
**LINDO MAR ADVENTURE
ASSOCIATION, LTD.**

**FINANCIAL STATEMENTS WITH
INDEPENDENT ACCOUNTANT'S REVIEW REPORT
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2021

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Lindo Mar Adventure Association, LTD.
Lake Forest, California

We have reviewed the accompanying financial statements of Lindo Mar Adventure Association, LTD., which comprise of the balance sheet as of December 31, 2021, 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. 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.

Accountant's 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. We are required to be independent of Lindo Mar Adventure Association, LTD. And to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

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.

Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information on future major repairs and replacements on page 16 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. Such information was not audited or reviewed by us and, accordingly, we do not express an opinion or provide any assurance on it.



Cambaliza McGee LLP
Newport Beach, California
November 30, 2022

LINDO MAR ADVENTURE CLUB, LTD.
BALANCE SHEET
AS OF DECEMBER 31, 2021
(unaudited)

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 1,037,008	\$ 348,816	\$ 1,385,824
Assessments and other receivable, net of allowance	26,068	-	26,068
Vehicles, less accumulated depreciation of \$5,053	3,981	-	3,981
Inventory	29,184	-	29,184
Prepaid expenses	88,391	-	88,391
Deposits	822	-	822
Due (to)/from fund	24,409	(24,409)	-
	\$ 1,209,863	\$ 324,407	\$ 1,534,270
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 45,884	\$ -	\$ 45,884
Other accrued expenses & liabilities	1,029,240	-	1,029,240
Taxes payable, Mexico	64,434	-	64,434
Contract liability	-	226,401	226,401
	1,139,558	226,401	1,365,959
Total liabilities	1,139,558	226,401	1,365,959
Fund balances	214,157	98,006	312,163
Accumulated other comprehensive income	(143,852)	-	(143,852)
Total liabilities and fund balances	\$ 1,209,863	\$ 324,407	\$ 1,534,270

See notes to financial statements and independent accountant's report.

LINDO MAR ADVENTURE CLUB, LTD.
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCES
FOR YEAR ENDED DECEMBER 31, 2021
(unaudited)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenue:			
Member assessments	\$ 1,232,155	\$ 350,664	\$ 1,582,819
Timeshare sales	53,265	-	53,265
Restaurant and bar income	827,307	-	827,307
Interest income	137	206	343
Rental income and related	54,288	-	54,288
Late fees and other income	229	-	229
	<u>2,167,381</u>	<u>350,870</u>	<u>2,518,251</u>
Total revenue			
Expenses:			
Cost of sales: restaurant and bar	260,128	-	260,128
Operating expenses:			
Restaurant and bar costs (supplementary information)	482,554	-	482,554
Front desk and housekeeping (supplementary information)	327,452	-	327,452
Maintenance (supplementary information)	143,888	-	143,888
Administration and security (supplementary information)	494,481	-	494,481
Replacement fund expenses (supplementary information)	-	350,664	350,664
Income taxes	49,204	-	49,204
U.S. operating expenses	344,806	-	344,806
Depreciation expense	1,290	-	1,290
	<u>2,103,803</u>	<u>350,664</u>	<u>2,454,467</u>
Total expenses			
Excess of revenues over expenses	63,578	206	63,784
Fund balances, beginning of year	<u>150,579</u>	<u>97,800</u>	<u>248,379</u>
Fund balances, end of year	<u>\$ 214,157</u>	<u>\$ 98,006</u>	<u>\$ 312,163</u>

See notes to financial statements and independent accountant's report.

LINDO MAR ADVENTURE CLUB, LTD.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(unaudited)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Excess of revenues over expenses	\$ 63,578	\$ 206	\$ 63,784
Foreign currency translation adjustment	<u>(2,843)</u>	<u>-</u>	<u>(2,843)</u>
Comprehensive income	<u>\$ 60,735</u>	<u>\$ 206</u>	<u>\$ 60,941</u>

See notes to financial statements and independent accountant's review report.

