



Sonnenberg & Company, CPAs

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Leonard C. Sonnenberg, CPA

**Mesa View
Homeowners Association No. 2
Reviewed Financial Statements
Year Ended June 30, 2019**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors and Members
Mesa View Homeowners Association No. 2

We have reviewed the accompanying financial statements of Mesa View Homeowners Association No. 2, which comprise the balance sheet as of June 30, 2019, the related statement of revenues, expenses, and changes in fund balances, and the statement of cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to the Association's financial data and making inquiries of the Association's management and/or Board of Directors. 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 and/or the Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; 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 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 U.S. generally accepted accounting principles. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's 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 U.S. generally accepted accounting principles.

Prior Year Financial Statements

We previously reviewed Mesa View Homeowners Association No. 2's June 30, 2018 financial statements and in our conclusion dated December 7, 2018, stated that based on our review, we were not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with U.S. generally accepted accounting principles. We are not aware of any material modifications that should be made to the summarized comparative information presented herein for it to be consistent with the reviewed financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information about future major repairs and replacements of common property on page 9 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 compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.



May 26, 2020

Sonnenberg & Company, CPAs

Mesa View Homeowners Association No. 2
Balance Sheet
June 30, 2019
(With Comparative Totals for 2018)

	2019			2018
	Operating Fund	Replacement Fund	Total Funds	Total Funds
ASSETS:				
Cash in Checking	\$ 87,985	\$	\$ 87,985	\$ 25,562
Cash in Savings		65,738	65,738	100,266
Assessments Receivable	6,803		6,803	4,388
Prepaid Insurance	2,446		2,446	2,642
TOTAL ASSETS	\$ 97,234	\$ 65,738	\$ 162,972	\$ 132,858
LIABILITIES:				
Accounts Payable	\$ 4,343	\$	\$ 4,343	\$ 3,727
Prepaid Assessments	37,536		37,536	13,032
Accrued Payroll Payable	3,371		3,371	-
Payroll Taxes Payable	504		504	-
TOTAL LIABILITIES	45,754		45,754	16,759
FUND BALANCES:	51,480	65,738	117,218	116,099
TOTAL LIABILITIES AND FUND BALANCES	\$ 97,234	\$ 65,738	\$ 162,972	\$ 132,858

See Accompanying Notes to the Financial Statements and Independent Accountant's Review Report

Mesa View Homeowners Association No. 2
Statement of Revenues and Expenses, and Changes in Fund Balances
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019			2018
	Operating Fund	Replacement Fund	Total Funds	Total Funds
REVENUES:				
Regular Assessments	\$ 73,840	\$ 16,800	\$ 90,640	\$ 88,000
Late & Miscellaneous	8,433		8,433	6,253
Interest	26	54	80	79
TOTAL REVENUES	82,299	16,854	99,153	94,332
EXPENSES:				
Administrative-				
Accountants Review & Tax Preparation	1,150		1,150	1,150
Insurance	10,041		10,041	10,551
Legal & Collection	110		110	404
Management	9,490		9,490	8,990
Other Administration	4,019		4,019	2,823
Replacement Study	700		700	350
Taxes - Income	10		10	10
Total Administrative	25,520	-	25,520	24,278
Maintenance-				
Common Area	3,752		3,752	1,930
Landscape	5,160		5,160	7,520
Patio Cover			-	64,437
Pest Control	234		234	-
Pool and Spa	9,297		9,297	5,705
Pool Monitors Payroll & Related	15,685		15,685	8,225
Solar Panels		18,670	18,670	2,000
Total Maintenance	34,128	18,670	52,798	89,817
Utilities-				
Gas & Electricity	8,721		8,721	7,567
Telephone	1,202		1,202	1,101
Water & Sewer	9,793		9,793	9,750
Total Utilities	19,716	-	19,716	18,418
TOTAL EXPENSES	79,364	18,670	98,034	132,513
Excess Revenue / (Expense)	\$ 2,935	\$ (1,816)	\$ 1,119	\$ (38,181)
Beginning Fund Balances	15,833	100,266	116,099	154,280
Interfund Transfers	32,712	(32,712)	-	-
Ending Fund Balances	\$ 51,480	\$ 65,738	\$ 117,218	\$ 116,099

