COMMUNITY ASSOCIATION

April 28, 2016

Martis Camp Community Associaton Member

Re: Association Financial Statements and Independent Accountants Review Report

Dear Martis Camp Community Associaton Member,

Included with this letter are the Financial Statements and Independent Accountants Review Report as of December 31, 2014 (audited) and 2015 (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 are excited to announce that Kelly Turner will be taking over for Keith Franke at the helm of the Design Review team. Kelly has been with our team since 2010 and her understanding of the vision of Martis Camp architecture is unparalleled. We wish Keith the very best on his new adventures and are grateful for all that he has done for the community and development. We continue to receive architectural submittals for new homes and have reviewed 487 homes to date. 297 homes have been completed and 96 homes are currently under construction. We anticipate an additional 45 homes to begin construction by the end of the year.

As Martis Camp grows and more and more families are here enjoying all the wonderful amenities it is very important for everyone to be attentive to their driving speed and alertness throughout the community. We are moving forward with a traffic calming initiative, which includes education, more speed hump installation and improved signage. Thank you for respecting the speed limit of 25 Mph. This awareness from members and their guests is encouraged to keep everyone safe. Our security team will be aiding in this educational process while on patrol.

Additionally, please remember to register your low speed vehicle (LSV) for use on community roads. You may e-mail the Gatehouse at gatehouse@martiscamp.com or call them at 530-550-6100 to register your LSV or to answer any questions you may have. This is an annual renewal process. As a reminder, only licensed drivers over the age of 16 are allowed operate vehicles on Martis Camp Community roads.

Lastly, the association is having an election for two open seats for the Martis Camp Community Association Board of Directors this year. If you are interested in running for one of these seats please contact Stephanie Murphy at 530-550-6009 or Stephaniem@martiscamp.com for further information.

With the snow melting away and the wildflowers beginning to emerge, we look forward to another great summer season filled with lasting family memories and as always, please call if we can answer any questions with respect to association matters.

Sincerely,

Scott R. Bower
General Manager of the Martis Camp Community Association

MARTIS CAMP COMMUNITY ASSOCIATION

Placer County, California

FINANCIAL STATEMENTS

AND

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

December 31, 2015 (reviewed) and 2014 (audited)

MARTIS CAMP COMMUNITY ASSOCIATION

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Martis Camp Community Association

We have reviewed the accompanying financial statements of Martis Camp Community Association, which comprise the balance sheet as of December 31, 2015, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion on the Financial Statements

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have not audited, reviewed, or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Summarized Comparative Information

The financial statements for the year ended December 31, 2014 were audited by us, and we expressed an unmodified opinion on them in our report dated February 24, 2015, but we have not performed any auditing procedures since that date.

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
March 10, 2016

MARTIS CAMP COMMUNITY ASSOCIATION

Exhibit A

BALANCE SHEETS

For the Year Ended December 31, 2015 (reviewed) with comparative totals (audited) for 2014

	2015			2014
	Operating Fund	Replacement Fund	Total	Total
ASSETS				
Cash and cash equivalents	$ 849,897	$ 68,744	$ 918,641	$ 1,740,188
Cash and cash equivalents, restricted for construction deposits	172,773	-0-	172,773	219,535
Assessments receivable, net of allowance for doubtful accounts of $-0- in 2015 and $4,771 in 2014	3,263	-0-	3,263	6,984
Related party receivables (Note 3 and 4)	23,598	-0-	23,598	18,677
Investments	600,000	1,046,000	1,646,000	800,000
Investments, restricted for construction deposits	1,020,000	-0-	1,020,000	1,000,000
Prepaid expenses and other assets	49,654	-0-	49,654	3,817
Due (to)/from other fund (Note 13)	(30,215)	30,215	-0-	-0-
Property and equipment, net of accumulated depreciation of $117,125 in 2015 and $101,432 in 2014 (Note 6)	147,444	-0-	147,444	113,161
Total Assets	$ 2,836,414	$ 1,144,959	$ 3,981,373	$ 3,902,362
LIABILITIES AND FUND BALANCES				
Accounts payable	$ 174,114	$ -0-	$ 174,114	$ 56,600
Related party payables (Note 3 and 4)	115,602	-0-	115,602	83,011
Accrued liabilities	107,546	-0-	107,546	59,821
Accrued payroll	51,359	-0-	51,359	54,652
Construction deposits	1,240,043	-0-	1,240,043	1,198,575
Assessments paid in advance	358,829	-0-	358,829	282,921
Note payable (Note 7)	31,881	-0-	31,881	-0-
Total Liabilities	2,079,374	-0-	2,079,374	1,735,580
Fund Balances	757,040	1,144,959	1,901,999	2,166,782
Total Liabilities and Fund Balances	$ 2,836,414	$ 1,144,959	$ 3,981,373	$ 3,902,362