LINDO MAR ADVENTURE CLUB, LTD.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2021
(unaudited)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Excess revenue over expenses	\$ 63,578	\$ 206	\$ 63,784
Adjustments to reconcile excess of revenues over expenses to net cash used in operating activities:			
Depreciation expense	1,290	-	1,290
(Increase) decrease in assets:			
Assessments and other receivables	(11,403)	-	(11,403)
Inventory	(4,166)	-	(4,166)
Accrued interest receivable	173	-	173
Prepaid expenses	(81,157)	-	(81,157)
Deposits	9,076	-	9,076
Prepaid taxes	19,406	-	19,406
Increase (decrease) in liabilities:			
Accounts payable	(84,466)	-	(84,466)
Other accrued expenses & liabilities	1,011,111	-	1,011,111
Taxes payable, Mexico	11,626	-	11,626
Prepaid assessments	(994,538)	-	(994,538)
Contract liability	-	(297,661)	(297,661)
Net cash used in operating activities	<u>(59,470)</u>	<u>(297,455)</u>	<u>(356,925)</u>
Cash provided by investing activities:			
Maturity of certificates of deposit	-	517,000	517,000
Net cash flows from investing activities	<u>-</u>	<u>517,000</u>	<u>517,000</u>
Cash provided/(used) by financing activities:			
Net effect of exchange rate on cash	(2,843)	-	(2,843)
Change in due (to)/from other funds	(39,993)	39,993	-
Net cash provided(used) by financing activities	<u>(42,836)</u>	<u>39,993</u>	<u>(2,843)</u>
Net increase(decrease) in cash	<u>(102,306)</u>	<u>259,538</u>	<u>(362,611)</u>
Cash, beginning of year	<u>1,139,314</u>	<u>89,278</u>	<u>1,228,592</u>
Cash, end of year	<u>\$ 1,037,008</u>	<u>\$ 348,816</u>	<u>\$ 1,385,824</u>

See notes to financial statements and independent accountant's report.

LINDO MAR ADVENTURE ASSOCIATION, LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A – ASSOCIATION

Lindo Mar Adventure Association, LTD. (the "Association") is an Oregon nonprofit mutual benefit corporation which was organized in December 1986. The primary purpose of the Association is to provide for the operations and maintenance of the defined common areas of the time-share complex located in Puerto Vallarta, Mexico.

The Association includes 46 condominium units, and intervals are sold in 52 membership weeks. In 2001 the Association purchased 97 percent of the building and land that the Association occupies in Puerto Vallarta. Title to this purchase is held through LMM Trust, a Nevada entity, for which the members of the Association are the only beneficiary.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting

The books and records for the Association are maintained on a modified accrual basis of accounting. For these financial statements, adjustments have been made at December 31, 2021 to convert the Association's records to the full accrual basis of accounting. The tax returns are also reported on the accrual basis of accounting.

Capitalization Policy and Depreciation

In accordance with industry standards, the Association has not capitalized in the financial statements the common area real property acquired at its inception from the developer. Replacements and improvements to the real property which are directly associated with the units are also not capitalized. They are instead charged directly to either operating or replacement funds in the period they are incurred.

Significant capital assets not directly associated with the units, referred to as personal property assets, are capitalized and depreciated over their estimated useful life using the straight-line method of depreciation. During the year ended December 31, 2021, there were no significant personal property additions.

Fund Accounting

The Association's accompanying financial statements have been prepared using fund accounting. Under this method of accounting, the Association's financial resources are separated into two categories, the Operating Fund and the Replacement Fund. Disbursements from the Replacement fund generally may be made only for designated repair or replacement of major common area components. Disbursements from the Operating Fund are at the discretion of the Board of Directors (the "Board") and generally are for on-going repairs, maintenance, and administrative functions.

Investment Income

The Board's policy is to allocate interest earned on Replacement Fund cash accounts to the Replacement Fund, and to pay the related income taxes out of the Operating Fund.

LINDO MAR ADVENTURE ASSOCIATION, LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Currency

The U.S. dollar has been determined to be the appropriate functional currency for all operations of the Association. The Association bills and collects assessments from members in U.S. dollars. Although certain administrative expenses are paid in U.S. dollars (such as management fees, certain professional fees, insurance, and U.S. income taxes) most of the property operating expenses are paid in Mexico Pesos. The Association records the Peso transaction in its financial statements in U.S. dollars using the average exchange rate for the month of transaction.

