statements and Independent Accountants Review Report

Dear Mr. and Mrs. Jones,

Included with this letter are the Financial Statements and Independent Accountants Review Report as of December 31, 2014 (audited) and 2013 (reviewed) as identified and required by the Martis Camp CC&R's and Bylaws. If you have any questions with respect to the content of the report, please give either myself or Carla Yeager a call.

We continue to receive architectural submittals for new homes and have reviewed 430 homes to date. Two hundred thirty seven homes have been completed and 101 homes are currently under construction. We anticipate an additional 60 homes to begin construction by the end of the year.

As a reminder, please alert the Gatehouse for any guests you wish to sponsor in the Community or add them to your guest authorization list at the Gatehouse. Unauthorized guests will not be allowed entry into the Community. You may e-mail the Gatehouse at gatehouse@martiscamp.com or call them at 530-550-6100.

Additionally, the Gatehouse offers weekly house watch and alarm monitoring services for completed homes at a reasonable monthly cost that are convenient to you and your needs while away from your home and the Community. Please contact the Gatehouse if you are interested in these timely services.

Please respect the speed limit on all Martis Camp roads at 25 mph. With an abundance of walker, bikers, and families on community roads and paths, vehicle speed in the community is an awareness that all members and guests are encouraged to respect for the safety of all.

Lastly, if you would like to receive Association information via electronic communication only and have not indicated as such prior to this notice, please fill out the Consent to Receive Documents Electronically authorization form located at http://www.martiscamp.com/important-information, under letters and return to the Association administrative office, attention Stephanie Murphy at Stephaniem@martiscamp.com.

We look forward to seeing you, your family and your guests at one of the many planned activities this summer at The Camp. As always, please call if we can answer any questions with respect to Association matters.

For the Board,

Mark Johnson
General Manager

MARTIS CAMP COMMUNITY ASSOCIATION

Placer County, California

FINANCIAL STATEMENTS

AND

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

December 31, 2014 (audited) and 2013 (reviewed)

MARTIS CAMP COMMUNITY ASSOCIATION

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McClintock Accountancy Corporation

Robert J. McClintock, CPA
Michael R. Griesmer, CPA
Alice Hahn

Sharon Fereira, CPA
Kendall Galka, CPA

305 West Lake Boulevard
P. O. Box 6179
Tahoe City, CA 96145
Telephone: 530-583-6994
Fax: 530-583-5405

17400 Northwoods Blvd.
Building B, Suite 105
P. O. Box 2468
Truckee, CA 96160
Telephone: 530-587-9221
Fax: 530-587-4946

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Martis Camp Community Association

Report on the Financial Statements

We have audited the accompanying financial statements of Martis Camp Community Association, which comprise the balance sheet as of December 31, 2014, and the related statements of revenue and 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.

Auditors' 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 auditors' 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 Martis Camp Community Association as of December 31, 2014, 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information on Future Major Repairs and Replacements on page 12 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.

Other Matter

The 2013 financial statements were reviewed by us, and our report thereon, dated February 14, 2014, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

Comparative Information

Information for the year ended December 31, 2013 is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which our accountants' review report was dated February 14, 2014.

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
February 24, 2015

MARTIS CAMP COMMUNITY ASSOCIATION

Exhibit A

BALANCE SHEETS

For the Year Ended December 31, 2014 (audited) with comparative totals (reviewed) for 2013