MARTIS CAMP COMMUNITY ASSOCIATION

Exhibit B

STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2015 (reviewed) with comparative totals (audited) for 2014

	2015			2014
	Operating Fund	Replacement Fund	Total	Total
REVENUE				
Member assessments	$ 1,650,660	$ 362,340	$ 2,013,000	$ 1,927,000
Design and construction fees	616,122	-0-	616,122	713,900
Late charges	8,827	-0-	8,827	5,213
Transfer fees	19,250	-0-	19,250	22,050
Bank interest	3,597	15,448	19,045	13,624
Security income	168,610	-0-	168,610	111,770
Miscellaneous income	24,412	-0-	24,412	30,677
Total Revenue	2,491,478	377,788	2,869,266	2,824,233
EXPENSES				
General and administrative	764,386	-0-	764,386	348,804
Security	848,300	-0-	848,300	723,782
Design review	440,897	-0-	440,897	464,095
Roads and landscaping	802,911	274,635	1,077,546	589,793
Painting	-0-	2,920	2,920	-0-
Total Expenses	2,856,494	277,555	3,134,049	2,126,474
Revenue Over (Under) Expenses	(365,016)	100,233	(264,783)	697,759
Fund Balances, Beginning of Year	1,122,056	1,044,726	2,166,782	1,469,023
Fund Balances, End of Year	$ 757,040	$ 1,144,959	$ 1,901,999	$ 2,166,782

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, 2015 (reviewed) with comparative totals (audited) for 2014

	2015			2014
	Operating Fund	Replacement Fund	Total	Total
Cash Flows from Operating Activities:				
Revenue Over (Under) Expenses	$ (365,016)	$ 100,233	$ (264,783)	$ 697,759
Adjustments to Reconcile Revenue Over (Under) Expenses to Net Cash Provided (Used) by Operating Activities:				
Depreciation	35,311	-0-	35,311	25,903
(Gain) loss on sale of property	(814)	-0-	(814)	(12,000)
Change in assessments receivable	(1,199)	-0-	(1,199)	(8,880)
Change in prepaid expenses and other assets	(45,838)	-0-	(45,838)	6,949
Change in accounts payable and accrued liabilities	194,536	-0-	194,536	13,714
Change in construction deposits	41,468	-0-	41,468	17,500
Change in assessments paid in advance	75,908	-0-	75,908	73,507
Change in due to/from	(1,050)	1,050	-0-	-0-
Net Cash Provided (Used) by Operating Activities	(66,694)	101,283	34,589	814,452
Cash Flows from Investing Activities:				
Purchase of investment securities	(1,620,000)	(546,000)	(2,166,000)	(1,500,000)
Maturity of investment securities	1,000,000	300,000	1,300,000	-0-
Purchase of property and equipment	(36,000)	-0-	(36,000)	(70,528)
Disposal of property and equipment	2,000	-0-	2,000	12,000
Net Cash Used by Investing Activities	(654,000)	(246,000)	(900,000)	(1,558,528)
Cash Flows from Financing Activities:				
Principal payments on note payable	(2,898)	-0-	(2,898)	-0-
Net Cash Used by Financing Activities	(2,898)	-0-	(2,898)	-0-
Net Increase (Decrease) in Cash and Cash Equivalents	(723,592)	(144,717)	(868,309)	(744,076)
Cash and Cash Equivalents, Beginning of Year	1,746,262	213,461	1,959,723	2,703,799
Cash and Cash Equivalents, End of Year	$ 1,022,670	$ 68,744	$ 1,091,414	$ 1,959,723
Cash and Cash Equivalent Analysis:				
Cash and cash equivalents	$ 849,897	$ 68,744	$ 918,641	$ 1,740,188
Cash and cash equivalents restricted for construction deposits	172,773	-0-	172,773	219,535
	$ 1,022,670	$ 68,744	$ 1,091,414	$ 1,959,723
Supplementary Cash Flow Information:				
Cash paid for income taxes	$ 6,000	$ -0-	$ 6,000	$ 450
Supplementary Noncash Investing and Financing Information:				
Equipment acquired through note payable	$ 34,779	$ -0-	$ 34,779	$ -0-

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 (reviewed) and 2014 (audited)

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, 2015, the Association was supported by assessments of the 671 lots constituting all phases 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.

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 bank 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.

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. <u>Developer Ownership and Control</u>

The developer owned 30 and 88 Association lots as of December 31, 2015 and 2014, respectively. During 2015 and 2014, assessment revenue from the developer comprised 9% and 16% of total assessment revenue. No assessments were receivable from the developer at December 31, 2015 or 2014.