Comprehensive Income and Foreign Currency

The Association accounts for comprehensive income in accordance with Accounting Standards Codification ("ASC") 220 (formerly FASB Statement 130), which requires the reporting of comprehensive income in addition to excess revenues over/(under) expenses. Comprehensive income is a more inclusive financial reporting methodology that includes disclosures of certain financial information that historically has not been recognized in the calculation of excess revenues over/(under) expenses. For the reporting period herein, the Association's comprehensive income consists of net foreign currency translation adjustments.

NOTE C – ASSESSMENTS AND ASSESSMENTS RECEIVABLE

Association members are subject to paying assessments to fund for the Association's operating expenses, future capital acquisitions, and major repairs and replacements.

Assessments receivable as of December 31, 2021 includes delinquent assessments and other fees due from owners and an allowance for doubtful collection of \$196,345 has been provided for as of December 31, 2021. The Association's governing documents provide for various collection remedies for delinquent assessments.

LINDO MAR ADVENTURE ASSOCIATION, LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE C – ASSESSMENTS AND ASSESSMENTS RECEIVABLE (CONTINUED)

Under the new revenue recognition standard of ASC 606 [Note E], the Association (considered an entity) has a performance obligation to the unit/unit owners (customers). The Association's approved annual Operating Fund budget establishes the maintenance, management, and administrative services it is obligated to perform, and such services can be bundled together as a single commercial objective and a single performance obligation. The budget establishes an implied contract price, and because these services are provided for within an annual cycle, the respective Operating Fund assessments are considered revenue for the current period.

The performance obligations related to Replacement Fund assessments are satisfied when these funds are expended for their designated purpose.

Under ASC 606, assessments and other fees that cannot be collected with certainty are now charged against the respective revenue rather than bad debt expense. Bad debt expense will still be used to account for uncollectible receivable balances that were recorded in prior periods.

NOTE D - CONTRACT LIABILITY-OWNER ASSESSMENTS

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations which specifically pertains to Replacement Fund assessments. The contract liability balance at the beginning of the year and end of the year was \$554,062 and \$226,401, respectively.

NOTE E – REVENUE RECOGNITION

The Financial Accounting Standards Board ("FASB") issued new guidance in the ASC Topic 606 Revenue from Contracts with Customers. FASB ASC 606 is a new revenue recognition standard that affects businesses that enter into contracts with customers to transfer goods and services, including public, private and non-public entities. The purpose of the standard is to eliminate variations in the way businesses across industries handle accounting for similar transactions. FASB ASC 606 went into effect for annual reporting periods beginning after December 15, 2018. FASB ASC 606 supersedes the revenue recognition requirements of FASB ASC 972-605 and most industry-specific revenue guidance in the FASB ASC, including the accounting guidance that Common Interest Realty Associations ("CIRA's") followed in previous years. The Association adopted the new guidance as of January 1, 2019.

LINDO MAR ADVENTURE ASSOCIATION, LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F – REPLACEMENT FUNDING PROGRAM

In accordance with the Association's governing documents, which require that funds be accumulated for future major repairs and replacements, the Association has established certain amounts as reserves for future capital expenditures. Members' assessments relating to the replacement funding program are considered capital contributions from members' dues and as such are restricted in usage. Disbursements are to be made only if specifically approved by the Board.

A study of the Association's replacement funding program was conducted in December 2017. The table included in the unaudited supplementary information on future major repairs and replacements is based on the 2017 study. For the year ended December 31, 2021, the Association funded \$51,265 from assessments for replacement fund purposes.

Replacement funds are being accumulated based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement funds 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 the Association's governing documents, to pass special assessments, increase annual assessments, or delay replacement until funds are available.

