



# Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

## Mesa View Homeowners Association No. 2 Reviewed Financial Statements Year Ended June 30, 2020

### Contents

	<u>Page No.</u>
INDEPENDENT ACCOUNTANT’S REVIEW REPORT	1-2
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Revenues and Expenses and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to the Financial Statements	6
REQUIRED SUPPLEMENTARY INFORMATION	
Future Major Repairs and Replacements	9



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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, 2020, 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, 2019 financial statements and in our conclusion dated May 26, 2020, 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.



February 3, 2021

Sonnenberg & Company, CPAs

**Mesa View Homeowners Association No. 2**  
**Balance Sheet**  
**June 30, 2020**  
(With Comparative Totals for 2019)

	2020			2019
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b>ASSETS:</b>				
Cash in Checking	\$ 39,917	\$	\$ 39,917	\$ 87,985
Cash in Savings		90,306	90,306	65,738
Assessments Receivable	7,022		7,022	6,803
Allowance for Uncollectible	(528)		(528)	-
Insurance Refund Receivable	857		857	-
Prepaid Insurance	1,680		1,680	2,446
<b>TOTAL ASSETS</b>	<b>\$ 48,948</b>	<b>\$ 90,306</b>	<b>\$ 139,254</b>	<b>\$ 162,972</b>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 8,495	\$	\$ 8,495	\$ 4,343
Prepaid Assessments	38,525		38,525	37,536
Accrued Payroll Payable	1,707		1,707	3,371
Payroll Taxes Payable	412		412	504
<b>TOTAL LIABILITIES</b>	<b>49,139</b>	<b>-</b>	<b>49,139</b>	<b>45,754</b>
<b>FUND BALANCES:</b>	<b>(191)</b>	<b>90,306</b>	<b>90,115</b>	<b>117,218</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 48,948</b>	<b>\$ 90,306</b>	<b>\$ 139,254</b>	<b>\$ 162,972</b>

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, 2020  
(With Comparative Totals for 2019)

	2020			2019
	Operating Fund	Replacement Fund	Total Funds	Total Funds
<b>REVENUES:</b>				
Regular Assessments	\$ 75,840	\$ 32,400	\$ 108,240	\$ 90,640
Late & Miscellaneous	6,859		6,859	8,433
Interest	14	78	92	80
<b>TOTAL REVENUES</b>	<b>82,713</b>	<b>32,478</b>	<b>115,191</b>	<b>99,153</b>
<b>EXPENSES:</b>				
<b>Administrative-</b>				
Accountants Review & Tax Preparation	1,150		1,150	1,150
Bad Debts	528		528	-
Insurance	9,792		9,792	10,041
Legal & Collection	1,698		1,698	110
Management/Bookkeeping	10,353		10,353	9,490
Other Administration	3,102		3,102	3,092
Replacement Study	350		350	700
Taxes - Income	65		65	10
<b>Total Administrative</b>	<b>27,038</b>	<b>-</b>	<b>27,038</b>	<b>24,593</b>
<b>Maintenance-</b>				
Common Area	3,670		3,670	3,752
Landscape	7,406		7,406	5,160
Pest Control	243		243	234
Pool and Spa	9,233	55,110	64,343	9,297
Pool Monitors Payroll & Related	15,654		15,654	15,685
Security	779		779	927
Solar Panels			-	18,670
<b>Total Maintenance</b>	<b>36,985</b>	<b>55,110</b>	<b>92,095</b>	<b>53,725</b>
<b>Utilities-</b>				
Gas & Electricity	8,111		8,111	8,721
Telephone	1,402		1,402	1,202
Water & Sewer	13,648		13,648	9,793
<b>Total Utilities</b>	<b>23,161</b>	<b>-</b>	<b>23,161</b>	<b>19,716</b>
<b>TOTAL EXPENSES</b>	<b>87,184</b>	<b>55,110</b>	<b>142,294</b>	<b>98,034</b>
Excess Revenue / (Expense)	\$ (4,471)	\$ (22,632)	\$ (27,103)	\$ 1,119
Beginning Fund Balances	51,480	65,738	117,218	116,099
Interfund Transfers	(47,200)	47,200	-	-
<b>Ending Fund Balances</b>	<b>\$ (191)</b>	<b>\$ 90,306</b>	<b>\$ 90,115</b>	<b>\$ 117,218</b>

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, 2020

(With Comparative Totals for 2019)