See Accompanying Notes to the Financial Statements and Independent Accountant's Review Report

Mesa View Homeowners Association No. 2
Statement of Cash Flows
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

Cash Flows From -	2019			2018
	Operating Fund	Replacement Fund	Total Funds	Total Funds
Operating Activities:				
Excess Revenue / (Expense)	\$ 2,935	\$ (1,816)	\$ 1,119	\$ (38,181)
(Increase) / Decrease in:				
Assessments Receivable	(2,415)		(2,415)	(1,901)
Prepaid Insurance	196		196	(184)
Increase / (Decrease) in:				
Accounts Payable	616		616	(1,500)
Prepaid Assessments	24,504		24,504	(3,418)
Accrued Payroll Payable	3,371		3,371	-
Payroll Taxes Payable	504		504	-
Net Operating Activities	29,711	(1,816)	27,895	(45,184)
Investing Activities:				
Sale of Investments			-	36,220
Reinvestment of CD Interest			-	(3)
Net Investing Activities	-	-	-	36,217
Financing Activities:				
Net Interfund Transfers	32,712	(32,712)	-	-
Net Financing Activities	32,712	(32,712)	-	-
Net Increase / (Decrease) in Cash and Cash Equivalents	62,423	(34,528)	27,895	(8,967)
Cash and Cash Equivalents at:				
Beginning of Year	25,562	100,266	125,828	134,795
End of Year	\$ 87,985	\$ 65,738	\$ 153,723	\$ 125,828
Supplemental Disclosure:				
Income taxes paid	\$ 10	\$ -	\$ 10	\$ 10

See Accompanying Notes to the Financial Statements and Independent Accountant's Review Report

Mesa View Homeowners Association No. 2
Notes to Financial Statements
Year Ended June 30, 2019

Note 1. Organization:

Mesa View Homeowners Association No. 2 was incorporated on May 15, 1970 as a California mutual benefit corporation. The Association is a planned unit development whose primary purpose is to act as a "management body" for the preservation, maintenance and architectural control of the common area within the project located in San Diego, California which includes 440 residential lots.

Note 2. Accounting Policies:

The accompanying financial statements are presented on the accrual basis in accordance with generally accepted accounting principles whereby all revenues are recognized when earned and expenses are recognized when incurred. The Association records both operating and replacement fund assessments as revenue when due from members, which the Association determined is in compliance with FASB ASC 606.

Homeowners associations operate on a fund accounting basis whereby current expenses are paid from operating funds and major repairs and replacements are paid from accumulated replacement funds.

Real property acquired from the developer and replacements and improvements to common property are not capitalized or depreciated because the common areas are owned, in effect, by the individual unit owners as tenants in common and generally can not be disposed of by the Association.

In accordance with generally accepted accounting principles regarding "Statement of Cash Flows," cash equivalents consist primarily of certificates of deposits and securities with original maturities of 90 days or less. Securities with original maturities over 90 days are generally classified as short-term investments.

The Association's investments are classified as "held-to-maturity," therefore the investments are carried on the financial statements at amortized cost, and any gain or loss will be recorded at time of sale.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

The amounts shown for the previous year are included to provide a basis for comparison and present summarized totals only. Accordingly, the amounts are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles. Some items may have been reclassified for purposes of overall comparability and consistency of presentation.

Note 3. Income Tax Status and Policies:

The Association files its tax returns as an exempt homeowners association under IRC Sec. 528, and State Rev. & Tax Code 23701t whereby the Association incurs corporation income taxes on income from non-member sources only, such as interest. Generally, the Association treats income tax expenses as an operating expense, regardless of the fund through which the related taxable income was recognized.

Mesa View Homeowners Association No. 2
Notes to Financial Statements
Year Ended June 30, 2019

Note 4. Members Assessments and Receivables:

The annual budget and members' assessments are determined by the Board of Directors or may be approved by the members. The Association retains any excess funds for expenses in future years. Regular assessments to members were \$103 per lot per six months for the year ended June 30, 2019. The Association's policy is to place liens on the properties of owners whose assessments are in arrears, and pursue other legal remedies if necessary to collect delinquent assessments. No allowance for uncollectible accounts has been recorded.