NOTE G – INCOME TAXES

The Association may elect to file its federal (U.S) income tax return as either a regular corporation [under Internal Revenue Code Section 277] or as a timeshare association [under Internal Revenue Code Section 528]. For the year ended December 31, 2020, the Club elected to file as a timeshare association, where generally the Club is taxed only on income unrelated to membership dues and assessments [such as interest income less related expenses]. The Club is also subject to Mexico income taxes. For the year ended December 31, 2021, the federal income tax liability totaled \$11,976 and Mexico income taxes totaled \$37,228.

The Club utilizes the liability method of accounting for income taxes. Under the liability method deferred income tax assets and liabilities are provided based on the difference between the financial statements and tax basis of assets and liabilities measured by the currently enacted tax rates in effect for the years in which these differences are expected to reverse. Because there is no material difference between the financial accounting and tax basis of the Club's assets and liabilities, the Club has not recorded any deferred tax assets or liabilities.

LINDO MAR ADVENTURE ASSOCIATION, LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G – INCOME TAXES (CONTINUED)

The Club has adopted accounting standards for the accounting for uncertainty in income taxes. These standards provide guidance for the accounting and disclosure about uncertain tax positions taken by an Club. Management believes that all of the positions taken by the Club in its federal and state income tax returns are more likely than not to be sustained upon examination. The Club's tax returns are subject to examination by the Internal Revenue generally for three years after they are filed.

The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Association believes it is no longer subject to income tax examinations for years prior to 2015. The Association's policy is to classify income tax related interest and penalties, if incurred, as other administrative expenses.

NOTE H – SCHEDULE OF CASH BALANCES

Generally, certificates of deposit and other debt securities with original maturities less than 90 days are considered cash equivalents, while certificates of deposits and debt securities with maturities over 90 days are considered "investments."

As of December 31, 2021, the Association maintained cash balances at the following institutions:

Operating Fund:

US Bank	\$ 173,302
Union Bank - lock box	158,517
Citizens Business Bank	52,314
Wells Fargo	600,995
Petty cash	4,413
Mexico operating funds*	38,658
Mexico dollars*	<u>8,809</u>
 Total Cash - Operating Fund	 <u><u>\$ 1,037,008</u></u>

*Reported in U.S. dollars

Replacement Fund

Citizens Business Bank	\$ 5,201
Wells Fargo	<u>343,615</u>
 Total Cash - Replacement Fund	 <u><u>\$ 348,816</u></u>

LINDO MAR ADVENTURE ASSOCIATION, LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for federal income taxes totaled \$0 for the year ended December 31, 2021. There were no non-cash investing or financing transactions during the year.

NOTE J – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 30, 2022, which is the date the financial statements were available to be issued.

NOTE K – COMMITMENTS AND CONTINGENCIES

The Association entered into a non-cancellable operating lease of real property for the operation of the restaurant. The lease was renewed in 2016 to extend through December 2021.

The Association's three-year management contract with Trading Places International ("TPI") expired in December 2018; however pursuant to the contract, renewals now occur automatically on an annual basis unless either party provides written notice not to renew. Accordingly, the Association did renew with TPI for the annual period through December 2021.

NOTE L – CONCENTRATION OF RISK

The Association maintains bank accounts at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"), which as of December 31, 2021, generally provided for insurance up to \$250,000 per institution (per depositor). Due to the Association's operating requirements, account balances may periodically exceed the FDIC limit. Depending upon the timing of cash flows, this condition is often temporary but necessary to meet routine operating requirements. The Board reviews the financial statements monthly and takes steps to correct this condition whenever it occurs.

LINDO MAR ADVENTUR CLUB, LTD.
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

LINDO MAR ADVENTURE CLUB, LTD.
STATEMENT OF OTHER OPERATING EXPENSES
FOR YEAR ENDED DECEMBER 31, 2021
(unaudited)

Restaurant and Bar Costs

Salaries and related	\$ 296,054
Cleaning supplies	11,852
Guest supplies	9,267
Entertainment	7,281
Equipment repairs	9,336
Rent	67,063
Linen cleaning	2,237
Utilities	26,105
Dishware/silverware/glassware	3,744
Credit card discount fees	16,379
Other expenses	<u>33,236</u>
 Total restaurant and bar costs	 <u>\$ 482,554</u>

Front Desk and Housekeeping Costs

Front desk salaries and related	\$ 57,704
Housekeeping salaries and related	109,570
Guest activities & supplies	11,977
Cleaning supplies	10,856
Laundry	21,078
Linens	5,319
Office supplies	2,284
TV/cable	2,697
Room equipment and repairs	20,510
Utilities	73,866
Other expenses	<u>11,591</u>
 Total front desk & housekeeping expenses	 <u>\$ 327,452</u>

See notes to financial statements and independent accountant's report.