	2014			2013
	Operating Fund	Replacement Fund	Total	Total
ASSETS				
Cash and cash equivalents	$ 1,526,727	$ 213,461	$ 1,740,188	$ 1,522,509
Cash and cash equivalents, restricted for construction deposits	219,535	-0-	219,535	1,181,290
Assessments receivable, net of allowance for doubtful accounts of $4,771 in 2014 and $-0- in 2013	6,984	-0-	6,984	750
Related party receivables (Note 4)	18,677	-0-	18,677	16,030
Investments	-0-	800,000	800,000	300,000
Investments, restricted for construction deposits	1,000,000	-0-	1,000,000	-0-
Prepaid expenses	3,817	-0-	3,817	10,767
Due (to)/from other fund (Note 12)	(31,265)	31,265	-0-	-0-
Property and equipment, net of accumulated depreciation of $101,432 in 2014 and $118,116 in 2013 (Note 6)	113,161	-0-	113,161	68,535
Total Assets	$ 2,857,636	$ 1,044,726	$ 3,902,362	$ 3,099,881
LIABILITIES AND FUND BALANCES				
Accounts payable	$ 56,600	$ -0-	$ 56,600	$ 60,393
Related party payables (Note 3 and 4)	83,011	-0-	83,011	51,896
Accrued liabilities	59,821	-0-	59,821	97,763
Accrued payroll	54,652	-0-	54,652	30,317
Construction deposits	1,198,575	-0-	1,198,575	1,181,075
Assessments paid in advance	282,921	-0-	282,921	209,414
Total Liabilities	1,735,580	-0-	1,735,580	1,630,858
Fund Balances	1,122,056	1,044,726	2,166,782	1,469,023
Total Liabilities and Fund Balances	$ 2,857,636	$ 1,044,726	$ 3,902,362	$ 3,099,881

MARTIS CAMP COMMUNITY ASSOCIATION

Exhibit B

STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2014 (audited) with comparative totals (reviewed) for 2013

	2014			2013
	Operating Fund	Replacement Fund	Total	Total
REVENUE				
Member assessments	$ 1,580,140	$ 346,860	$ 1,927,000	$ 1,773,000
Design and construction fees	713,900	-0-	713,900	750,678
Late charges	5,213	-0-	5,213	3,358
Transfer fees	22,050	-0-	22,050	17,500
Bank interest	3,544	10,079	13,624	9,421
Security income	111,770	-0-	111,770	78,120
Miscellaneous income	30,677	-0-	30,677	16,030
Total Revenue	2,467,294	356,939	2,824,233	2,648,107
EXPENSES				
General and administrative	348,804	-0-	348,804	306,997
Security	723,782	-0-	723,782	684,678
Design review	464,095	-0-	464,095	390,311
Roads and landscaping	503,306	86,487	589,793	671,874
Total Expenses	2,039,987	86,487	2,126,474	2,053,860
Revenue Over Expenses	427,307	270,452	697,759	594,247
Capitalized replacement expenses	56,743	(56,743)	-0-	-0-
Fund Balances, Beginning of Year	638,006	831,017	1,469,023	874,776
Fund Balances, End of Year	$ 1,122,056	$ 1,044,726	$ 2,166,782	$ 1,469,023

The accompanying notes are an integral part of these statements.

MARTIS CAMP COMMUNITY ASSOCIATION

Exhibit C

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2014 (audited) with comparative totals (reviewed) for 2013

	2014			2013
	Operating Fund	Replacement Fund	Total	Total
Cash Flows from Operating Activities:				
Revenue Over Expenses	$ 427,307	$ 270,452	$ 697,759	$ 594,247
Adjustments to Reconcile Revenue Over Expenses to Net Cash Provided Operating Activities:				
Depreciation	25,903	-0-	25,903	21,875
(Gain) loss on sale of property	(12,000)	-0-	(12,000)	0
Capitalized replacement expenses	56,743	(56,743)		
Change in assessments receivable	(8,880)	-0-	(8,880)	2,655
Change in prepaid expenses and other assets	6,949	-0-	6,949	2,735
Change in accounts payable and accrued liabilities	13,714	-0-	13,714	(99,036)
Change in construction deposits	17,500	-0-	17,500	282,900
Change in assessments paid in advance	73,507	-0-	73,507	(47,949)
Change in due to/from	3,809	(3,809)	-0-	-0-
Net Cash Provided by Operating Activities	604,552	209,900	814,452	757,427
Cash Flows from Investing Activities:				
Purchase of investment securities	(1,000,000)	(500,000)	(1,500,000)	-0-
Maturity of investment securities	-0-	-0-	-0-	80,000
Purchase of property and equipment	(70,528)	-0-	(70,528)	(19,764)
Disposal of property and equipment	12,000	-0-	12,000	-0-
Net Cash Provided (Used) by Investing Activities	(1,058,528)	(500,000)	(1,558,528)	60,236
Cash Flows from Financing Activities:				
Retirement of note payable	-0-	-0-	0	(4,497)
Net Cash Used by Financing Activities	-0-	-0-	-0-	(4,497)
Net Increase/(Decrease) in Cash and Cash Equivalents	(453,976)	(290,100)	(744,076)	813,166
Cash and Cash Equivalents, Beginning of Year	2,200,238	503,561	2,703,799	1,890,633
Cash and Cash Equivalents, End of Year	$ 1,746,262	$ 213,461	$ 1,959,723	$ 2,703,799
Cash and Cash Equivalent Analysis:				
Cash and cash equivalents	$ 1,526,727	$ 213,461	$ 1,740,188	$ 1,522,509
Cash and cash equivalents restricted for construction deposits	219,535	-0-	219,535	1,181,290
	$ 1,746,262	$ 213,461	$ 1,959,723	$ 2,703,799
Supplementary Cash Flow Information:				
Interest paid	$ -0-	$ -0-	$ -0-	$ 38
Income taxes paid	$ 450	$ -0-	$ 450	$ -0-