Note 5. Future Major Repairs and Replacements:

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$65,738 at June 30, 2019, are held in separate interest bearing accounts and are generally not available for operating purposes. The Association's policy is to fund major repairs and replacements from replacement funds if available. Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacement of common property components. Actual expenditures may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If funds are not adequate, the Association has the right to increase regular assessments, pass special assessments, or delay replacement until funds are available.

A replacement funding program is required by California law to be prepared and distributed to the members annually as part of the annual budget. As shown in the Supplementary Information, a study to determine the adequacy of the current funding program for repair and replacement of Association common areas has been conducted. Included in the study are major repair and replacement components that the Association is obligated to maintain, that have useful lives of more than one year and remaining useful lives of less than thirty years. Excluded from the study are certain major structural components such as buildings, concrete, and underground utility systems. It is assumed that the excluded major structural items have indefinite lives and the appropriate funding method for their replacement will be decided if and when those items need to be replaced. The study indicates the Association is 23% funded.

The Association's budgeted replacement funding for the year ended June 30, 2019 was \$16,800. Replacement fund disbursements totaling \$18,670 were made during the year for solar panel installation.

The Association used \$2,495 from the replacement fund for operations during the year ended June 30, 2019.

During the year ended June 30, 2019, the Association repaid the operating fund for replacement fund expenditures paid from operations during the year ended June 30, 2018 totaling \$30,217.

The Board of Directors has not documented plans to repay those amounts and therefore, \$32,712 (\$2,495+\$30,217) is reflected as a transfer from the replacement fund to the operating fund.

Mesa View Homeowners Association No. 2
Notes to Financial Statements
Year Ended June 30, 2019

Note 6. Subsequent Events:

The Association has evaluated subsequent events through May 26, 2020, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.

However, the spread of Coronavirus (COVID-19) in the first months of 2020 has caused a substantial impact on the U.S. economy. There is significant uncertainty around the effects and duration of business interruption related to COVID-19. The extent of the impact on the Association's operations, management, employees, vendors, and owners, will depend on certain developments, which cannot be determined at this time.

Mesa View Homeowners Association No. 2
Required Supplementary Information
Future Major Repairs and Replacements
June 30, 2019

(Compiled)

Calif. CC 5550 requires a physical inspection every three years. The reserve study must be reviewed annually and updated as necessary.

A study of the Association's replacement funding requirements, based upon a physical inspection by an independent consultant, was prepared on April 9, 2019 for the year ended June 30, 2019.

The study provides estimates of remaining useful lives and current replacement costs of the components of the common property. The following table is based on the reserve study and presents the significant information about the components of the common property.

Components	<u>Estimated Remaining Useful Life/Yrs</u>	<u>Estimated Current Replacement Costs</u>	<u>Annual Funding Requirement</u>	<u>Accumulated Replacement Requirement Per Study</u>	<u>Component of Fund Balance</u>
Roofing-Pool Building	14 - 14	\$ 5,175	\$ 148	\$ 3,105	\$ 714
Painting	1 - 5	13,252	2,045	6,561	1,509
Fence/Gates	3 - 10	44,665	2,200	29,468	6,777
Paved Surfaces	1 - 1	155,000	4,333	150,667	34,650
Pools	1 - 14	75,950	6,010	48,653	11,189
Shade Structures	19 - 24	57,937	2,387	2,387	549
Landscaping/Irrigation	2 - 7	12,725	1,359	5,486	1,262
Lighting/Electrical	1 - 19	7,680	459	4,673	1,075
Miscellaneous	1 - 24	34,800	1,352	21,145	4,863
Contingency (5%)		<u>20,359</u>	<u>1,015</u>	<u>13,607</u>	<u>3,129</u>
Totals		<u>\$ 427,543</u>	<u>\$ 21,308</u>	<u>\$ 285,751</u>	<u>\$ 65,717</u>
Percent Funded					<u>23.0%</u>
As of June 30, 2019					
The annual budgeted allocation to replacements			<u>\$ 16,800</u>		
The cash balance in replacement funds					<u>\$ 65,738</u>

See Independent Accountant's Review Report