Administrative services were performed by developer personnel during the year ended December 31, 2015 and 2014. The December 31, 2015 and 2014 related expenses for these services, along with salaries and benefits, totaled $259,894 and $307,306 and were in turn billed to the Association. Additional overhead expenses incurred by the developer on behalf of the association totaled $18,799 and $19,200, and were billed to the Association. Approximately $55,101 and $31,261 of the accounts payable balance at December 31, 2015 and 2014 was payable to the developer.

One or more subsidy agreements were in effect during 2015 and 2014 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 2015 or 2014. 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 remained 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. The amount outstanding of $206,454 was paid in full during 2015.

4. Martis Camp Club

Certain transactions took place during 2015 and 2014 between the Association and Martis Camp Club, an entity that manages the golf and related facilities within the Association boundaries as well as providing administrative services for the Association.

The Association incurred expenses from the Club for salaries and related expenses, water quality compliance monitoring, and certain other expenses during 2015 and 2014 of $141,653 and $129,606, respectively. The Club was assessed approximately $23,598 and $18,677, respectively, of expenses incurred by the Association on behalf of the Club. Of the related party payable balance at December 31, 2015 and 2014, $29,239 and $33,073, respectively, was payable to the Club. Of the related party receivable balance at December 31, 2015 and 2014, $23,598 and $18,677, respectively, was due from the Club.

5. Concentration of Credit Risk

The Association maintains demand accounts at various banks. These accounts exceeded the federally insured limit by $108,313 and $1,751,638 at December 31, 2015 and 2014, respectively.

6. Property and equipment

Property and equipment is as follows:

	2015	2014
Computer equipment	$ 15,172	$ 12,489
Computer software	28,921	28,921
Vehicles	120,588	97,561
Equipment	99,888	75,622
	264,569	214,593
Less: accumulated depreciation	(117,125)	(101,432)
	$ 147,444	$ 113,161

7. Note Payable

In October 2015, the Association acquired a vehicle and entered into a $34,779 five year interest-free note payable secured by the vehicle. The note is payable in monthly installments of $580 through July of 2020. Future payments consist of the following:

2016	$	6,956
2017		6,956
2018		6,956
2019		6,956
2020		4,047
	$	31,881

8. Income Taxes

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

	2015	2014
Federal	$ 360	$ 6,414
State	10	(16)
	$ 370	$ 6,398

At December 31, 2015, the total amount of federal and state income tax credit earned but not used was $-0-. At December 31, 2014, the total amount of federal and state income tax credit earned but not used was $50 and $4,941, respectively.

9. Road Easement and Maintenance within Martis Camp

The Association owns and maintains the road system within Martis Camp. 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. Supplemental Agreement

Access to Northstar ski resort from Martis Camp is via Mill Site Road. In December of 2015 the Association entered into an agreement with The Retreat at Northstar Association for temporary right to operate private shuttles over the road to and from Martis Camp for use by owners and occupants of Martis Camp. The parties plan to review the agreement during 2016. The Association and the Retreat at Northstar Association are currently parties to a supplemental cost sharing agreement for the maintenance, security and improvements to the road. This agreement expires on June 1, 2016.

12. 2016 Assessments

The quarterly assessment per lot for 2016 is $810, payable by all lot owners.

13. 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, 2015 and 2014, the operating fund owed the replacement fund $30,215 and $31,265, respectively.

14. Subsequent Events

Subsequent events have been evaluated by management through March 10, 2016, the date that the statements were available for issuance.

Schedule 1

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
December 31, 2015
(Unaudited)

The Association engaged a consultant to prepare a study during 2015 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, 2015 were $1,144,959. The budget for fiscal year 2016 includes dues of $364,353 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 Useful Service Lives	Current Replacement Costs
Asphalt surfaces	0-18	$ 6,537,929
Decking replacement	14	40,000
Electrical	8	26,000
Equipment	9	10,000
Fencing and gates	19	13,000
Furniture/fixtures	3	5,000
HVAC	13	3,500
Paint	2-7	15,000
Roofing	23	24,500
Siding	18	24,000
Snow melt	8	19,000
Vehicles	4-5	120,000
		$ 6,837,929

2016 Board of Directors Meeting Schedule

3rd Quarter	Friday, July 1	8:00 am
4th Quarter	Friday, October 28	8:00 am
Annual Meeting	Friday, October 28	12:00 pm

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

2016 Board Members

William Beaty

Tom Bernthal

Sherry Conrads

Larry Kelley

Jeff Van Harte

Martis Camp Community Association Offices

7951 Fleur Du Lac Drive, Truckee, CA 96161

www.martiscamp.com