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (audited) and 2013 (reviewed)

(See Independent Auditors' Report)

1. Form and Nature of Organization

Martis Camp Community Association (the Association) was formed in 2006 and is a nonprofit mutual benefit corporation organized under the laws of the State of California for the purpose of providing management, administration, preservation, repair and operation of certain real property and improvements located at Martis Camp Community Association in Placer County, California. At December 31, 2014, the Association was supported by assessments of the 671 lots constituting Phases 1, 2, 3, 4A, 4B, 5, 6, 7A, 7B, 7C, 8A, 8B, 9 and 10 of the development. There are no additional lots to be developed within the development. The Association's policies are established by the Board of Directors within the framework of the Covenants, Conditions and Restrictions, Bylaws and Articles of Incorporation of the Association.

2. Significant Accounting Policies

A. The Association's governing documents 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 account for financial resources designated for future major repairs and replacements.

B. Association members are subject to annual assessments billed quarterly to provide funds for the Association's operating expenses and major repairs and replacements. Assessments receivable at the balance sheet date, if any, represent fees due from members or the developer. The Association's policy includes, among other things, assessing late charges and interest on payments not received on a timely basis and placing liens on the property of members whose assessments are delinquent. An allowance for doubtful accounts is created when an account's collectability is uncertain. Accounts are written off when the Association is notified that it is a bad debt, such as after a bankruptcy or foreclosure proceedings. The Association derives a significant portion of its revenue from assessments that are levied against each lot within the Association.

C. The Association's governing documents require funds to be accumulated for future major repairs to and replacement of Association-owned property. Accumulated funds are intended to be held in separate bank accounts and generally are not available for operating expenses.

NOTES TO FINANCIAL STATEMENTS
December 31, 2014 (audited) and 2013 (reviewed)

(See Independent Auditors' Report)

A reserve study was conducted to estimate the remaining useful lives of common property, estimated future costs and the monthly required contribution for replacement reserves. In general, funding for major repairs and replacements takes place over the remaining useful lives of the components and estimates of current replacement costs. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to any necessary member approval, to increase regular assessments, to pass special assessments, or to delay major repairs and replacements until funds are available.

D. The Association is responsible for the operation and replacement of certain real property improvements. The Association's policy is to not capitalize them on the Association's financial statements, as permitted by applicable accounting standards.

Personal property, such as furnishings and equipment, is recorded at cost and depreciated using the straight-line method over their estimated useful lives, ranging from 3 to 7 years.

E. The liability for construction deposits held by the Association arises primarily from a policy that requires owners and builders to advance security deposits for construction of homes. The deposits are used to ensure that construction is in compliance with architectural review guidelines and that no damage occurs to common property as a result of the construction. The funds are deposited in a separate savings account and are refundable upon completion of construction.