LINDO MAR ADVENTURE CLUB, LTD.
STATEMENT OF OTHER OPERATING EXPENSES (CONTINUED)
FOR YEAR ENDED DECEMBER 31, 2021
(unaudited)

Maintenance

Salaries and related	\$ 106,742
HVAC and boiler maintenance	6,995
Elevator repair	11,378
Plumbing	2,469
Pool chemicals	1,687
Materials/supplies/small tools	286
Painting	2,777
Electrical and lighting	1,696
Other expenses	9,858
	<hr/>
Total maintenance expenses	\$ 143,888

Administrative and Security

Salaries and related-administrative	\$ 237,271
Salaries and related-security	55,373
Office supplies	2,103
Bank charges	2,904
Computer software	1,461
Dues & subscriptions	2,221
Fiscal supervision	4,122
Professional fees	5,599
Lodging tax-Mexico	15,252
Federal zone payments	7,412
IVA tax	117,236
Telephone	12,969
Human resources	870
Storage rent	2,068
Property tax	5,383
Equipment maintenance	5,408
Insurance-Mexico	857
Other expenses	15,972
	<hr/>
Total administrative and security expenses	\$ 494,481

See notes to financial statements and independent accountant's report.

LINDO MAR ADVENTURE CLUB, LTD.
STATEMENT OF OTHER OPERATING EXPENSES (CONTINUED)
FOR YEAR ENDED DECEMBER 31, 2021
(unaudited)

U.S. Operating Expenses

Audit and tax preparation	\$ 2,675
Directors' expense-U.S.	3,185
Insurance	91,831
Management fees	236,335
Printing	3,612
Postage & delivery	1,393
Website	1,200
Other expenses	4,575
	<hr/>
Total U.S. operating expenses	\$ 344,806

Replacement Fund Expenses

Air conditioner	\$ 43,732
Building painting and remodeling	204,528
Restaurant equipment & repairs	6,662
Furniture, computers and equipment	6,311
Unit hot-tubs	589
Water heater system	37,071
Other repairs and replacements	3,643
IVA tax	48,128
	<hr/>
Total Replacement Fund expenses	\$ 350,664

See notes to financial statements and independent accountant's report.

LINDO MAR ADVENTURE CLUB, LTD.
REQUIRED SUPPLEMENTARY INFORMATION
ON FUTURE MAJOR REPAIRS & REPLACEMENTS
AS OF DECEMBER 31, 2021
(unaudited)

An independent reserve study was conducted in December 2017 to estimate the remaining useful lives and the replacement costs of the components of common property. The studies were based upon representations by the Board of Directors and the experience and knowledge of the independent reserve analyst. The estimates were based on current replacement costs. These estimates are used as a foundation in arriving at recommended funding requirements, based upon cash and investments which have been allocated for future repairs and replacements. The following table is based on the studies and presents significant information about the components of common property.

<u>Common Area Component</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Current Replacement Costs</u>
Building exterior and paint	3-29 years	\$ 26,450
Building interior and paint	3-29 years	338,350
Common area	0-20 years	2,700
Exercise room	0-7 years	27,750
Pool and area	3-9 years	30,100
Reserve study	0-1 year	8,050
Units	0-24 years	<u>1,312,500</u>
	Total	<u><u>\$ 1,745,900</u></u>
Study's recommended Replacement Fund balance:		<u><u>\$ 1,226,807</u></u>
Financial resources available for future major repair and replacement obligations at 12/31/21:		<u><u>\$ 324,407</u></u>

See notes to financial statements and independent accountant's report.