Cash Flows From -	2020			2019
	Operating Fund	Replacement Fund	Total Funds	Total Funds
Operating Activities:				
Excess Revenue / (Expense)	\$ (4,471)	\$ (22,632)	\$ (27,103)	\$ 1,119
(Increase) / Decrease in:				
Assessments Receivable	(219)		(219)	(2,415)
Allowance for Uncollectible	528		528	-
Insurance Refund Receivable	(857)		(857)	-
Prepaid Insurance	766		766	196
Increase / (Decrease) in:				
Accounts Payable	4,152		4,152	616
Prepaid Assessments	989		989	24,504
Accrued Payroll Payable	(1,664)		(1,664)	3,371
Payroll Taxes Payable	(92)		(92)	504
Net Operating Activities	<u>(868)</u>	<u>(22,632)</u>	<u>(23,500)</u>	<u>27,895</u>
Financing Activities:				
Net Interfund Transfers	(47,200)	47,200	-	-
Net Financing Activities	<u>(47,200)</u>	<u>47,200</u>	<u>-</u>	<u>-</u>
Net Increase / (Decrease) in Cash and Cash Equivalents	(48,068)	24,568	(23,500)	27,895
Cash and Cash Equivalents at:				
Beginning of Year	<u>87,985</u>	<u>65,738</u>	<u>153,723</u>	<u>125,828</u>
End of Year	<u>\$ 39,917</u>	<u>\$ 90,306</u>	<u>\$ 130,223</u>	<u>\$ 153,723</u>
Supplemental Disclosure:				
Income taxes paid	<u>\$ 65</u>	<u>\$ -</u>	<u>\$ 65</u>	<u>\$ 10</u>

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, 2020

**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. The Association incurred no taxes for the year ended June 30, 2020.

**Mesa View Homeowners Association No. 2**  
Notes to Financial Statements  
Year Ended June 30, 2020

**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 \$123 per lot per six months for the year ended June 30, 2020. 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. An 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 \$90,306 at June 30, 2020, 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 34.8% funded.

The Association's budgeted replacement funding for the year ended June 30, 2020 was \$32,400.

The Association transferred an additional \$47,200 to the replacement savings account during the year ended June 30, 2020. The Board of Directors has not documented plans to repay that amount and therefore, \$47,200 is reflected as a transfer to the replacement fund from the operating fund.

Replacement fund disbursements totaling \$55,110 were made during the year for pool resurfacing.



**Mesa View Homeowners Association No. 2**  
Notes to Financial Statements  
Year Ended June 30, 2020

**Note 6. Insurance Refund Receivable:**

During the year ended June 30, 2020, the Association renewed their workers compensation policy for \$857 but the policy was cancelled and went with another insurance provider in July 2020. The first policy was refunded August 2020 and therefore an insurance refund receivable totaling \$857 was recorded as of June 30, 2020.

**Note 7. Risks and Uncertainties:**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders, including California, where the Association is located. 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.

**Note 8. Date of Management Review:**

The Association has evaluated subsequent events through February 3, 2021, 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.

**Mesa View Homeowners Association No. 2**  
**Required Supplementary Information**  
**Future Major Repairs and Replacements**  
**June 30, 2020**

(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.

An accounting update was prepared on June 15, 2020 and projected to June 30, 2020.

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	Estimated Remaining Useful Life/Yrs	Estimated Current Replacement Costs	Annual Funding Requirement	Accumulated Replacement Requirement Per Study	Component of Fund Balance
Roofing-Pool Building	13 - 13	\$ 5,244	\$ 150	\$ 3,296	\$ 1,146
Painting	1 - 4	13,488	2,083	7,920	2,753
Fence/Gates	2 - 9	45,869	2,249	32,464	11,285
Paved Surfaces	1 - 2	155,000	4,333	147,333	51,217
Pools	1 - 30	105,441	6,883	17,876	6,214
Shade Structures	18 - 23	57,937	2,387	4,774	1,659
Landscaping/Irrigation	1 - 6	12,725	1,359	6,845	2,379
Lighting/Electrical	1 - 18	7,680	459	4,982	1,732
Miscellaneous	1 - 23	34,950	1,362	21,892	7,610
Contingency (5%)		21,917	1,063	12,369	4,300
Totals		\$ <u>460,251</u>	\$ <u>22,328</u>	\$ <u>259,751</u>	\$ <u>90,296</u>
Percent Funded					<u>34.8%</u>
As of June 30, 2020					
The annual budgeted allocation to replacements			\$ <u>32,400</u>		
The cash balance in replacement funds					\$ <u>90,306</u>

See Independent Accountant's Review Report