F. The Association has elected to be taxed as a homeowners association. Under that election, nonexempt revenue less nonexempt expenses is taxed at 30% for federal purposes. In general, dues allocated for future major repairs and replacements can be set aside on a tax-free basis if applicable guidelines are followed. A similar provision is available for state purposes. The Association's three previous federal tax returns and four previous state tax returns are available for examination by the taxing authorities.

G. Bank interest income is recorded in the fund which holds the investment. Income taxes, if any, are recorded in the operating fund.

H. For purposes of the Statements of Cash Flows (Exhibit C), cash and cash equivalents includes amounts held in demand accounts and money market accounts.

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

J. The certificates of deposits held are classified as held-to-maturity investments as the Association's management has no intention to sell the investments before their maturity date. The investments are valued at their amortized cost basis, which approximates their fair value due to the short term of the investments. All securities held at year end are considered to be Level 2 inputs. Level 2 inputs include quoted prices in inactive markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

K. 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 those estimates.

3. Developer Ownership and Control

The developer owned 88 and 116 Association lots as of December 31, 2014 and 2013, respectively. During 2014 and 2013, assessment revenue from the developer comprised 16% and 20% of total assessment revenue. No assessments were receivable from the developer at December 31, 2014 or 2013.

Substantially all of the administrative services were performed by developer personnel during the year ended December 31, 2014 and 2013. The December 31, 2014 and 2013 related expenses for these services, along with salaries and benefits, totaled $307,306 and $280,453 and were in turn billed to the Association. Additional overhead expenses paid by the developer on behalf of the association totaled $19,200 and $19,500, and were billed to the Association. Approximately $31,261 and $17,400 of the accounts payable balance at December 31, 2014 and 2013 was payable to the developer.

One or more subsidy agreements were in effect during 2014 and 2013 between the developer and the Association. These agreements, among other things, generally obligate the developer to subsidize certain operating costs for a period of time, approximately six months from the date of closing of the first lot within phases released for sale. There were no subsidy payments during 2014 or 2013. Additionally, the developer is charged full assessments on all unsold lots.

During 2014, the Association entered into a construction agreement with a communications provider to design, install, construct, place and connect the necessary facilities to and within the development to be able to provide services to all potential customers within the development. The total contract price is $275,000, of which $206,250 remains outstanding as of December 31, 2014. Additionally, an agreement was signed with the developer whereby the developer has taken full responsibility for the costs of the contract and payments have been made directly from the developer to the communications provider. The contract costs have not been reflected in the Association's financial statements.

4. Martis Camp Club

Certain transactions took place during 2014 and 2013 between the Association and Martis Camp Club, an entity that manages the golf and related facilities within the Association boundaries.

The Association incurred expenses from the Club for salaries and related expenses, water quality compliance monitoring, and certain other expenses during 2014 and 2013 of $129,606 and $129,409, respectively. The Club was assessed approximately $18,677 and $16,030, respectively, of expenses incurred by the Association on behalf of the Club. Of the related party payable balance at December 31, 2014 and 2013, $33,073 and $34,496, respectively, was payable to the Club. Of the related party receivable balance at December 31, 2014 and 2013, $18,677 and $16,030, respectively, was due from the Club.

5. Investments

The Association classifies its investments in certificates of deposit as held to maturity. The amortized cost, gross unrealized gains and losses and aggregate fair value at December 31, 2014 and 2013 are as follows:

2014

	Amortized Cost	Aggregate Fair Value	Gross Unrecognized Holding Losses	Net Carrying Amount
Held to Maturity				
Certificate of Deposit	$ 1,800,000	$ 1,798,282	$ (1,718)	$ 1,800,000

2013

	Amortized Cost	Aggregate Fair Value	Gross Unrecognized Holding Gain	Net Carrying Amount
Held to Maturity				
Certificate of Deposit	$ 300,000	$ 304,511	$ 4,511	$ 300,000

5. Concentration of Credit Risk

The Association maintains demand accounts at various banks. These accounts exceeded the federally insured limit by $1,751,638 and $2,087,380 at December 31, 2014 and 2013, respectively.

6. Property and equipment

Property and equipment is as follows:

	2014	2013
Computer equipment	$ 12,489	$ 4,989
Computer software	28,921	28,921
Vehicles	97,561	92,922
Equipment	75,622	59,819
	214,593	186,651
Less: accumulated depreciation	(101,432)	(118,116)
	$ 113,161	$ 68,535

7. Note Payable

In June 2008, the Association entered into a $42,286 note payable for the purchase of a vehicle. The interest rate was fixed at 2.9%, and the note was secured by the vehicle. Principal and interest were payable monthly over a five year term with no penalty for prepayment. Total interest expense for the year ended December 31, 2014 and 2013 was $-0- and $38, respectively. The note was paid in full during the year ended December 31, 2013.

8. Income Taxes

The provision (benefit) for taxes, based on non-exempt income and adjusted for available general business tax credits, is as follows:

	2014	2013
Federal	$ 6,414	$ 242
State	(16)	1,734
	$ 6,398	$ 1,976

At December 31, 2014, the total amount of federal and state income tax credit earned but not used was $-0- and $4,941, respectively. At December 31, 2013, the total amount of federal and state income tax credit earned but not used, as adjusted, was $41 and $7,160, respectively.

9. Road Easement and Maintenance within Martis Camp

The Association will own and maintain the road system within Martis Camp once completed and deeded by the developer. The Reciprocal Road Easement and Maintenance Declaration for Martis Camp allows for, among other things, the owner of Martis Camp Club and its members to use the road system, in exchange for a specified contribution for road maintenance and replacement.

10. Schaffer Mill Road Maintenance

Access to Martis Camp is via Schaffer Mill Road. Three other developments are also accessed solely via Schaffer Mill Road. The Association is currently a party to a cost sharing agreement for the maintenance, security and improvements to the road.

11. 2015 Assessments

The quarterly assessment per lot for 2015 is $750, payable by all lot owners.

12. Interfund Activity

The Association maintains an operating fund and a replacement fund. The replacement fund allocations are collected by the operating fund and paid over to the replacement fund. At different times during the year an inter-fund receivable/payable (due to/from) may arise between the funds. At December 31, 2014 and 2013, the operating fund owed the replacement fund $31,265 and $27,456, respectively.

13. Subsequent Events

Subsequent events have been evaluated by management through February 24, 2015 the date that the statements were available for issuance.

MARTIS CAMP COMMUNITY ASSOCIATION

Schedule 1

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

December 31, 2014

(Unaudited)

See Independent Auditors' Report

The Association engaged a consultant to prepare a study during 2014 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on information from contractors and historical costs. Estimated future replacement costs have been adjusted to reflect a 3% inflation factor between the date of the study and the date that the components will require repair or replacement.

The Association does not designate the balance of the replacement fund by component. The total funds available for replacement at December 31, 2014 were $1,044,726. The budget for fiscal year 2015 includes dues of $362,340 to be allocated to the replacement fund.

The following table is based on the study and presents significant information about the components of common property for which funds are to be set aside.

Component	Range of Remaining Lives	Range of Lives After Replacement	Current Replacement Costs
Asphalt Surfaces	0-19	5-20	$7,741,893
Gatehouse:			
Electrical	9	15	26,000
Furniture/Fixtures	4	10	5,000
HVAC	14	20	3,500
Paint	0-3	5-8	15,000
Roofing	24	30	24,500
Siding	19	25	24,000
Snow Melt	9	15	19,000
Vehicles	0-5	5-6	76,112
			$ 7,935,005

2015 Board of Directors Meeting Schedule

2nd Quarter	Friday, May 1	9:00 am
3rd Quarter	Thursday, July 16	8:00 am
Budget	Thursday, September 17	8:00 am
4th Quarter	Saturday, October 17	8:00 am
Annual Meeting	To be determined	TBA

Meetings are subject to change. Membership will be notified of changes.

2015 Board Members

William Beaty

Tom Bernthal

Sherry Conrads

Mark Johnson

Jeff Van Harte

Martis Camp Community Association Offices

7951 Fleur Du Lac Drive, Truckee, CA 96161

www.martiscamp.com